
**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, 2022

OR

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

For transition period from _____ to _____

Commission File Number: **001-36089**

RingCentral, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

94-3322844

(I.R.S. Employer
Identification No.)

20 Davis Drive

Belmont, California 94002

(Address of principal executive offices)

(650) 472-4100

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock par value \$0.0001	RNG	New York Stock Exchange

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 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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

☐

Indicate by check mark whether the registrant 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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant on June 30, 2022, based on the closing price of \$52.26 for shares of the Registrant’s common stock as reported by the New York Stock Exchange, was approximately \$4.5 billion. Shares of common stock held by each executive officer, director, and their affiliated holders have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 14, 2023, there were 85,549,766 shares of Class A Common Stock and 9,924,538 shares of Class B Common Stock outstanding.

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PART I.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in, but not limited to, the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates", "believes", "could", "seeks", "estimates", "expects", "intends", "may", "plans", "potential", "predicts", "projects", "should", "will", "would" or similar expressions and the negatives of those terms. Forward-looking statements include, but are not limited to, statements about:

- our progress against short-term and long-term goals;
- our future financial performance;
- our anticipated growth, growth strategies and our ability to effectively manage that growth and effect these strategies;
- our success in the enterprise market;
- anticipated trends, developments and challenges in our business and in the markets in which we operate, as well as general macroeconomic conditions;
- our ability to scale to our desired goals, particularly the implementation of new processes and systems and the addition to our workforce;
- the impact of competition in our industry and innovation by our competitors;
- our ability to anticipate and adapt to future changes in our industry;
- our ability to predict subscriptions revenues, formulate accurate financial projections, and make strategic business decisions based on our analysis of market trends;
- our ability to anticipate market needs and develop new and enhanced solutions and subscriptions to meet those needs, and our ability to successfully monetize them;
- maintaining and expanding our customer base;
- maintaining, expanding and responding to changes in our relationships with other companies;
- maintaining and expanding our distribution channels, including our network of sales agents and resellers, and our strategic partnerships;
- our success with our strategic partners and global service providers;
- our ability to sell, market, and support our solutions and services;
- our ability to expand our business to larger customers as well as expanding domestically and internationally;
- our ability to realize increased purchasing leverage and economies of scale as we expand;
- the impact of seasonality on our business;
- the impact of any failure of our solutions or solution innovations;
- our reliance on our third-party product and service providers;
- the potential effect on our business of litigation to which we may become a party;
- our liquidity and working capital requirements;
- the impact of changes in the regulatory environment;
- our ability to protect our intellectual property and rely on open source licenses;
- our expectations regarding the growth and reliability of the internet infrastructure;
- the timing of acquisitions of, or making and exiting investments in, other entities, businesses or technologies;
- our ability to successfully and timely execute on, integrate, and realize the benefits of any acquisition, investment, strategic partnership, or other strategic transaction we may make or undertake;
- our capital expenditure projections;

- our capital allocation plans, including expected allocations of cash and timing for any share repurchases and other investments
- the estimates and estimate methodologies used in preparing our consolidated financial statements;
- the political environment and stability in the regions in which we or our subcontractors operate;
- the impact of economic downturns on us and our customers;
- our ability to defend our systems and our customer information from fraud and cyber-attack;
- our ability to prevent the use of fraudulent payment methods for our solutions;
- our ability to retain key employees and to attract qualified personnel; and
- the impact of foreign currencies on our non-U.S. business as we expand our business internationally.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be significantly different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date in this Annual Report on Form 10-K. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be significantly different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ significantly from those anticipated in these forward-looking statements, even if new information becomes available in the future.

ITEM 1. BUSINESS

Overview

We are a leading provider of global enterprise cloud communications, video meetings, collaboration, and contact center software-as-a-service (“SaaS”) solutions. We believe that our innovative, cloud-based communication and customer engagement platform disrupts the large market for business communications and collaboration by providing flexible and cost-effective solutions that support mobile and distributed workforces. We enable convenient and effective communications for organizations across all their locations and employees, enabling them to be more productive and responsive.

Our cloud-based solutions are designed to be easy to use, providing a global user identity across devices, including smartphones, tablets, PCs and desk phones. Our solutions can be deployed rapidly and configured and managed easily. Our cloud-based solutions are location and device independent and better suited to address the needs of modern mobile and global enterprise workforces than are legacy on-premises systems. Through our open platform, we enable third-party developers and customers to develop integrations and workflows using our robust set of Application Programming Interface (“API”) and software developers’ kits (“SDKs”).

The rapid growth of mobile communications has changed the way businesses interact. Employees connect from anywhere with any device, using multiple modes of communications including messaging, video, phone, and text. These forms of flexible communications enable employees to be productive in ways that traditional on-premises systems do not support.

We believe RingCentral benefits from both the shift to mobile and distributed workforces and the migration of on-premises based communication systems to cloud-based software solutions. Our cloud communications and customer engagement solutions are based on our Message Video Phone (MVP) platform, which has been designed from the ground up, specifically for today’s mobile and distributed workforce. In addition, our differentiated open platform enables seamless integration with third-party and custom software applications. These integrations improve business workflows resulting in higher employee productivity and better customer service. Our global delivery capabilities support the needs of multi-national enterprises in multiple countries.

We offer three key products in our portfolio, including:

- RingCentral MVP (formerly RingCentral Office), a Unified Communications as a Service (“UCaaS”) platform, including team messaging, video meetings, and a cloud phone system;
- Customer engagement solutions, including RingCentral Contact Center, RingCentral Engage Digital and Voice; and
- RingCentral Video, launched in 2020, our branded video meeting solution with team messaging that enables smart video meetings.

We generate revenues primarily from the sale of subscriptions for our cloud-based services. We focus on acquiring and retaining our customers, adding value to their experience, and increasing their use of our solutions. As their needs change, customers add users to services and additional features and functionality to expand their use of other solutions.

We continue to support our direct inside sales force while also developing indirect sales channels to market our brand and our subscription offerings. Our indirect sales channels who sell our solutions consist of:

- Regional and global network of resellers and distributors;
- Strategic partners who market and sell our MVP and other solutions, including co-branded solutions. Such partnerships include Mitel US Holdings, Inc. (“Mitel”), Amazon Web Services (“Amazon”), Alcatel-Lucent Enterprise (“ALE”), Avaya Holding Corp. (“Avaya”), Atos SE (“Atos”), and Unify Software and Solutions GmbH & CO. KG (“Unify”).
- Global Service Provider partners who sell our product, including AT&T (“AT&T”), TELUS Communications Company (“TELUS”), BT Group plc (“BT”), Vodafone Group Services Limited (“Vodafone”), Verizon Business (“Verizon”), Deutsche Telekom (“DT”), 1&1 Versatel in Germany, Ecotel in Germany, MCM in Mexico, Frontier, Charter Communications and others.

Our principal executive offices are located in Belmont, California. Our principal address is 20 Davis Drive, Belmont, California 94002, and our primary website address is www.ringcentral.com. Information contained on, or that can be accessed through, our website, does not constitute part of this Annual Report on Form 10-K and inclusion of our website address in this Annual Report on Form 10-K is an inactive textual reference only.

“RingCentral” and other of our trademarks appearing in this report are our property. This report also contains trade names and trademarks of other companies. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

Our Solutions

Our cloud-based business communications, collaboration, and customer engagement solutions function across multiple locations and devices, including smartphones, tablets, PCs and desk phones, allow for communication across multiple modes, including high-definition (“HD”) voice, video, SMS, messaging and collaboration, conferencing, and fax. Our proprietary solutions enable a more productive and dynamic workforce and are architected using industry standards to meet modern business communications and collaboration requirements, including workforce mobility, “bring-your-own” communications device environments and multiple communications methods.

Our solutions are delivered using a highly available, and rapidly and easily scalable infrastructure, allowing our customers to add new users regardless of where they are located within our service footprint and promote business continuity. Our solutions are generally affordable, requiring little to no upfront infrastructure hardware costs or ongoing maintenance and upgrade costs commonly associated with on-premise systems and can be integrated with other existing communication systems.

We believe that our solutions go beyond the core functionality of existing on-premise communications solutions by providing additional key benefits that address the changing requirements of business to allow business communications using HD voice, video, SMS, messaging, collaboration, conferencing, and fax. The key benefits of our solutions include:

- **Location Independence.** Our cloud-based solutions are designed to be location independent. We seamlessly connect distributed and mobile users, enabling employees to communicate with a single identity whether working from a central location, a branch office, on the road, or at home.

- **Global.** Our RingCentral Global MVP capabilities support multinational enterprise workforces. RingCentral Global MVP connects multinational workforces globally, while reducing the complexity and high costs of maintaining multiple legacy private branch exchanges (“PBX systems”) with a single global cloud solution.
- **Device Independence.** Our solutions are designed to work with a broad range of devices, including smartphones, tablets, PCs, and desk phones, enabling businesses to successfully implement a “bring-your-own” communications device strategy.
- **Instant Activation and Easy Account Management.** Our solutions are designed for rapid deployment and ease of management. Our intuitive graphical user interfaces allow administrators and users to set up and manage their business communications system with little or no IT expertise, training, or dedicated staffing.
- **Analytics.** Our solutions enable superior user experience and drive business decisions through a single, real-time intuitive interface with configurable, out-of-the-box KPIs and metrics for monitoring all users, calls, meetings, devices, numbers, and queues, along with call quality scores and parameters.
- **Scalability.** Our cloud-based solutions scale easily and efficiently with the growth of our customers. Customers can add users, regardless of their location, without having to purchase additional infrastructure hardware or software upgrades.
- **Lower Cost of Ownership.** We believe that our customers experience significantly lower cost of ownership compared to legacy on-premise systems. Using our cloud-based solutions, our customers can avoid the significant upfront costs of infrastructure hardware, software, ongoing maintenance and upgrade costs, and the need for dedicated and trained IT personnel to support these systems.
- **Seamless and Intuitive Integration with Other Applications.** Applications are proliferating within businesses of all sizes. Integration of these business applications with legacy on-premise systems is typically complex and expensive, which limits the ability of businesses to leverage cloud-based applications. Our platform provides seamless and intuitive integration with multiple popular cloud-based business applications such as Microsoft productivity and CRM tools, Google G-Suite, Salesforce CRM, Oracle, Okta, Zendesk, Box, and Workday, as well as customer lines-of-business applications.

We have a portfolio of cloud-based offerings that are subscription-based and made available at different monthly rates, varying by the specific functionalities, services, and number of users. We primarily generate revenues from the sale of subscriptions of our offerings, which include the following:

RingCentral MVP. RingCentral MVP (formerly RingCentral Office), our flagship solution, provides a unified experience for communication and collaboration across multiple modes, including HD voice, video, SMS, messaging and collaboration, conferencing, online meetings, and fax. RingCentral MVP offers a unified Message, Video, and Phone experience on our global platform. Customers can extend RingCentral MVP to support their multinational workforce in many countries around the world. This subscription is designed primarily for businesses that require a communications solution, regardless of location, type of device, expertise, size, or budget. Businesses are able to seamlessly connect users working in multiple office locations on smartphones, tablets, PCs and desk phones. The features, capabilities and price per user increase from Essentials to Ultimate. The solution capabilities include high-definition voice, call management, mobile applications, business SMS and MMS, fax, team messaging and collaboration, audio/video/web conferencing capabilities, out-of-the-box integrations with other cloud-based business applications, and business analytics and reporting. Our platform also enables customers to create, develop, and deploy custom integrations using our APIs.

Key features of RingCentral MVP include:

- **Cloud-Based Business Communications Solutions.** We offer multi-user, multi-extension, cloud-based business communications solutions that do not require installation, configuration, management, or maintenance of on-premise hardware and software. Our solutions are instantly activated and deliver a rich set of functionalities across multiple locations and devices.
- **Team Messaging and Collaboration.** We offer team messaging and collaboration solutions which allow diverse teams to stay connected through multiple modes of communication. In addition to team messaging and communications, teams can share tasks, notes, group calendars, and files.
- **RingCentral Video (“RCV”) and RingCentral Rooms.** RingCentral Video leverages RingCentral’s open platform to address the demand in work from anywhere by leveraging technologies to enable a fast, unified, open, and trusted video meetings experience. It includes a robust analytics platform that gives IT system administrators access to key performance indicators such as adoption, usage, and quality of service metrics.

RCV is also integrated with business productivity applications such as Google Workspace, Salesforce, HubSpot, Microsoft 365, Slack, Theta Lake, and Zoho, among others. RingCentral Rooms and Rooms Connector bring a cloud web conferencing solution to meeting rooms and meeting spaces that have dedicated video conferencing equipment such as monitors, speakers, microphones, and cameras, and support for large meetings and webinars for a monthly per license add-on fee.

- **Mobile-Centric Approach.** Our solution includes smartphone and tablet mobile applications that customers can use to set up and manage company, department, and user settings from anywhere. Our applications turn iOS and Android smartphones and tablets into business communication devices. Users can change their personal settings instantly and communicate via voice, text, team messaging and collaboration, HD video and web conferencing, and fax. RingCentral MVP installed on personal mobile devices are fully integrated into the customer's cloud-based communication solution, using the company's numbers, and displaying one of the company's caller ID for calls made through our mobile applications.
- **Easy Set-Up and Control.** Our user interfaces provide a consistent user experience across smartphones, tablets, PCs, and desk phones, making it intuitive and easy for our customers to quickly discover and use our solution across devices. Among other capabilities, administrators can specify and modify company, department, user settings, auto-receptionist settings, call-handling, and routing rules, and add, change, and customize users and departments.
- **Flexible Call Routing.** Our solution includes an auto-attendant to easily customize call routing for the entire company, departments, groups, or individual employees. It includes a robust suite of communication management options, including time of day, caller ID, call queuing, and sophisticated routing rules for complex call handling for the company, departments, groups, and individual employees.
- **Cloud-based Business Application Integrations.** Our solution seamlessly integrates with other cloud-based business applications such as Salesforce CRM, Google Cloud, Box, Dropbox, Office365, Outlook, Oracle, Okta, Zendesk, Jira, Asana, and others. For example, our integration with Salesforce CRM brings up customer records immediately based on inbound caller IDs, resulting in increased productivity and efficiency. Our open platform is supported by APIs and software developers' kits ("SDKs") that allows developers to integrate our solution with leading business applications or with other custom applications to customize their own business workflows.
- **RingCentral Global MVP.** Our solution includes RingCentral Global MVP, a single global UCaaS solution designed for multinational enterprises that allows these companies to support distributed offices and employees globally with a single cloud solution. With RingCentral Global MVP, multinational enterprises can operate in other countries while also acting as one integrated business, with capabilities including local phone numbers, local caller ID, worldwide extension-to-extension dialing, and included minute bundles for international calling.
- **RingCentral Cloud Connector.** RingCentral Cloud Connector is a hybrid PBX solution where businesses can interconnect their on-premises PBX systems with RingCentral MVP. This allows for seamless internal employee dialing between on-premises PBX users and RingCentral cloud users. Previously, internal employee communication between both groups would be difficult to be connected, which caused increased overall telecommunications spend and IT complexities due to roaming charges and PSTN connectivity. Modern UCaaS providers like RingCentral changed that model and now include a hybrid PBX solution with offering.
- **RingCentral Direct Connect.** RingCentral Direct Connect is a service that allows enterprises to leverage their dedicated and secure connections to exchange data directly with the RingCentral cloud. Customers use their preferred network service provider to connect to the RingCentral cloud through a secure data exchange enabling lower latency, greater network reliability and availability, and added security.
- **High-Volume SMS.** High-Volume SMS is a service that enables businesses to send high-volume and commercial SMS messages and updates to their customers eliminating the need to purchase and program a separate number. Our service also provides access to message status, logs, store, and analytics for advanced insights and regulatory compliance.
- **RingCentral Live Reports.** RingCentral Live Reports is an add-on for RingCentral MVP customers to gather real-time information needed to maximize the performance with dashboards that contain information on agent utilization and overall customer experience.
- **RingCentral Fax.** RingCentral Fax provides online fax capabilities that allow businesses to send and receive fax documents without the need for a fax machine. RingCentral Fax capability is made available to all

RingCentral MVP customers or as a stand-alone offering at monthly subscription rates that vary based on the desired number of pages and phone numbers allotted to the plan.

RingCentral Contact Center. RingCentral Contact Center is a collaborative contact center solution that delivers AI powered omni-channel and workforce engagement solution with integrated RingCentral MVP. RingCentral Contact Center brings together the powerful integration of CCaaS which leverages technology from NICE inContact, Inc., along with RingCentral MVP, enabling an easy collaboration while delivering seamless omnichannel experiences across 30+ digital and voice channels.

RingCentral Engage Digital. RingCentral Engage is a cloud digital customer engagement platform that allows enterprises to interact with their customers through a single platform across all digital channels. The platform uses AI-based smart routing engine that enables agents to efficiently manage customer interactions across digital channels including mobile and in-app messaging, several social channels, live chats, and email.

RingCentral Engage Voice. Engage Voice is a cloud-based outbound/blended customer engagement platform for small to midsize companies. The platform provides automated dialing capabilities to help accelerate the sales process and reduce time it takes sales teams to reach prospects.

RingCentral Video. RingCentral Video is a smart video meeting service, which includes our RCV video and team messaging capabilities. It is an easy-to-use solution that offers high quality and high availability video and audio conferencing, seamlessly integrated with team messaging, file sharing, contact, task, and calendar management. It includes pre-meeting, in-meeting, and post-meeting capabilities, and provides a completely integrated team collaboration capability. RingCentral Video is provided in two editions: Pro, which is a free service, and a paid Pro Plus subscription service which offers a higher number of meeting participants and additional video meeting and administrative management capabilities.

RingCentral Professional Services. Professional Services helps guide our customers through the many points of the cloud adoption lifecycle: consultation, UCaaS and CCaaS implementation, VoIP phone system adoption, configuring custom workflows, customer and user onboarding, ongoing support, managed services, and more.

Segment Reporting

Our organizational structure is a single reportable segment. A discussion of the results of our operations is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and in Part II, Item 8, “Consolidated Financial Statements and Supplementary Data” of this Annual Report of Form 10-K, under Consolidated Financial Statements, which are incorporated herein by reference.

Our Customers

We have a diverse and growing customer base across a wide range of industries, including financial services, education, healthcare, legal services, real estate, retail, technology, insurance, construction, hospitality, and state and local government, among others. We seek to establish and maintain long-term relationships with our customers. We do not have significant customer concentration and no individual customer accounted for more than 10% of total revenue for the years ended December 31, 2022, 2021, and 2020. We believe that we will not have significant customer concentration in the future.

We sell our solutions to enterprise customers, and small and medium-sized businesses. We define a “customer” as a party that purchases or subscribes to our products and services directly or through our indirect sales channel, which includes resellers and distributors, strategic partners and global service providers. We continuously expand our solution offering globally and believe that there are additional growth opportunities in international markets.

Marketing, Sales and Support

We use a variety of marketing, sales, and support activities to generate and cultivate ongoing customer demand for our subscriptions, acquire new customers, and engage with our existing customers. We sell globally through both direct and indirect channels, which includes resellers and distributors, strategic partners and global service providers. We provide onboarding implementation services to help our customers set up and configure their newly purchased communications system, as well as ongoing self-service, phone support, online chat support, and training. We also closely track and monitor customer acquisition costs to assess how we are deploying our marketing, sales, and customer support spending.

- **Marketing.** Our marketing efforts include search engine marketing, search engine optimization, affiliates, list buys, shared leads, content leads, appointment setting, radio advertising, online display advertising, sports sponsorships, billboard advertising, tradeshow and events, and other forms of demand generation. We track and measure our marketing costs closely across all channels so that we can acquire customers in a cost-efficient manner.
- **Direct Sales.** We primarily sell our solutions and subscriptions through direct inbound and outbound sales efforts. We have direct sales representatives located in the U.S. and internationally.
- **Indirect Sales.** Our indirect sales channel consists of global and regional networks of resellers and distributors, strategic partners and global and regional service providers. Our indirect sales channels help broaden the adoption of our solutions and enables us to leverage their sales force to sell our services as well as access their customer bases.
- **Customer Support and Services.** While our intuitive and easy-to-use user interface serves to reduce our customers' need for support and services, we provide online chat and phone customer support, as well as post-sale implementation support, as an option to help customers configure and use our solution. We track and measure our customer satisfaction and our support costs closely across all channels to provide a high level of customer service in a cost-efficient manner.

Research and Development

We believe that continued investment in research and development is critical to expanding our leadership position within the cloud-based business communications, collaboration, and contact center solutions market and is a key element of our culture. We devote the majority of our research and development resources to software development. Our engineering team has significant experience in various disciplines related to our platform, such as voice, video, text, team messaging and collaboration, mobile application development, IP networking and infrastructure, contact center, digital customer engagement, user experience, security, and robust multi-tenant cloud-based system architecture.

Our development methodology, in combination with our SaaS delivery model, allows us to provide new and enhanced capabilities on a regular basis. Based on feedback from our customers and prospects and our review of the broader business communications and SaaS markets, we continuously develop new functionality while maintaining and enhancing our existing solutions. We typically have multiple releases per year, where we constantly improve our solutions and introduce new capabilities and features to make our customers' workforce more productive and to build out the feature set required by larger and global enterprises.

As part of our strategy to expand our technological capabilities, we engage in strategic transactions from time to time. Such strategic acquisitions enable us to complement our technology and skill sets and expand our solution reach.

Technology and Operations

Our platforms are hosted both in private and public clouds. Our private clouds are built on a highly scalable and flexible infrastructure comprised of commercially available hardware and software components. Our public clouds are built on a platform that allows us to leverage shared components and services, enabling us to rapidly develop new features and functionalities on our existing platform without re-architecting the infrastructure to achieve geographical redundancy and high availability. We believe that both hardware and software components of our platform can be replaced, upgraded or added with minimal or no interruption in service. The system is designed to have no single point-of-failure. For the foreseeable future, we expect to increase our utilization of Amazon's public cloud services.

Our private cloud is served from multiple data centers and third-party co-location facilities located in several cities in the United States and throughout the world. Our data centers are designed to host mission-critical computer and communications systems with redundant, fault-tolerant subsystems, and compartmentalized security zones. We maintain a security program designed to ensure the security and integrity of customer data, protect against security threats or data breaches, and prevent unauthorized access to our customers' data. We limit access to on-demand servers and networks at our production and remote backup facilities.

Intellectual Property

We rely on a combination of patent, copyright, and trade secret laws in the U.S. and other jurisdictions, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered and unregistered trademarks to protect our brand. In addition, we seek to protect our intellectual property rights by implementing a policy that requires our employees and independent contractors involved in the development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

Our worldwide intellectual property portfolio includes over 940 issued patents, which expire between 2023 and 2041, and over 129 patent applications, pending examination in the U.S. and in foreign jurisdictions, all of which are related to U.S. applications. In general, our patents and patent applications apply to certain aspects of our SaaS and mobile applications and underlying communications infrastructure. We are also a party to various license agreements with third parties that typically grant us the right to use certain third-party technology in conjunction with our solutions and subscriptions. In the future, we may “prune” our patent portfolio by not continuing to renew some of our patents in some jurisdictions or may decide to divest some of our patents.

Competition

The market for business communications and collaboration solutions is very large, rapidly evolving, complex, fragmented and defined by changing technology, and customer needs. We expect competition to continue to increase in the future. We believe that the principal competitive factors in our market include:

- product features and capabilities;
- system reliability, availability, and performance;
- speed and ease of activation, setup, and configuration;
- ownership and control of the underlying technology;
- open platform;
- incumbency;
- integration with mobile devices;
- brand awareness and recognition;
- simplicity of the pricing model; and
- total cost of ownership.

We believe that we generally compete favorably on the basis of the factors listed above.

We face competition from a broad range of providers of business communications and collaboration solutions. Some of these competitors include:

- traditional on-premise, hardware business communications providers such as Alcatel-Lucent Enterprise, Avaya Inc., Cisco Systems, Inc., Mitel Networks Corporation, NEC Corporation, and Siemens Enterprise Networks, LLC, any of which may now or in the future also host their solutions through the cloud;
- software providers such as Microsoft Corporation and Cisco Systems, Inc. that generally license and/or host their software solutions, and their resellers including major global service providers and cable companies;
- established business communications providers that resell on-premise hardware, software, and hosted solutions, such as Comcast, COX, TMU, Orange, and others, all of whom currently have significantly greater resources than us and now or in the future also may develop and/or host their own or other solutions through the cloud;
- other cloud companies such as 8x8, Inc., Amazon.com, Inc., DialPad, Inc., LogMeIn, Inc., Microsoft Corporation, Nextiva, Inc., Twilio Inc., Vonage Holdings Corp. (acquired by Ericsson), and Zoom Video Communications, Inc.;

- video meeting and collaboration service providers such as Amazon.com, Inc., Apple Inc., Alphabet Inc. (Google G-Suite and Meet), Facebook, Inc., Microsoft Teams, Slack Technologies, Inc. (acquired by Salesforce.com, Inc.), and Zoom Video Communications, Inc.;
- other large internet companies such as Alphabet Inc. (Google Voice), Facebook, Inc., Oracle Corporation, and Salesforce.com, Inc., any of which might launch its own cloud-based business communication services or acquire other cloud-based business communications companies in the future;
- providers of communications platform as a service solutions and messaging software platforms with APIs such as Twilio Inc., Vonage Holdings Corp. (acquired by Ericsson), and Slack Technologies, Inc. (acquired by salesforce.com, inc), on which customers can build diverse solutions by integrating cloud communications into business applications;
- contact center and customer relationship management providers such as Amazon.com, Inc., Aspect Software, Inc., Avaya Inc., Five9, Inc., NICE InContact, Genesys Telecommunications Laboratories, Inc., Serenova, LLC (acquired by Lifesize, Inc.), Talkdesk, Inc., Vonage Holdings Corp. (acquired by Ericsson), Salesforce.com, Inc., Twilio Inc., and Zoom Video Communications, Inc.; and
- digital engagement vendors such as eGain Corporation, LivePerson, Inc., among others named above that may offer similar features.

Employees and Human Capital

We believe that our culture and our workforce are critically important to our success. Our human capital resources objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. We continuously invest in our global workforce by seeking to create a diverse, inclusive, and safe work environment where our employees can learn, innovate, and deliver their best. We are committed to being inclusive to enable our workforce and customers to succeed.

We invest in developing our talent and creating a superior employee experience. We believe that a highly engaged workforce will continue to drive RingCentral's competitive advantage as an innovative company and will also keep RingCentral as an employer of choice. We believe that our approach to talent development and innovation enables our team members to grow in their current positions and build new skills. We provide learning courses across a broad range of categories such as leadership, inclusion and diversity, technical and compliance, among others. We have periodic employee surveys that allow employees to voice their perceptions of the Company and their work experience.

Our diversity and inclusion initiatives honor the unique background, identity and perspectives of each individual in our organization and we are committed to the success of our workforce and customers. We continue to drive key initiatives in talent acquisition and talent management to focus on increasing the representation of women and underrepresented groups in our global workforce. We received recognition for our initiatives in the area of diversity, equity and inclusiveness, wherein our CEO was recognized as the "Best Company for Women" and "Diversity" by Comparably in 2022. We encourage and support employee resource groups like our LGBTQ+ group, Black employees group and Pan-Asian group, among others. We continue to look for ways to further expand our efforts in the area of diversity, equity and inclusion.

We face competition for highly skilled and technical workforce with experience in our industry and locations where we maintain offices. We strive to provide competitive pay, benefits, and services to attract and retain our employees. Our equity and cash incentive plans are designed to attract, retain and reward employees, in order to increase stockholder value and to enable the success of our Company by motivating such individuals to perform to the best of their abilities and share in the value creation process. We also provide access to a variety of flexible health and wellness programs to our employees.

As of December 31, 2022, we had 3,902 full-time employees located in 17 countries. As of December 31, 2022, approximately 39% of our full-time employees were located outside of the United States. Our geographic diversification enhances our ability to retain and attract highly skilled talent, have an employee base across the globe to be closer to our customers, as well as manage our headcount costs. In 2022 and 2023, we undertook some "reductions in force" ("RIF") that decreased our total number of world-wide employees by approximately ten percent (10%) and we may elect to undertake additional RIFs in the future.

In certain countries in which we operate, we are subject to, and comply with, local labor law requirements, which may automatically make our employees subject to industry-wide collective bargaining agreements. For instance, our employees in France are covered by the Syntec Collective Bargaining Agreement. We are not subject to any other collective bargaining agreements. We believe that our employee relations are good, and we have never experienced any work stoppages.

Regulatory

As a provider of communication services over the Internet, we are subject to regulation in the U.S. by the FCC. Some of these regulatory obligations include contributing to the Federal Universal Service Fund, Telecommunications Relay Service Fund, and federal programs related to phone number administration; providing access to E-911 services; protecting customer information; and porting phone numbers upon a valid customer request. We are also required to pay state and local 911 fees and contribute to state universal service funds in those states that assess interconnected Voice over Internet Protocol (“VoIP”) services. In addition, we have certified a wholly owned subsidiary as a competitive local exchange carrier in thirty states and the District of Columbia, and registered as an IP-enabled Service Provider in an additional eleven states. This subsidiary, RCLEC, is subject to the same FCC regulations applicable to telecommunications companies, as well as regulation by the public utility commissions in states where the subsidiary provides services. Specific regulations vary on a state-by-state basis, but generally include the requirement for our subsidiary to register or seek certification to provide its services, to file and update tariffs setting forth the terms, conditions and prices for our intrastate services and to comply with various reporting, record-keeping, surcharge collection, and consumer protection requirements.

As we expand internationally, we will be subject to laws and regulations in the countries in which we offer our subscriptions. Regulatory treatment of communications services over the Internet outside the U.S. varies from country to country, and may be more onerous than imposed on our subscriptions in the U.S. In the United Kingdom, for example, our subscriptions are regulated by Ofcom, which, among other things, requires electronic communications services providers such as our company to provide all users access to both 112 (EU-mandated) and 999 (U.K.-mandated) emergency service numbers at no charge. Similarly, in Canada, our subscriptions are regulated by the CRTC, which, among other things, imposes requirements like those in the U.S. related to the provision of E-911 services, in all areas of Canada where the wireline incumbent carrier offers such 911 services. Over the course of 2022, many countries across Europe implemented the EU Electronic Communications Code, clarifying and updating obligations on PSTN-connected voice service providers as well as imposing new requirements on number-independent services such as videoconferencing and team messaging. Additionally, the French regulatory agency, ARCEP, has made major changes to its telephone numbering plan that went into effect in January 2023, allowing for greater nomadic use of services like ours, and prohibiting the sub-assignment of phone numbers to resellers, requiring each provider to obtain numbers directly from ARCEP. Our regulatory obligations in foreign jurisdictions could have a material adverse effect on the use of our subscriptions in international locations.

In the course of providing our services, we collect, store, and process many types of data, including personal data. Moreover, our customers can use our subscriptions to store contact and other personal or identifying information, and to process, transmit, receive, store, and retrieve a variety of communications and messages, including information about their own customers and other contacts. Customers are able, and may be authorized under certain circumstances, to use our subscriptions to transmit, receive, and/or store personal information.

There are a number of federal, state, local, and foreign laws and regulations, such as the European Union’s General Data Protection Regulation (“GDPR”), the California Consumer Privacy Act (“CCPA”), and the California Privacy Rights Act (“CPRA”), which extended the CCPA, the Virginia Consumer Data Protection Act, the Colorado Privacy Act, the Connecticut Privacy Act and the Utah Consumer Privacy Act, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure, and protection of personal information and other customer data. We expect that with the expansion of our Global MVP solution and sales of our services into new countries, we will become subject to additional data privacy regulations in other countries throughout the world. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain.

As Internet commerce and communication technologies continue to evolve, thereby increasing online service providers’ and network users’ capacity to collect, store, retain, protect, use, process, and transmit large volumes of personal information, increasingly restrictive regulation by federal, state, or foreign agencies becomes more likely.

Regulations that do not directly apply to our business, but which do apply to our customers and partners, can also impact our business. As we expand our business, addressing customer and partner requirements in new jurisdictions and new verticals often requires investment on our part to address regulations that apply to our customers. Globally, these regulations continue to be introduced and to change over time. Such regulations can impact our ability to offer services to various customer segments, and our cost to deliver our services.

See the section entitled “Risk Factors” for more information.

Available Information

We make available our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, free of charge on our website (ir.ringcentral.com), as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission, or the “SEC”. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

We announce material information to the public about our company, our solutions and services and other matters through a variety of means, including our website (www.ringcentral.com), the investor relations section of our website (ir.ringcentral.com), press releases, filings with the SEC, and public conference calls, in order to achieve broad, non-exclusionary distribution of information to the public. We encourage investors and others to review the information we make public in these locations, as such information could be deemed to be material information. Please note that this list may be updated from time to time.

ITEM 1A. RISK FACTORS

This Report contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this Report are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. See the section entitled “Special Note Regarding Forward-Looking Statements” of this Annual Report on Form 10-K for a discussion of the forward-looking statements that are qualified by these risk factors. If any of these known or unknown risks or uncertainties actually occurs and have a material adverse effect on us, our business, financial condition and results of operations could be seriously harmed.

Summary Risk Factors

An investment in our Class A Common Stock involves a high degree of risk, and the following is a summary of key risk factors when considering an investment. It is only a summary. You should read this summary together with the more detailed description of each risk factor contained in the subheadings further below and other risks.

- We have incurred significant losses and negative cash flows in the past and anticipate continuing to incur losses for at least the foreseeable future, and we may therefore not be able to achieve or sustain profitability in the future.
- Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.
- We rely on third parties, including third parties in countries outside the U.S. including Russia (previously), Ukraine, Georgia, Philippines, and Spain and Bulgaria, for some of our software development, quality assurance, operations, and customer support, and some of these activities may be further impacted by Russia’s ongoing invasion of Ukraine.
- Global economic conditions may harm our industry, business and results of operations, including relations between the United States and China.
- Our rapid growth and the quickly changing markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.
- Our future operating results will rely in part upon the successful execution of our strategic partnerships with Avaya, Amazon, Atos/Unify, ALE, Mitel, Vodafone, DT, Verizon and others, which may not be successful.
- We face intense competition in our markets and may lack sufficient financial or other resources to compete successfully.
- We rely and may in the future rely significantly on our strategic partners, resellers, and global service providers to sell our subscriptions; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues.
- To deliver our subscriptions, we rely on third parties for our network connectivity and for certain of the features in our subscriptions.
- Interruptions or delays in service from our third-party data center hosting facilities and co-location facilities could impair the delivery of our subscriptions, require us to issue credits or pay penalties and harm our business.
- Failures in Internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers to switch to our competitors or to avoid using our subscriptions.
- A security incident, such as a cyber-attack, information security breach or denial of service event could delay or interrupt service to our customers, harm our reputation or business, impact our subscriptions, and subject us to significant liability.
- Increased customer turnover, or costs we incur to retain and upsell our customers, could materially and adversely affect our financial performance.
- If we are unable to attract new customers to our subscriptions or upsell to those customers on a cost-effective basis, our business will be materially and adversely affected.
- For as long as the dual class structure of our common stock as contained in our charter documents is in effect, voting control will be concentrated with a limited number of stockholders that held our stock prior to our initial public offering, including primarily our founders and their affiliates, and limiting other stockholders’ ability to influence corporate matters.

- Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to the rights of, our common stockholders, which could adversely affect our liquidity and financial condition.

Risks Related to Our Business and Our Industry

We have incurred significant losses and negative cash flows in the past and anticipate continuing to incur losses for at least the foreseeable future, and we may therefore not be able to achieve or sustain profitability in the future.

We have incurred substantial net losses since our inception. Over the past few years, we have spent considerable amounts of time and money to develop new business communications solutions and enhanced versions of our existing business communications solutions to position us for future growth. Additionally, we have incurred substantial losses and expended significant resources upfront to market, promote and sell our solutions and expect to continue to do so in the future. We also expect to continue to invest for future growth, including for advertising, customer acquisition, technology infrastructure, storage capacity, services development and international expansion. In addition, as a public company, we incur significant accounting, legal, and other expenses.

We expect to continue to incur losses for at least the foreseeable future and will have to generate and sustain increased revenues to achieve future profitability. Achieving profitability will require us to increase revenues, manage our cost structure, and avoid significant liabilities. Revenue growth has slowed and in the future, revenues may decline, or we may incur significant losses in the future for a number of possible reasons, including general macroeconomic conditions, increasing competition (including competitive pricing pressures), a decrease in the growth of the markets in which we compete, in particular the SaaS market, or if we fail for any reason to continue to capitalize on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, service delivery, and quality problems and other unknown factors that may result in losses in future periods, such as our write-down charges relating to our strategic partnership with Avaya. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline.

Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.

Our quarterly and annual results of operations have varied historically from period to period, and we expect that they will continue to fluctuate due to a variety of factors, many of which are outside of our control, including:

- our ability to expand and retain existing customers, resellers, partners, and global service providers, and expand our existing customers' user base, and attract new customers;
- our ability to realize the benefits of our strategic partnerships;
- our ability to introduce new solutions;
- the actions of our competitors, including pricing changes or the introduction of new solutions;
- our ability to effectively manage our growth;
- our ability to successfully penetrate the market for larger businesses;
- the mix of annual and multi-year subscriptions at any given time;
- the timing, cost, and effectiveness of our advertising and marketing efforts;
- the timing, operating cost, and capital expenditures related to the operation, maintenance and expansion of our business;
- our ability to successfully and timely execute on, integrate, and realize the benefits of any acquisition, investment, strategic partnership, or other strategic transaction or partnership we may make or undertake;
- service outages or actual or perceived information security breaches or incidents and any related impact on our reputation;
- our ability to accurately forecast revenues and appropriately plan our expenses;
- our ability to realize our deferred tax assets;

- costs associated with defending and resolving intellectual property infringement and other claims;
- changes in tax laws, regulations, or accounting rules;
- the timing and cost of developing or acquiring technologies, services or businesses, and our ability to successfully manage any such acquisitions;
- the impact of foreign currencies on our business as we continue to expand our business internationally; and
- the impact of worldwide economic, political, industry, and market conditions, including the effects of the ongoing Russian invasion of Ukraine, including international sanctions against Russia, US-China relations, and the continued effects of the global outbreak of COVID-19.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations. This variability and unpredictability could result in our failure to meet our publicly announced guidance or the expectations of securities analysts or investors for any period, which could cause our stock price to decline. In addition, a significant percentage of our operating expenses is fixed in nature and is based on forecasted revenues trends. Accordingly, in the event of revenue shortfalls, we may not be able to mitigate the negative impact on net income (loss) and margins in the short term. If we fail to meet or exceed the expectations of research analysts or investors, the market price of our shares could fall substantially, and we could face costly lawsuits, including securities class-action suits.

We may require additional capital to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, results of operations, and financial condition may be adversely affected.

We intend to continue to make expenditures and investments to support the growth of our business and may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure, and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them on terms that are acceptable to us, or at all. Volatility in equity capital markets may materially and adversely affect our ability to fund our business through public or private sales of equity securities. Rising interest rates may reduce our access to debt capital. Any debt financing that we secure in the future could involve restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, the restrictive covenants in credit facilities we may secure in the future may restrict us from being able to conduct our operations in a manner required for our business and may restrict our growth, which could have an adverse effect on our business, financial condition, or results of operations.

We cannot assure you that we will be able to comply with any such restrictive covenants. In the event that we are unable to comply with these covenants in the future, we would seek an amendment or waiver of the covenants. We cannot assure you that any such waiver or amendment would be granted. In such event, we may be required to repay any or all of our existing borrowings, and we cannot assure you that we will be able to borrow under our existing credit agreements, or obtain alternative funding arrangements on commercially reasonable terms, or at all.

In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. The conversion of our 0% convertible senior notes due 2025 (the “2025 Notes”) and our 0% convertible senior notes due 2026 (the “2026 Notes”) and, together with the 2025 Notes, the “Notes”) and any future issuances of other equity or any future issuances of equity or convertible debt securities could result in significant dilution to our existing stockholders, and any new equity or convertible debt securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A Common Stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected.

We rely on third parties, including third parties in countries outside the U.S. including Russia (previously), Ukraine, Georgia, Philippines, Spain and Bulgaria, for some of our software development, quality assurance, operations, and customer support, and some of these activities may be further impacted by Russia’s ongoing invasion of Ukraine.

We currently depend on various third-parties for some of our software development efforts, quality assurance, operations, and customer support services. Specifically, we have outsourced some of our software development and design,

quality assurance, and operations activities to third-party contractors that have employees and consultants located in Georgia, Alicante, Valencia and Malaga, Spain, Sofia, Bulgaria, Odesa, Ukraine, and Manila, the Philippines, and previously, St. Petersburg, Russia. In addition, we outsource a portion of our customer support, inside sales and network operation control functions to third-party contractors located in Manila, the Philippines. Our dependence on third-party contractors creates a number of risks, in particular, the risk that we may not maintain service quality, control, or effective management with respect to these business operations.

Our third-party partner in Ukraine has been impacted by Russia's ongoing invasion of Ukraine. Our former third-party partner in Russia was also forced to cease its operations in St. Petersburg, and a substantial proportion of the affected personnel have relocated to other countries such as Georgia, Spain, and Bulgaria. Currently, our Ukrainian partner is continuing to provide services in Ukraine. However, Russia's ongoing invasion of Ukraine has resulted in reducing or may result in discontinuing our partner operations in Ukraine, and may also delay our product development efforts and/or the release of new features and functionalities. In addition, we have incurred increased costs associated with managing or assisting in relocating our partners' personnel or engaging with alternative third-party contractors or hiring employees outside of Russia and Ukraine, which could negatively impact our operating results and financial condition. We are working with our third-party contractor in Ukraine to relocate their personnel to Spain and other countries; however, we cannot assure you that we can permanently relocate them in a cost-effective manner, or at all. In addition, we cannot assure you that the geographies where we relocate such staff will possess the same level of cost efficiencies as Russia and Ukraine. We do not store or process any customer data in Russia or Ukraine and currently are not dependent on our operations in these locations to continue to provide our core services. We may need to rely on the staff of our third-party partner to assist us with preventing and remedying any cyber-attacks and the ongoing invasion could impact our ability to respond in a timely manner or at all.

In addition, as a result of the ongoing invasion of Ukraine by Russia, the U.S., other North Atlantic Treaty Organization member states, as well as non-member states, have implemented sanctions against Russia and certain Russian banks, enterprises and individuals. These as well as any future additional sanctions and any resulting conflict between Russia, the U.S. and other countries could create global security concerns, increase the risk of cyber-attacks and have a lasting impact on regional and global economies, all of which could have a material adverse effect on our business, financial condition and results of operations.

We also rely on purchased or leased hardware and software licensed from third parties in order to offer our subscriptions, and in some cases, we integrate third-party licensed software components into our platform. Any errors or defects in third-party hardware or software could result in errors or a failure of our subscriptions which could harm our business.

We anticipate that we will continue to depend on our third-party relationships in order to grow our business for the foreseeable future. If we are unsuccessful in maintaining existing and, if needed, establishing new relationships with third parties, our ability to efficiently operate existing services or develop new services and provide adequate customer support could be impaired, and, as a result, our competitive position or our results of operations could suffer.

The global COVID-19 pandemic could harm our business, financial condition and results of operations.

The COVID-19 pandemic has continued to impact worldwide economic activity and financial markets. After closing our offices and restricting travel at the beginning of the pandemic, we reopened our offices to employees worldwide in 2022 and eased our travel restrictions. We continue to monitor the situation and may adjust our current policies as more information and public health guidance becomes available. This could again result in temporarily suspending travel and restricting the ability to do business in person, which could negatively affect our customer success efforts, sales and marketing efforts, challenge our ability to enter into customer and other commercial contracts in a timely manner and our ability to source, assess, negotiate, and successfully implement and execute on, and realize the benefits of, acquisitions, investments, strategic partnerships and other strategic transactions, slow down our recruiting efforts, or create operational or other challenges, any of which could harm our business, financial condition and results of operations. In addition, the COVID-19 pandemic has and may continue to disrupt the operations of our customers, resellers and other channel partners, strategic partners, suppliers and other third-party providers, which could continue to negatively impact our business, financial condition and results of operations. In addition, the rapid spread of variants of the virus and the ongoing pandemic and preventative measures taken worldwide has and could continue to adversely affect economies and financial markets globally in the future, which could decrease technology spending and continue to adversely affect demand for our solutions and harm our business. The full extent to which the COVID-19 pandemic may impact our financial condition or results of operations remains uncertain.

Global economic conditions may harm our industry, business and results of operations, including relations between the United States and China.

We operate globally and as a result our business, revenues and profitability are impacted by global macroeconomic conditions. The success of our activities is affected by general economic and market conditions, including, among others, inflation rate fluctuations, interest rates, supply chain constraints, lower consumer confidence, volatile equity capital markets, tax rates, economic uncertainty, political instability (including the potential of the U.S. government to default on the federal debt), changes in laws, and trade barriers and sanctions. Recently, increases in inflation and interest rates in the US have increased to levels not seen in several years, which have increased and may continue to increase our operating costs. In addition, such economic volatility could adversely affect our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. Further, any U.S. federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying government spending, may negatively impact U.S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets. Unfavorable economic conditions could increase our operating costs and, because our typical contracts with customers lock in our price for a few years, our profitability could be negatively affected. Geopolitical destabilization could impact global currency exchange rates, supply chains, trade and movement of resources, the price of commodities such as energy, as well as demand for our products and services, which may adversely affect the technology spending of our customers and potential customers.

Some of our international agreements provide for payment denominated in local currencies, and the majority of our local costs are denominated in local currencies. Fluctuations in the value of the U.S. dollar versus foreign currencies may impact our operating results when translated into U.S. dollars. Thus, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound Sterling, Chinese Yuan, and Canadian Dollar, and may be adversely affected in the future due to changes in foreign currency exchange rates. While we have limited currency exchange exposure to the Russian and Ukrainian currencies, we expect exchange rates with respect to these currencies to be volatile and other exchange rates may also be more volatile than normal as a result of the Russian invasion of Ukraine and related events. Changes in exchange rates have and may continue to negatively affect our revenues, expenses, and other operating results as expressed in U.S. dollars in the future.

Our rapid growth and the quickly changing markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.

We have grown rapidly since 2009, when we introduced RingCentral MVP, our flagship product. We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If our assumptions regarding these uncertainties are incorrect or change in reaction to changes in our markets, or if we do not manage or address these risks successfully, our results of operations could differ materially from our expectations, and our business could suffer.

Growth may place significant demands on our management and our infrastructure.

We continue to experience substantial growth in our business. This growth has placed and may continue to place significant demands on our management, organizational structure, and our operational and financial infrastructure. As our operations grow in size, scope, and complexity, we will need to increase our sales and marketing efforts and add additional sales and marketing personnel in various regions worldwide and improve and upgrade our systems and infrastructure to attract, service, and retain an increasing number of customers. For example, we expect the volume of simultaneous calls to increase significantly as our customer base grows. Our network hardware and software may not be able to accommodate this additional simultaneous call volume. The expansion of our systems and infrastructure will require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Any such additional capital investments will increase our cost base.

Continued growth could also strain our ability to maintain reliable service levels for our customers, resellers, and global service providers, develop and improve our operational, financial and management controls, enhance our billing and reporting systems and procedures and recruit, train and retain highly skilled personnel. In addition, our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. We may also experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software licensed to help us with such improvements. Any future growth, particularly as we continue to expand internationally, would add complexity to our organization and require effective communication and coordination throughout our organization. To manage any future growth effectively, we must continue to improve and expand our information technology and financial, operating, security and

administrative systems and controls, and our business continuity and disaster recovery plans and processes. Additionally, our productivity and the quality of our solutions and services may be adversely affected if we do not integrate and train our new employees quickly and effectively. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, results of operations and financial condition could be materially and adversely affected.

Our future operating results will rely in part upon the successful execution of our strategic partnerships with Avaya, Amazon, Atos/Unify, ALE, Mitel, Vodafone, DT, Verizon and others, which may not be successful.

A strategic partnership between two independent businesses is a complex, costly, and time-consuming process that requires significant management attention and resources. Realizing the benefits of our strategic partnerships, particularly our relationships with Avaya and its subsidiaries, Atos and its subsidiaries, including Unify, Mitel, Vodafone and its subsidiaries, Deutsche, and its subsidiaries, and Verizon and its subsidiaries will depend on a variety of factors, including our ability to work with our strategic partners to develop, market and sell our MVP and co-branded solutions, such as Avaya Cloud Office by RingCentral (“ACO”), and Unify Office by RingCentral (“UO”), and our other offerings. Setting up and maintaining the operations and processes of these strategic partnerships may cause us to incur significant costs, disrupt our business and, if implemented ineffectively, would limit the expected benefits to us. The failure to successfully and timely implement and operate our strategic partnerships could harm our ability to realize the anticipated benefits of these partnerships and could adversely affect our results of operations. For example, on December 13, 2022, Avaya filed a Form 8-K disclosing ongoing discussions regarding one or more potential financings, refinancings, recapitalizations, reorganizations, restructurings or investment transactions. In light of public disclosures about the likelihood of Avaya’s financial restructuring via Chapter 11, we recorded a non-cash asset write-down charge of \$279.3 million for the year ended December 31, 2022, out of which \$21.7 million of this balance was accrued interest and was recorded in other income (expense) in the Consolidated Statement of Operations. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” and Refer to Note 5 – *Strategic Partnerships and Asset Acquisitions* in the accompanying notes to the consolidated financial statements included in Part II, Item 8, in this Annual Report on Form 10-K for further information regarding our assessment of the recoverability of our prepaid sales commission balances with Avaya. Further, on February 14, 2023, Avaya initiated an expedited, prepackaged financial restructuring via Chapter 11 with the support of certain of its financial stakeholders, including us. In connection therewith, we entered into a new extended and expanded partnership arrangement with Avaya pursuant to which, among other things, ACO remains Avaya’s exclusive UCaaS offering and Avaya agreed to certain minimum volume commitments. As part of the new agreements, we and Avaya agreed to a revised go-to-market incentive structure intended to drive migration of customers to ACO.

We face intense competition in our markets and may lack sufficient financial or other resources to compete successfully.

The cloud-based business communications and collaboration solutions industry is competitive, and we expect competition to increase in the future. We face intense competition from other providers of business communications and collaboration systems and solutions.

Our competitors include traditional on-premise, hardware business communications providers such as ALE, Avaya, Cisco Systems, Inc., Mitel, NEC Corporation, Siemens Enterprise Networks, LLC, their resellers, and others, as well as companies such as Microsoft Corporation and Cisco Systems, Inc., and their resellers that license their software. In addition, certain of our global service providers and strategic partners, such as AT&T, BT, TELUS, Vodafone, DT, Verizon, Amazon, Avaya, Atos, ALE, and Mitel sell or are expected to sell our solutions, but they are also competitors for business communications. These companies have or may have significantly greater resources than us and currently, or may in the future, develop and/or host their own or other solutions through the cloud. Such competitors may not be successful in or cease marketing and selling our solutions to their customers and ultimately be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues and growth. We also face competition from other cloud companies and established communications providers that resell on-premise hardware, software, and hosted solutions, such as 8x8, Inc., Amazon.com, Inc., Dialpad, Inc., LogMeIn, Inc., Microsoft Corporation, Nextiva, Inc., Twilio Inc., Vonage Holdings Corp., and Zoom Video Communications, Inc., which has introduced a voice solution. Established communications providers, such as AT&T, Verizon Communications Inc., Sprint Corporation and Comcast Corporation in the U.S., TELUS and others in Canada, and BT, Vodafone Group plc, and others in the U.K., that resell on-premise hardware, software, and hosted solutions, compete with us in business communications and currently, or may in the future, develop and/or host their own cloud solutions. We may also face competition from other large Internet companies, such as Alphabet Inc. (Google Voice), Facebook, Inc., Oracle Corporation, and Salesforce.com, Inc., any of which might launch its own cloud-based business communications services or acquire other cloud-based business communications companies in the future. We also compete against providers of communications platform as a service solutions and messaging software platforms with APIs such as Twilio Inc., Vonage Holdings Corp., and Slack Technologies, Inc. (acquired by Salesforce, Inc.), on which customers can

build diverse solutions by integrating cloud communications into business applications. We face competition with respect to this solution from contact center and customer relationship management providers such as Amazon.com, Inc., Avaya, Five9, Inc., NICE InContact, Genesys Telecommunications Laboratories, Inc., Serenova, LLC (acquired by Lifesize, Inc.), Talkdesk, Inc., Vonage Holdings Corp., Salesforce.com, Inc., and Twilio Inc. We also face competition from digital engagement vendors such as eGain Corporation, LivePerson, Inc., among others named above that may offer similar features.

Many of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, more diversified offerings, and larger customer bases than we have. As a result, these competitors may have greater credibility with our existing and potential customers and may be better able to withstand an extended period of downward pricing pressure. In addition, certain of our competitors have partnered with, or been acquired by, and may in the future partner with or acquire, other competitors to offer services, leveraging their collective competitive positions, which makes it more difficult to compete with them and could significantly and adversely affect our results of operations. Demand for our platform is also sensitive to price. Many factors, including our marketing, user acquisition and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. Our competitors may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their services than we can to ours. Some of these service providers have in the past and may choose in the future to sacrifice revenues in order to gain market share by offering their services at lower prices or for free, or offering alternative pricing models, such as "freemium" pricing, in which a basic offering is provided for free with advanced features provided for a fee, on the services they offer. Our competitors may also offer bundled service arrangements offering a more complete service offering, despite the technical merits or advantages of our subscriptions. Competition could result in a decrease to our prices, slow our growth, increase our customer turnover, reduce our sales, or decrease our market share.

We rely and may in the future rely significantly on our strategic partners, resellers, and global service providers to sell our subscriptions; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues.

Our future success depends on our continued ability to establish and maintain a network of channel relationships, and we expect that we will need to expand our network in order to support and expand our historical base of smaller enterprises as well as attract and support larger customers and expand into international markets. An increasing portion of our revenues are derived from our network of sales agents and resellers, which we refer to collectively as resellers, many of which sell or may in the future decide to sell their own services or services from other business communications providers. We generally do not have long-term contracts with these resellers, and the loss of or reduction in sales through these third parties could materially reduce our revenues. Our competitors may in some cases be effective in causing our current or potential resellers to favor their services or prevent or reduce sales of our subscriptions. Furthermore, while AT&T, BT, TELUS, Vodafone, DT, Verizon, Avaya, Atos (through its subsidiary Unify), ALE, and Mitel also sell our solutions on an exclusive or non-exclusive basis, they are also competitors for business communications. These companies have significantly greater resources than us and currently, or may in the future, develop and/or host their own or other solutions through the cloud. Such competitors may cease marketing or selling our solutions to their customers and ultimately be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues and growth.

We have also entered into certain agreements for strategic partnerships with Avaya, Amazon, Atos, ALE, Mitel, Vodafone, DT and Verizon to sell certain of our solutions. Avaya introduced the ACO solution at the end of the first quarter of 2020, and Atos and Unify introduced the Unify Office solution during the third quarter of 2020; however, there can be no guarantee that Avaya, Atos, Unify, Mitel, Vodafone, DT, Verizon and/or any of their respective channel partners will be successful in marketing or selling our solutions or that they will not cease marketing or selling our solutions in the future. Further, certain partners have failed in the past, and may fail in the future, to meet their minimum contractual seat and/or revenue commitments, including recoupment of advance payments. The Company has in the past, and may in the future, renegotiate the terms of its strategic partnership agreements, including converting strategic partners from exclusive to non-exclusive partners. For example, on February 14, 2023, Avaya initiated an expedited, prepackaged financial restructuring via Chapter 11 with the support of certain of its financial stakeholders, including us. In connection therewith, we entered into a new extended and expanded partnership arrangement with Avaya pursuant to which, among other things, ACO remains Avaya's exclusive UCaaS offering and Avaya agreed to certain minimum volume commitments. As part of the new agreements, we and Avaya agreed to a revised go-to-market incentive structure intended to drive migration of customers to ACO.

If our strategic partners and global service providers and/or any of their respective channel partners are not successful in marketing and selling our solutions or cease to market and sell our solutions, our revenues and growth could be significantly and adversely affected. If we fail to maintain relationships with our resellers and other channel partners, global service providers and strategic partners or fail to develop new and expanded relationships in existing or new markets, or if our networks

of indirect channel relationships are not successful in their sales efforts, sales of our subscriptions may decrease and our operating results would suffer. In addition, we may not be successful in managing, training, and providing appropriate incentives to our existing resellers and other channel partners, global service providers and strategic partners, and they may not be able to commit adequate resources in order to successfully sell our solutions.

To deliver our subscriptions, we rely on third parties for our network connectivity and for certain of the features in our subscriptions.

We currently use the infrastructure of third-party network service providers, including CenturyLink, Inc. and Bandwidth.com, Inc. in North America and several others internationally, to deliver our subscriptions over their networks. Our third-party network service providers provide access to their Internet protocol (“IP”) networks and public switched telephone networks, and provide call termination and origination services, including 911 emergency calling in the U.S. and equivalent services internationally, and local number portability for our customers. We expect that we will continue to rely heavily on third-party network service providers to provide these subscriptions for the foreseeable future.

Through our wholly-owned local exchange carrier subsidiary, RCLEC, Inc. (“RCLEC”), we also obtain certain connectivity and network services directly from incumbent local exchange carriers (“ILECS”) and from other competitive local exchange carriers (“CLECs”) in certain geographic markets at lower prices than we pay for such services through third-party network service providers. However, RCLEC also uses the infrastructure of third-party network service providers to deliver its services and the ILECs may favor themselves and their affiliates may not provide network services to us at lower prices than we could obtain through third-party CLECs, or at all. If we are unable to continue to reduce our pricing as a result of obtaining network services through our subsidiary, we may be forced to rely on other third-party network service providers and be unable to effectively lower our cost of service. Historically, our reliance on third-party networks has reduced our operating flexibility and ability to make timely service changes and control quality of service, and we expect that this will continue for the foreseeable future. If any of these network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis or at reasonable levels of quality and security, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to another third-party network service provider, if one is available, could have a material adverse effect on our business and results of operations.

In addition, we currently use and may in the future use third-party service providers to deliver certain features of our subscriptions. For example, although we introduced our own video and web conferencing solution in April 2020 and have migrated many of our customers to RingCentral Video, there are still several existing customers who continue to use Zoom Video Communications, Inc. for HD video and web conferencing and screen sharing features, Bandwidth.com for texting capabilities, and NICE inContact, Inc. for contact center capabilities. In the future, we may not continue to have long-term contracts with any or all of these third-party providers. Any of these service providers could elect or attempt to stop providing us with access to their services or our contracts with these third-party providers may terminate, expire, or be breached. If any of these service providers ceases to provide us with their services, fails to provide these services to us on a cost-effective basis or at reasonable levels of quality and security, ceases operations, or otherwise terminates or discontinues these services, the delay caused by qualifying and switching to another third-party service provider, if one is available, or building a proprietary replacement solution could have a material adverse effect on our business and results of operations. U.S. mobile carriers are now requiring businesses using SMS on over-the-top providers such as RingCentral to register with The Campaign Registry (TCR), to ensure text messages are compliant with wireless carrier guidelines, as well as to reduce spam. These new rules affect our customers, and we are building integrations with TCR to complete those registrations on our customers' behalf. In the future, customers who are not registered with TCR may not be able to send or receive SMS using our service. Furthermore, we are no longer offering or selling RingCentral Meetings to new customers and are instead offering our own RingCentral Video solution, and, in light of our settlement with Zoom, we believe that we will be able to migrate all or substantially all of our customers to RingCentral Video. Nevertheless, it is possible that not all existing customers will migrate to RingCentral Video. Therefore, our inability to offer and sell RingCentral Meetings, or to successfully transfer existing customers to our own solution, may cause some prospective customers not to purchase our services and/or existing customers not to renew their contracts for our services or to renew for a fewer number of seats.

Finally, if problems occur with any of these third-party network or service providers, it may cause errors or poor call quality in our subscriptions, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or poor call quality in our subscriptions, whether caused by our systems or a third-party network or service provider, may result in the loss of our existing customers, delay or loss of market acceptance of our subscriptions, termination of our relationships and agreements with our resellers or global service providers, or liability for failure to meet service level agreements, and may seriously harm our business and results of operations.

We rely on third-party software that may be difficult to replace or which could cause errors or failures of our subscriptions.

We rely on software licensed from certain third parties in order to offer our solutions. In some cases, we integrate third-party licensed software components into our platform. This software may not continue to be available at reasonable prices or on commercially reasonable terms, or at all. Any loss of the right to use any of this software could significantly increase our expenses and otherwise result in delays in the provisioning of our solutions until equivalent technology is either developed by us, or, if available, is identified, obtained, and integrated. Any errors or defects in third-party software could result in errors or a failure of our solutions, which could harm our business.

Interruptions or delays in service from our third-party data center hosting facilities and co-location facilities could impair the delivery of our subscriptions, require us to issue credits or pay penalties and harm our business.

We currently serve our North American customers from geographically disparate data center hosting facilities in North America, where we lease space from Equinix, Inc., and other providers, and we serve our European customers from third-party data center hosting facilities in Europe. We also use third-party co-location facilities located in various international regions to serve our customers in these regions. Certain of our solutions are hosted by third-party data center facilities including Amazon Web Services, Inc. (“AWS”), NICE inContact, Inc., and Google Cloud Platform. In addition, RCLEC uses third-party co-location facilities to provide us with network services at several locations. Damage to, or failure of, these facilities, the communications network providers with whom we or they contract, or with the systems by which our communications providers allocate capacity among their customers, including us, or software errors, have in the past and could in the future result in interruptions in our services. Additionally, in connection with the addition of new data centers or expansion or consolidation of our existing data center facilities, we may move or transfer our data and our customers’ data to other data centers. Despite precautions that we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our subscriptions. Interruptions in our subscriptions may reduce our revenues, may require us to issue credits or pay penalties, subject us to claims and litigation, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new customers. Our ability to attract and retain customers depends on our ability to provide customers with a highly reliable subscription and even minor interruptions in our subscriptions could harm our brand and reputation and have a material adverse effect on our business.

As part of our current disaster recovery arrangements, our North American and European infrastructure and our North American and European customers’ data is currently replicated in near real-time at data center facilities in the U.S. and Europe, respectively. We do not control the operation of these facilities or of our other data center facilities or RCLEC’s co-location facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They may also be subject to human error or to break-ins, sabotage, acts of vandalism, and similar misconduct.

Despite precautions taken at these facilities, the occurrence of a natural disaster, public health crisis, such as the COVID-19 pandemic, human error, cybersecurity incident, including ransomware or denial-of-service attack, an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our subscriptions. Even with the disaster recovery arrangements in place, our subscriptions could be interrupted.

We may also be required to transfer our servers to new data center facilities in the event that we are unable to renew our leases on acceptable terms, if at all, or the owners of the facilities decide to close their facilities, and we may incur significant costs and possible subscription interruption in connection with doing so. In addition, any financial difficulties, such as bankruptcy or foreclosure, faced by our third-party data center operators, or any of the service providers with which we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our increasing needs for capacity, our ability to grow our business could be materially and adversely impacted.

Failures in Internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers to switch to our competitors or to avoid using our subscriptions.

Unlike traditional communications services, our subscriptions depend on our customers’ high-speed broadband access to the Internet. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our services and applications due to capacity constraints and other Internet infrastructure limitations. As our customer base grows and their usage of our services increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable

to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high reliability or performance. In addition, if Internet access service providers have outages or deteriorations in their quality of service, our customers will not have access to our subscriptions or may experience a decrease in the quality of our services. Frequent or persistent interruptions could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or to avoid our subscriptions, and could permanently harm our reputation and brands.

In addition, users who access our subscriptions and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi®, 4G, 5G, or LTE, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent phone companies, cable companies, and wireless companies. Some of these providers offer solutions and subscriptions that directly compete with our own offerings, which can potentially give them a competitive advantage. Also, these providers could take measures that degrade, disrupt or increase the cost of user access to third-party services, including our subscriptions, by restricting or prohibiting the use of their infrastructure to support or facilitate third-party services or by charging increased fees to third parties or the users of third-party services, any of which would make our subscriptions less attractive to users, and reduce our revenues.

Interruptions in our services caused by undetected errors, failures, or bugs in our subscriptions could harm our reputation, result in significant costs to us, and impair our ability to sell our subscriptions.

Our subscriptions may have errors or defects that customers identify after they begin using them that could result in unanticipated interruptions of service. Internet-based services frequently contain undetected errors and bugs when first introduced or when new versions or enhancements are released. While the substantial majority of our customers are small and medium-sized businesses, the use of our subscriptions in complicated, large-scale network environments may increase our exposure to undetected errors, failures, or bugs in our subscriptions. Although we test our subscriptions to detect and correct errors and defects before their general release, we have, from time to time, experienced significant interruptions in our subscriptions as a result of such errors or defects and may experience future interruptions of service if we fail to detect and correct these errors and defects. The costs incurred in correcting such defects or errors may be substantial and could harm our results of operations. In addition, we rely on hardware purchased or leased and software licensed from third parties to offer our subscriptions.

Any defects in, or unavailability of, our or third-party software or hardware that cause interruptions of our subscriptions could, among other things:

- cause a reduction in revenues or a delay in market acceptance of our subscriptions;
- require us to pay penalties or issue credits or refunds to our customers, resellers, or global service providers, or expose us to claims for damages;
- cause us to lose existing customers and make it more difficult to attract new customers;
- divert our development resources or require us to make extensive changes to our software, which would increase our expenses and slow innovation;
- increase our technical support costs; and
- harm our reputation and brand.

A security incident, such as a cyber-attack, information security breach or denial of service event could delay or interrupt service to our customers, harm our reputation or business, impact our subscriptions, and subject us to significant liability.

Our operations depend on our ability to protect our production and corporate information technology services from interruption or damage from cyber-attacks, denial-of-service events, unauthorized entry, computer malware or other security incidents, including events beyond our control. We have, from time to time, been subject to communications fraud and cyber-attacks by malicious actors, and denial of service events, and we may be subject to similar attacks in the future, particularly as the frequency and sophistication of cyber-attacks increases. For example, an increase in cyber-attack activity, such as ransomware and phishing attacks, has been observed in connection with Russia's invasion of Ukraine. We cannot assure you that our backup systems, regular data backups, security controls and other procedures currently in place, or that may be in place in the future, will be adequate to prevent significant damage, system failure, service outages, data breach, data loss, unauthorized access, loss of use, interruption, or increased charges from our technology vendors.

Also, our subscriptions are web-based. The amount of data we store for our customers and users increases as our business grows. We host services, which includes hosting customer data, both in co-located data centers and in multiple public cloud services. Our solutions allow users to store files, tasks, calendar events, messages and other data indefinitely on our services or as may be directed by our customers, although we have begun instituting in our customer agreements a provision that customer content and certain other customer data will be deleted upon termination of the agreements. We also maintain sensitive data related to our technology and business, and that of our employees, strategic partners, and customers, including intellectual property, proprietary business information and personally identifiable information (also called personal data) on our own systems and in multiple vendors' cloud services. As a result of maintaining larger volumes of data and user files and/or as a result of our continued movement up market, or movement into new customer segments and acquisition of larger and more recognized customers, we may become more of a target for hackers, nation states and other malicious actors.

In addition, we use third-party vendors who, in some cases, have access to our data and our employees', partners', and customers' data. We employ layered security measures and have a means of working with third parties who report vulnerabilities to us. Despite the implementation of security measures by us or our vendors, our computing devices, infrastructure, or networks, or our vendors' computing devices, infrastructure, or networks, may be vulnerable to hackers, computer viruses, worms, ransomware, other malicious software programs, employee theft or misuse, phishing, denial-of-service attacks, or similar disruptive problems that are caused by or through a security weakness or vulnerability in our or our vendors' infrastructure, network, or business practices or our or our vendors' customers, employees, business partners, consultants, or other Internet users who attempt to invade our or our vendors' corporate and personal computers, tablets, mobile devices, software, data networks, or voice networks. If there is a security weakness or vulnerability in our, our vendors', or our customers' infrastructure, networks, or business practices that is successfully targeted, we could face increased costs, liability claims, including contractual liability claims relating to security obligations in agreements with our partners and our customers, fines, claims, investigations and other proceedings, reduced revenue, or harm to our reputation or competitive position. In addition, even if not targeted, in strengthening our security controls or in remediating security vulnerabilities, we could incur increased costs and capital expenditures.

We have implemented remote working protocols and offer work-issued devices to certain employees, but the actions of employees while working remotely may have a greater effect on the security of our infrastructure, networks, and the information, including personally identifiable information, we process, including for example by increasing the risk of compromise to systems or data arising from employees' combined personal and private use of devices, accessing our networks or information using wireless networks that we do not control, or the ability to transmit or store company-controlled information outside of our secured network. Although many of these risks are not unique to the remote working environment, they have been heightened by the dramatic increase in the numbers of our employees who have been and are continuing to work from home as a result of the COVID-19 pandemic. We also allow a substantial number of our employees that are designated "hybrid" to work from home about fifty-percent (50%) of the time. Our employees' or third parties' intentional, unintentional, or inadvertent actions may increase our vulnerability or expose us to security threats, such as ransomware, other malware and phishing attacks, and we may remain responsible for unauthorized access to, loss, alteration, destruction, acquisition, disclosure or other processing of information we or our vendors, business partners, or consultants process or otherwise maintain, even if the security measures used to protect such information comply with applicable laws, regulations and other actual or asserted obligations. Additionally, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our vendors, business partners, and consultants are vulnerable to heightened risks of cyber-attacks, from or affiliated with nation-state actors, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our services. Also, cyber-attacks, including on the supply chain, continue to increase in frequency and magnitude, and we cannot provide assurances that our preventative efforts will be successful.

We rely on encryption and authentication technology to ensure secure transmission of and access to confidential information, including customer credit card numbers, debit card numbers, direct debit information, customer communications, and files uploaded by our customers. Advances in computer capabilities, new discoveries in the field of cryptography, discovery of software bugs or vulnerabilities, discovery of hardware bugs or vulnerabilities, social engineering activities, or other developments may result in a compromise or breach of the technology we use to protect our data and our customer data, or of the data itself.

Additionally, third parties have attempted in the past, and may attempt in the future, to induce domestic and international employees, consultants, or customers into disclosing sensitive information, such as user names, provisioning data, customer proprietary network information ("CPNI") or other information in order to gain access to our customers' user accounts or data, or to our data. CPNI includes information such as the phone numbers called by a customer, the frequency, duration, and timing of such calls, and any services purchased by the consumer, such as call waiting, call forwarding, and caller ID, in addition to other information that may appear on a customer's bill. Third parties may also attempt to induce employees, consultants, or customers into disclosing information regarding our and our customers' intellectual property, personal data and

other confidential business information. In addition, the techniques used to obtain unauthorized access, to perform hacking, phishing and social engineering, or to sabotage systems change and evolve frequently and may not be recognized until launched against a target, may be new and previously unknown or little-known, or may not be detected or understood until well after such actions are conducted. We may be unable to anticipate these techniques or to implement adequate preventative measures, and any security breach or other incident may take longer than expected to remediate or otherwise address. Any system failure or security breach or incident that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our or our customers' confidential or personal information could result in significant liability to us, loss of our intellectual property, cause our subscriptions to be perceived as not being secure, cause considerable harm to us and our reputation (including requiring notification to customers, regulators, or the media), and deter current and potential customers from using our subscriptions. Any of these events could have a material adverse effect on our business, results of operations, and financial condition.

It is critical to our business that our information and our employees', strategic partners', and customers' sensitive information remains secure and that our customers perceive that this information is secure. An information security incident could result in unauthorized access to, loss of, or unauthorized disclosure of such information. A cybersecurity breach or incident could expose us to litigation, indemnity obligations, government investigations, contractual liability, and other possible liabilities. Additionally, a cyber-attack or other information security incident, whether actual or perceived, could result in negative publicity, which could harm our reputation and reduce our customers' confidence in the effectiveness of our solutions, which could materially and adversely affect our business and operating results. A breach of our security systems could also expose us to increased costs, including remediation costs, disruption of operations, or increased cybersecurity protection costs, that may have a material adverse effect on our business. In addition, a cybersecurity breach or incident of our customers' systems can also result in exposure of their authentication credentials, unauthorized access to their accounts, exposure of their account information and data (including CPNI), and fraudulent calls on their accounts, which can subsequently have similar actual or perceived impacts to us as described above. A cybersecurity breach or incident of our partners' or vendors' systems can result in similar actual or perceived impacts.

While we maintain cybersecurity insurance, our insurance may be insufficient to cover all liabilities incurred by privacy or security incidents. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Laws, regulations, and enforcement actions relating to security and privacy of information continue to evolve. With respect to security, we are closely monitoring the development of rules and guidance that may apply to us, including, for example, pursuant to the Cyber Incident Reporting for Critical Infrastructure Act of 2022. We have incurred and expect to continue to incur significant expenses to prevent security incidents. It is possible that, in order to support changes to applicable laws and to support our expansion of sales into new geographic areas or into new industry segments, we will need to increase or change our cybersecurity systems and expenditures. Further, it is possible that changes to laws and regulations relating to security and privacy may make it more expensive to operate in certain jurisdictions and may increase the risk of our non-compliance with such changing laws and regulations.

Potential problems with our information systems could interfere with our business and operations.

We rely on our information systems and those of third parties for processing customer orders, distribution of our subscriptions, billing our customers, processing credit card transactions, customer relationship management, supporting financial planning and analysis, accounting functions and financial statement preparation, and otherwise running our business. Information systems may experience interruptions, including interruptions of related services from third-party providers, which may be beyond our control. Such business interruptions could cause us to fail to meet customer requirements. All information systems, both internal and external, are potentially vulnerable to damage or interruption from a variety of sources, including without limitation, computer viruses, security breaches and incidents, energy blackouts, natural disasters, terrorism, war, telecommunication failures, employee or other theft, and third-party provider failures. In addition, since telecommunications billing is inherently complex and requires highly sophisticated information systems to administer, our internally developed billing system, which is currently being implemented, may experience errors or we may improperly operate the system, which could result in the system incorrectly calculating the fees owed by our customers for our subscriptions or related taxes and administrative fees. Any such errors in our customer billing could harm our reputation and cause us to violate truth in billing laws and regulations. Our current internally developed billing system requires us to process an increasing number of invoices

manually, which could result in billing errors. Any errors or disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business. In addition, we may implement further and enhanced information systems in the future to meet the demands resulting from our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise, and can be time-consuming and expensive, increase management responsibilities, and divert management attention.

We depend largely on the continued services of our senior management and other highly-skilled employees, and if we are unable to hire, retain, manage and motivate our employees, we may not be able to grow effectively and our business, results of operations and financial condition could be adversely affected.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue opportunities and services innovations. The loss of services of senior management or other key employees, whether in the past or in the future, could significantly delay or prevent the achievement of our business, financial condition, development and strategic objectives. In particular, we depend to a considerable degree on the vision, skills, experience, and effort of our co-founder, Chairman and Chief Executive Officer, Vladimir Shmunis. None of our executive officers or other senior management personnel is bound by a written employment agreement and any of them may therefore terminate employment with us at any time with no advance notice. The replacement of any of these senior management personnel, whether past or future, could involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives.

Our future success also depends on our ability to continue to attract and retain highly skilled personnel. Despite many recent layoffs in the technology industry, we believe that there is, and will continue to be, intense competition for highly skilled technical and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, in Denver, Colorado, where our U.S. sales and customer support office and our network operations center is located, and in other locations where we maintain offices. In addition, changes to U.S. immigration policies, particularly to H-1B and other visa programs, and restrictions on travel could restrain the flow of technical and professional talent into the U.S. and may inhibit our ability to hire qualified personnel. We must provide competitive compensation packages and a high-quality work environment to hire, retain, and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing, and sale of existing and new subscriptions, which could have a material adverse effect on our business, financial condition, and results of operations. To the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel.

Increased customer turnover, or costs we incur to retain and upsell our customers, could materially and adversely affect our financial performance.

Although we have entered into long-term contracts with larger customers, those customers who do not have long-term contracts with us may terminate their subscriptions at any time without penalty or early termination charges. We cannot accurately predict the rate of customer terminations or average monthly subscription cancellations or failures to renew, which we refer to as turnover. Our customers with subscription agreements have no obligation to renew their subscriptions for our service after the expiration of their initial subscription period, which is typically between one and three years. In the event that these customers do renew their subscriptions, they may choose to renew for fewer users, shorter contract lengths, or for a less expensive subscription plan or edition. We cannot predict the renewal rates for customers that have entered into subscription contracts with us.

Customer turnover, as well as reductions in the number of users for which a customer subscribes, each could have a significant impact on our results of operations, as does the cost we incur in our efforts to retain our customers and encourage them to upgrade their subscriptions and increase their number of users. Our turnover rate could increase in the future if customers are not satisfied with our subscriptions, the value proposition of our subscriptions or our ability to otherwise meet their needs and expectations. Turnover and reductions in the number of users for whom a customer subscribes may also increase due to factors beyond our control, including the failure or unwillingness of customers to pay their monthly subscription fees due to financial constraints and the impact of a slowing economy. In addition, the impact of the global economic conditions, including concerns about rising inflation or the potential of the U.S. government to default on the federal debt and an associated economic downturn, could cause financial hardship for our customers, decrease technology spending and materially and negatively impact our customers' willingness to enter into or renew subscriptions with us, or cause our customers to seek a decrease in the number of users or solutions for which they subscribe. For example, to address customer hardships, we may work with customers to provide greater flexibility to manage challenges they are facing, but we cannot be

assured that they will not reduce their number of users or terminate their subscriptions altogether. Due to turnover and reductions in the number of users for whom a customer subscribes, we must acquire new customers, or acquire new users within our existing customer base, on an ongoing basis simply to maintain our existing level of customers and revenues. If a significant number of customers terminate, reduce, or fail to renew their subscriptions, we may be required to incur significantly higher marketing and/or sales expenditures than we currently anticipate in order to increase the number of new customers or to upsell existing customers, and such additional marketing and/or sales expenditures could harm our business and results of operations.

Our future success also depends in part on our ability to sell additional subscriptions and additional functionalities to our current customers. This may require increasingly sophisticated and more costly sales efforts and a longer sales cycle. Any increase in the costs necessary to upgrade, expand and retain existing customers could materially and adversely affect our financial performance. If our efforts to convince customers to add users and, in the future, to purchase additional functionalities are not successful, our business may suffer. In addition, such increased costs could cause us to increase our subscription rates, which could increase our turnover rate.

If we are unable to attract new customers to our subscriptions or upsell to those customers on a cost-effective basis, our business will be materially and adversely affected.

In order to grow our business, we must continue to attract new customers and expand the number of users in, and services provided to, our existing customer base on a cost-effective basis. We use and periodically adjust the mix of advertising and marketing programs to promote our subscriptions. Significant increases in the pricing of one or more of our advertising channels would increase our advertising costs or may cause us to choose less expensive and perhaps less effective channels to promote our subscriptions. As we add to or change the mix of our advertising and marketing strategies, we may need to expand into channels with significantly higher costs than our current programs, which could materially and adversely affect our results of operations. In addition, a global slowdown of economic activity may disrupt our sales channels and our ability to attract new customers, which may require us to adjust our advertising and marketing programs or make further investments in these programs. We will incur advertising and marketing expenses in advance of when we anticipate recognizing any revenues generated by such expenses, and we may fail to otherwise experience an increase in revenues or brand awareness as a result of such expenditures. We have made in the past, and may make in the future, significant expenditures and investments in new advertising campaigns, and we cannot assure you that any such investments will lead to the cost-effective acquisition of additional customers. If we are unable to maintain effective advertising programs, our ability to attract new customers could be materially and adversely affected, our advertising and marketing expenses could increase substantially, and our results of operations may suffer.

Some of our potential customers learn about us through leading search engines, such as Google, Yahoo!, and Microsoft Bing. While we employ search engine optimization and search engine marketing strategies, our ability to maintain and increase the number of visitors directed to our website is not entirely within our control. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors' search engine optimization efforts are more successful than ours, or if search engine companies restrict or prohibit us from using their services, fewer potential customers may click through to our website. In addition, the cost of purchased listings has increased in the past and may increase in the future. A decrease in website traffic or an increase in search costs could materially and adversely affect our customer acquisition efforts and our results of operations.

A significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.

A significant portion of our revenues today come from small and medium-sized businesses. These customers may be materially and adversely affected by economic downturns to a greater extent than larger, more established businesses. These businesses typically have more limited financial resources, including capital-borrowing capacity, than larger entities. Any economic downturn could decrease technology spending and the number of employees of small and medium sized businesses in ways that adversely affect demand for our offerings, could increase churn or downsell and harm our business and results of operations. As the majority of our customers pay for our subscriptions through credit and debit cards, weakness in certain segments of the credit markets and in the U.S. and global economies has resulted in and may in the future result in increased numbers of rejected credit and debit card payments, which could materially affect our business by increasing customer cancellations and impacting our ability to engage new small and medium-sized customers. If small and medium-sized businesses experience financial hardship as a result of a weak economy, industry consolidation or for any other reason, the overall demand for our subscriptions could be materially and adversely affected.

We face significant risks in our strategy to target medium-sized and larger businesses for sales of our subscriptions and, if we do not manage these efforts effectively, our business and results of operations could be materially and adversely affected.

Sales to medium-sized and larger businesses continue to grow in both absolute dollars and as a percentage of our total sales. As we continue to target more of our sales efforts to medium-sized and larger businesses, we expect to incur higher costs and longer sales cycles and we may be less effective at predicting when we will complete these sales. In these market segments, the decision to purchase our subscriptions generally requires the approval of more technical personnel and management levels within a potential customer's organization, and therefore, these types of sales require us to invest more time educating these potential customers about the benefits of our subscriptions. In addition, larger customers may demand more features, integration services, and customization, and may require highly skilled sales and support personnel. Our investment in marketing our subscriptions to these potential customers may not be successful, which could significantly and adversely affect our results of operations and our overall ability to grow our customer base. Furthermore, many medium-sized and larger businesses that we target for sales may already purchase business communications solutions from our larger competitors or, due to economic conditions or otherwise, reduce their technology spending or reduce the number of employees for whom they purchase our solutions or reduce the number of existing employees using our solution (i.e., down-sell). As a result of these factors, these sales opportunities may require us to devote greater research and development resources and sales support to individual customers, and invest in hiring and retaining highly skilled personnel, resulting in increased costs and could likely lengthen our typical sales cycle, which could strain our sales and support resources. Moreover, these larger transactions may require us to delay recognizing the associated revenues we derive from these customers until any technical or implementation requirements have been met.

Support for smartphones and tablets are an integral part of our solutions. If we are unable to develop robust mobile applications that operate on mobile platforms that our customers use, our business and results of operations could be materially and adversely affected.

Our solutions allow our customers to use and manage our cloud-based business communications solution on smart devices. As new smart devices and operating systems are released, we may encounter difficulties supporting these devices and services, and we may need to devote significant resources to the creation, support, and maintenance of our mobile applications. In addition, if we experience difficulties in the future integrating our mobile applications into smart devices or if problems arise with our relationships with providers of mobile operating systems, such as those of Apple Inc. or Alphabet Inc., our future growth and our results of operations could suffer.

If we are unable to develop, license, or acquire new services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.

The cloud-based business communications industry is characterized by rapid development of and changes in customer requirements, frequent introductions of new and enhanced services, and continuing and rapid technological advancement. We cannot predict the effect of technological changes or the introduction of new, disruptive technologies on our business, and the market for cloud-based business communications may develop more slowly than we anticipate, or develop in a manner different than we expect, and our solutions could fail to achieve market acceptance. Our continued growth depends on continued use of voice and video communications by businesses, as compared to email and other data-based methods, and future demand for and adoption of Internet voice and video communications systems and services. In addition, to compete successfully in this emerging market, we must anticipate and adapt to technological changes and evolving industry standards, and continue to design, develop, manufacture, and sell new and enhanced services that provide increasingly higher levels of performance and reliability at lower cost. Currently, we derive a majority of our revenues from subscriptions to RingCentral MVP, and we expect this will continue for the foreseeable future. However, our future success likely will also depend on our ability to introduce and sell new services, features, and functionality that enhance or are beyond the subscriptions we currently offer, as well as to improve usability and support and increase customer satisfaction. Our failure to develop solutions that satisfy customer preferences in a timely and cost-effective manner may harm our ability to renew our subscriptions with existing customers and create or increase demand for our subscriptions and may materially and adversely impact our results of operations.

The introduction of new services by competitors or the development of entirely new technologies to replace existing offerings could make our solutions obsolete or adversely affect our business and results of operations. Announcements of future releases and new services and technologies by our competitors or us could cause customers to defer purchases of our existing subscriptions, which also could have a material adverse effect on our business, financial condition or results of operations. We may experience difficulties with software development, operations, design, or marketing that could delay or prevent our development, introduction, or implementation of new or enhanced services and applications. We have in the past experienced delays in the planned release dates of new features and upgrades and have discovered defects in new services and applications

after their introduction. We cannot assure you that new features or upgrades will be released according to schedule, or that, when released, they will not contain defects. Either of these situations could result in adverse publicity, loss of revenues, delay in market acceptance, or claims by customers brought against us, all of which could harm our reputation, business, results of operations, and financial condition. Moreover, the development of new or enhanced services or applications may require substantial investment, and we must continue to invest a significant amount of resources in our research and development efforts to develop these services and applications to remain competitive. We do not know whether these investments will be successful. If customers do not widely adopt any new or enhanced services and applications, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new or enhanced services and applications on a timely and cost-effective basis, or if such new or enhanced services and applications do not achieve market acceptance, our business, financial condition, and results of operations may be materially and adversely affected.

If we fail to continue to develop our brand or our reputation is harmed, our business may suffer.

We believe that continuing to strengthen our current brand will be critical to achieving widespread acceptance of our subscriptions and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Accordingly, we may need to increase our investment in, and devote greater resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among users. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brand. In addition, if we do not handle customer complaints effectively, our brand and reputation may suffer, we may lose our customers' confidence, and they may choose to terminate, reduce or not to renew their subscriptions. Many of our customers also participate in social media and online blogs about Internet-based software solutions, including our subscriptions, and our success depends in part on our ability to minimize negative and generate positive customer feedback through such online channels where existing and potential customers seek and share information. If we fail to sufficiently invest in, promote and maintain our brand, our business could be materially and adversely affected.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.

Most of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If customers pay for our subscriptions with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which are referred to in the industry as chargebacks, from the credit card companies from claims that a customer did not authorize the specific credit card transaction to purchase our subscription. If the number of chargebacks becomes excessive, we could be assessed substantial fines or be charged higher transaction fees, and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant and/or service provider standards, including data protection standards, required to utilize their services from time to time. We have established and implemented measures intended to comply with the Payment Card Industry Data Security Standard ("PCI DSS") in the U.S., Canada, and the U.K. If we fail to maintain compliance with such standards or fail to meet new standards, the credit card associations could fine us or terminate their agreements with us, and we would be unable to accept credit cards as payment for our subscriptions. If we fail to maintain compliance with current service provider standards, such as PCI DSS, or fail to meet new standards, customers may choose not to use our services for certain types of communication they have with their customers. If such a failure to comply with relevant standards occurs, we may also face legal liability if we are found to not comply with applicable laws that incorporate, by reference or by adoption of substantially similar provisions, merchant or service provider standards, including PCI DSS. Our subscriptions may also be subject to fraudulent usage, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams, and other fraudulent schemes. This usage can result in, among other things, substantial bills from our vendors, for which we would be responsible, for terminating fraudulent call traffic. In addition, third parties may have attempted in the past, and may attempt in the future, to induce employees, sub-contractors, or consultants into disclosing customer credentials and other account information, which can result in unauthorized access to customer accounts and customer data, unauthorized use of customers' services, charges to customers for fraudulent usage and costs that we must pay to global service providers. Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments could cause our paid customer base to significantly decrease, which would have a material adverse effect on our results of operations, financial condition, and ability to grow our business.

We are in the process of expanding our international operations, which exposes us to significant risks.

We have significant operations directly or through third parties in the U.S., Canada, the U.K., China, Ukraine, the Philippines, Germany, Georgia, Bulgaria, Spain, and France. We also sell our solutions to customers in several countries in Europe, Australia and Singapore, and we expect to grow our international presence in the future. The future success of our business will depend, in part, on our ability to expand our operations and customer base worldwide. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from those in the U.S. Due to our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. In addition, we will face risks in doing business internationally that could materially and adversely affect our business, including:

- our ability to comply with differing and evolving technical and environmental standards, telecommunications regulations, and certification requirements outside the U.S.;
- difficulties and costs associated with staffing and managing foreign operations;
- our ability to effectively price our subscriptions in competitive international markets;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our subscriptions for specific countries;
- the need to offer customer care in various native languages;
- reliance on third parties over which we have limited control, including those that market and resell our subscriptions;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- lower levels of adoption of credit or debit card usage for Internet related purchases by foreign customers and compliance with various foreign regulations related to credit or debit card processing and data protection requirements;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions;
- restrictions on travel to or from countries in which we operate or inability to access certain areas;
- export controls and economic sanctions;
- changes in diplomatic and trade relationships, including tariffs and other non-tariff barriers, such as quotas and local content rules;
- U.S. government trade restrictions, including those which may impose restrictions, including prohibitions, on the exportation, re-exportation, sale, shipment or other transfer of programming, technology, components, and/or services to foreign persons;
- our ability to comply with different and evolving laws, rules, and regulations, including the European General Data Protection Regulation (the “GDPR”) and other data privacy and data protection laws, rules and regulations;
- compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and U.K. Bribery Act of 2010;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. dollars;
- restrictions on the transfer of funds;
- new and different sources of competition;
- natural disasters or global health crises, including the ongoing COVID-19 pandemic;
- political and economic instability created by the Russian invasion of Ukraine;
- deterioration of political relations between the U.S. and other countries in which we operate, particularly China and the Philippines; and
- political or social unrest, economic instability, conflict or war in such countries, or sanctions implemented by the U.S. against these countries, such as the ongoing geopolitical tensions related to Russia’s actions in Ukraine, and resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions, all of which could have a material adverse effect on our operations.

Our failure to manage any of these risks successfully could harm our future international operations and our overall business.

We may expand through acquisitions of, investments in, or strategic partnerships or other strategic transactions with other companies, each of which may divert our management's attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations, and harm our results of operations.

Our business strategy may, from time to time, include acquiring or investing in complementary services, technologies or businesses, strategic investments and partnerships, or other strategic transactions, such as our investment in and strategic partnerships with Avaya, Atos, Amazon, Mitel, Vodafone, DT, Charter and Verizon. We cannot assure you that we will successfully identify suitable acquisition candidates or transaction counterparties, securely or effectively integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Any such acquisition, investment, strategic partnership, or other strategic transaction could materially and adversely affect our results of operations. The process of negotiating, effecting, and realizing the benefits from acquisitions, investments, strategic partnerships, and strategic transactions is complex, expensive and time-consuming, and may cause an interruption of, or loss of momentum in, development and sales activities and operations of both companies, and we may incur substantial cost and expense, as well as divert the attention of management. We may issue equity securities which could dilute current stockholders' ownership, incur debt, assume contingent or other liabilities and expend cash in acquisitions, investments, strategic partnerships, and other strategic transactions which could negatively impact our financial position, stockholder equity, and stock price.

Acquisitions, investments, strategic partnerships, and other strategic transactions involve significant risks and uncertainties, including:

- the potential failure to achieve the expected benefits of the acquisition, investment, strategic partnership, or other strategic transaction;
- unanticipated costs and liabilities;
- difficulties in integrating new solutions and subscriptions, software, businesses, operations, and technology infrastructure in an efficient and effective manner;
- difficulties in maintaining customer relations;
- the potential loss of key employees of any acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position to the extent that we use cash for the transaction consideration;
- the potential significant increase of our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition, investment, strategic partnership, or other strategic transaction;
- the potential issuance of securities that would dilute our stockholders' percentage ownership;
- the potential to incur large and immediate write-offs and restructuring and other related expenses;
- the potential liability or expenses associated with new types of data stored, existing security obligations or liabilities, unknown weaknesses in our solutions, insufficient security measures in place, and compromise of our networks via access to our systems from assets not previously under our control; and
- the inability to maintain uniform standards, controls, policies, and procedures.

Any acquisition, investment, strategic partnership, or other strategic transaction could expose us to unknown liabilities. Moreover, we cannot assure you that we will realize the anticipated benefits of any acquisition, investment, strategic partnership, or other strategic transaction. In addition, our inability to successfully operate and integrate newly acquired businesses or newly formed strategic partnerships appropriately, effectively, and in a timely manner could impair our ability to take advantage of future growth opportunities and other advances in technology, as well as on our revenues, gross margins, and expenses.

These are significant investments on which we may not realize the anticipated benefits for various reasons. For example, in connection with our strategic partnership with Avaya, we made an advance of \$375.0 million that was paid primarily in our Class A Common Stock, predominantly for future fees, as well as for certain licensing rights, and we purchased \$125.0 million of Avaya Series A Preferred Stock. On December 13, 2022, Avaya filed a Form 8-K disclosing ongoing discussions regarding one or more potential financings, refinancings, recapitalizations, reorganizations, restructurings or investment transactions. In light of public disclosures about the likelihood of Avaya's financial restructuring via Chapter 11, we recorded a non-cash asset write-down charge of \$279.3 million for the year ended December 31, 2022, out of which \$21.7 million of this balance was accrued interest and was recorded in other income (expense) in the Consolidated Statement of

Operations. Further, on February 14, 2023, Avaya initiated an expedited, prepackaged financial restructuring via Chapter 11 with the support of certain of its financial stakeholders, including us. In connection therewith, we and Avaya entered into a new extended and expanded partnership arrangement pursuant to which, among other things, ACO remains Avaya's exclusive UCaaS offering and Avaya agreed to certain minimum volume commitments. As part of the new agreements, we and Avaya agreed to a revised go-to-market incentive structure intended to drive migration of customers to ACO. Avaya's contemplated prepackaged financial restructuring plan contemplates that the new partnership agreements between us and Avaya will be assumed and survive Avaya's emergence from Chapter 11 and that the shares of Avaya Series A Preferred Stock held by us will be cancelled without any consideration. Refer to Note 5, Strategic Partnerships and Asset Acquisitions in this Annual Report on Form 10-K for further information regarding our assessment of the recoverability of our deferred and prepaid sales commission balances with Avaya.

In addition, our ability to offer, sell or transfer certain investments may be limited by applicable securities laws and regulations, and our ability to liquidate and realize value from such investments may be negatively and materially impacted by any delays or limitations on our ability to offer, sell, or transfer certain investments. In addition, certain investments are speculative in nature and may be volatile or decline in value or be entirely lost, which could have a negative impact on our future financial position, results of operations, and cash flows.

We may be subject to liabilities on past sales for taxes, surcharges, and fees and our operating results may be harmed if we are required to collect such amounts in jurisdictions where we have not historically done so.

We believe we collect state and local sales tax and use, excise, utility user, and ad valorem taxes, fees, or surcharges in all relevant jurisdictions in which we generate sales, based on our understanding of the applicable laws in those jurisdictions. Such tax, fees and surcharge laws and rates vary greatly by jurisdiction, and the application of such taxes to e-commerce businesses, such as ours, is a complex and evolving area. There is uncertainty as to what constitutes sufficient "in state presence" for a state to levy taxes, fees, and surcharges for sales made over the Internet, and after the U.S. Supreme Court's ruling in *South Dakota v. Wayfair*, U.S. states may require an online retailer with no in-state property or personnel to collect and remit sales tax on sales to the state's residents, which may permit wider enforcement of sales tax collection requirements. Therefore, the application of existing or future laws relating to indirect taxes to our business, or the audit of our business and operations with respect to such taxes or challenges of our positions by taxing authorities, all could result in increased tax liabilities for us or our customers that could materially and adversely affect our results of operations and our relationships with our customers.

We may be unable to use some or all of our net operating loss carryforwards, which could materially and adversely affect our reported financial condition and results of operations.

As of December 31, 2022, we have federal net operating loss carryforwards ("NOLs") of \$1.9 billion, of which \$193.4 million expire between 2033 and 2037 and the remainder do not expire. Additionally, we have state net operating loss carryforwards of \$1.3 billion which will begin expiring in 2023. We also have federal research tax credit carryforwards that will begin to expire in 2028. Realization of these net operating loss and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our results of operations.

In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, our ability to utilize NOLs or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." An "ownership change" generally occurs if one or more stockholders or groups of stockholders, who each own at least 5% of our stock, increase their collective ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

No material deferred tax assets have been recognized on our Consolidated Balance Sheets related to these NOLs, as they are fully offset by a valuation allowance. If we have previously had, or have in the future, one or more Section 382 "ownership changes," including in connection with our initial public offering or another offering, or if we do not generate sufficient taxable income, we may not be able to utilize a material portion of our NOLs, even if we achieve profitability. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. This could materially and adversely affect our results of operations.

If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.

We support local number and toll-free number portability, which allows our customers to transfer to us and thereby retain their existing phone numbers when subscribing to our services. Transferring numbers is a manual process that can take up to 15 business days or longer to complete. A new customer of our subscriptions must maintain both our subscription and the customer's existing phone service during the number transferring process. Any delay that we experience in transferring these numbers typically results from the fact that we depend on third-party global service providers to transfer these numbers, a process that we do not control, and these third-party global service providers may refuse or substantially delay the transfer of these numbers to us. Local number portability is considered an important feature by many potential customers, and if we fail to reduce any related delays, we may experience increased difficulty in acquiring new customers. Moreover, the FCC requires Internet voice communications providers to comply with specified number porting timeframes when customers leave our subscription for the services of another provider. Several international jurisdictions have imposed similar number portability requirements on subscription providers like us. If we or our third-party global service providers are unable to process number portability requests within the requisite timeframes, we could be subject to fines and penalties. Additionally, in the U.S., both customers and global service providers may seek relief from the relevant state public utility commission, the FCC, or in state or federal court for violation of local number portability requirements.

Our business could suffer if we cannot obtain or retain direct inward dialing numbers or are prohibited from obtaining local or toll-free numbers or if we are limited to distributing local or toll-free numbers to only certain customers.

Our future success depends on our ability to procure large quantities of local and toll-free direct inward dialing numbers ("DIDs") in the U.S. and foreign countries in desirable locations at a reasonable cost and without restrictions. Our ability to procure and distribute DIDs depends on factors outside of our control, such as applicable regulations, the practices of the communications global service providers that provide DIDs, the cost of these DIDs, and the level of demand for new DIDs. Due to their limited availability, there are certain popular area code prefixes that we generally cannot obtain. Our inability to acquire DIDs for our operations would make our subscriptions less attractive to potential customers in the affected local geographic areas. In addition, future growth in our customer base, together with growth in the customer bases of other providers of cloud-based business communications, has increased, which increases our dependence on needing sufficiently large quantities of DIDs.

We may not be able to manage our inventory levels effectively, which may lead to inventory obsolescence that would force us to incur inventory write-downs.

Our vendor-supplied phones have lead times of up to several months for delivery to our fulfillment agents and are built to forecasts that are necessarily imprecise. It is likely that, from time to time, we will have either excess or insufficient product inventory. In addition, because we rely on third-party vendors for the supply of our vendor-supplied phones, our inventory levels are subject to the conditions regarding the timing of purchase orders and delivery dates that are not within our control. Excess inventory levels would subject us to the risk of inventory obsolescence, while insufficient levels of inventory may negatively affect relations with customers. For instance, our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of our subscriptions could result in loss of customers or harm to our ability to attract new customers. Any reduction or interruption in the ability of our vendors to supply our customers with vendor-supplied phones, including as a result of the ongoing COVID-19 pandemic, could cause us to lose revenue, damage our customer relationships and harm our reputation in the marketplace. Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

We currently depend on three phone device suppliers and two fulfillment agents to configure and deliver the phones that we sell and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may harm our business.

We rely on three suppliers to provide phones that we offer for sale to our customers that use our subscriptions, and we rely on two fulfillment agents to configure and deliver the phones that we sell to our customers. Accordingly, we could be adversely affected if such third parties fail to maintain competitive phones or configuration services or fail to continue to make them available on attractive terms, or at all. These suppliers have been and will continue to be adversely impacted by the COVID-19 pandemic, which could affect their ability to perform satisfactorily or at all.

If our fulfillment agents are unable to deliver phones of acceptable quality, or if there is a reduction or interruption in their ability to supply the phones in a timely manner, our ability to bring services to market, the reliability of our subscriptions and our relationships with customers or our overall reputation in the marketplace could suffer, which could cause us to lose revenue. We expect that it could take several months to effectively transition to new third-party manufacturers or fulfillment agents.

If our vendor-supplied phones are not able to interoperate effectively with our own back-end servers and systems, our customers may not be able to use our subscriptions, which could harm our business, financial condition and results of operations.

Phones must interoperate with our back-end servers and systems, which contain complex specifications and utilize multiple protocol standards and software applications. Currently, the phones used by our customers are manufactured by only three third-party providers. If any of these providers changes the operation of their phones, we will be required to undertake development and testing efforts to ensure that the new phones interoperate with our system. In addition, we must be successful in integrating our solutions with strategic partners' devices in order to market and sell these solutions. These efforts may require significant capital and employee resources, and we may not accomplish these development efforts quickly or cost-effectively, if at all. If our vendor-supplied phones do not interoperate effectively with our system, our customers' ability to use our subscriptions could be delayed or orders for our subscriptions could be canceled, which would harm our business, financial condition, and results of operations.

Our Credit Agreement imposes operating and financial restrictions on us.

On February 14, 2023, we entered into a Credit Agreement (the "Credit Agreement"), among the Company, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and as collateral agent. The obligations under the Credit Agreement and the other loan documents are guaranteed by certain of our material domestic subsidiaries, and secured by substantially all of our personal property and that of such subsidiary guarantors. Our Credit Agreement contains covenants that limit our ability and the ability of our subsidiaries to:

- incur additional debt;
- create liens;
- make investments;
- dispose of assets; and
- make certain restricted payments.

Further, the Credit Agreement contains financial covenants that require compliance with a maximum total net leverage ratio and minimum interest coverage ratio. All of these covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities, react to market conditions, or otherwise restrict our activities or business plans. A breach of any of these covenants could result in an event of default under the Credit Agreement. If an event of default occurs, the lenders may terminate their commitments and accelerate our obligations under the Credit Agreement. Any such acceleration could result in an event of default under our convertible notes. Refer to Note 16 – *Subsequent Events* of the notes to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

Risks Related to Regulatory Matters

Our subscriptions are subject to regulation, and future legislative or regulatory actions could adversely affect our business and expose us to liability in the U.S. and internationally.

Federal Regulation

Our business is regulated by the FCC. As a communications services provider, we are subject to existing or potential FCC regulations relating to privacy, disability access, porting of numbers and enabling abbreviated dialing to designated numbers, maintaining records for disconnected numbers, cooperation with law enforcement, Federal Universal Service Fund

("USF") contributions, Enhanced 911 ("E-911"), outage reporting, call authentication, call spoofing, call blocking and other requirements and regulations. The FCC is considering new rules for text communications. FCC classification of our Internet voice communications services as telecommunications services could result in additional federal and state regulatory obligations. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses or authorizations, repayment of funds, and possibly restrictions on our ability to operate or offer certain of our subscriptions. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, possibly impair our ability to sell our subscriptions to customers and could have a materially adverse impact on our revenues.

Through RCLEC, we also provide competitive local exchange carrier ("CLEC") and IP-enabled ("IPES") services which are regulated by the FCC as traditional telecommunications services. Our CLEC services depend on certain provisions of the Telecommunications Act of 1996 that require incumbent local exchange carriers ("ILECs") to provide us facilities and services that are necessary to provide our services. Over the past several years, the FCC has reduced or eliminated a number of regulations governing ILECs' wholesale offerings. If ILECs were no longer required by law to provide such services to us, or ceased to provide these services at reasonable rates, terms and conditions, our business could be adversely affected and our cost of providing CLEC services could increase. This could have a materially adverse impact on our results of operations and cash flows.

In addition, the federal Telephone Consumer Protection Act ("TCPA") and FCC rules implementing the TCPA, prohibit sending unsolicited facsimile advertisements or making illegal robocalls, subject to certain exceptions. The FCC may take enforcement action against persons or entities that send "junk faxes," or make illegal robocalls and individuals also may have a private cause of action. Although the FCC's rules prohibiting unsolicited fax advertisements or making illegal robocalls apply to those who "send" the advertisements or make the calls, fax transmitters or other service providers that have a high degree of involvement in, or actual notice of, unlawful sending of junk faxes or making of illegal robocalls and have failed to take steps to prevent such transmissions may also face liability under the FCC's rules, or in the case of illegal robocalls, Federal Trade Commission rules. We take significant steps designed to prevent our systems from being used to make illegal robocalls or send unsolicited faxes on a large scale, and we do not believe that we have a high degree of involvement in, or notice of, the use of our systems to broadcast junk faxes or make illegal robocalls. However, because fax transmitters and related service providers do not enjoy an absolute exemption from liability under the TCPA and related FCC rules, we could face FCC or FTC inquiry and enforcement or civil litigation, or private causes of action, if someone uses our system for such purposes. If any of these were to occur, we could be required to incur significant costs and management's attention could be diverted. Further, if we were to be held liable for the use of our service to send unsolicited faxes or make illegal robocalls or to settle any action or proceeding, any judgment, settlement, or penalties could cause a material adverse effect on our operations.

State Regulation

States currently do not regulate our Internet voice communications subscriptions, which are considered to be nomadic because they can be used from any broadband connection. However, a number of states require us to register as a Voice over Internet Protocol ("VoIP") provider, contribute to state USF, contribute to E-911, and pay other surcharges and annual fees that fund various utility commission programs, while others are actively considering extending their public policy programs to include the subscriptions we provide. We pass USF, E-911 fees, and other surcharges through to our customers, which may result in our subscriptions becoming more expensive or require that we absorb these costs. State public utility commissions may attempt to apply state telecommunications regulations to Internet voice communications subscriptions like ours.

RCLEC services are subject to regulation by the public utility regulatory agency in those states where we provide local telecommunications services. This regulation includes the requirement to obtain a certificate of public convenience and necessity or other similar licenses prior to offering our CLEC services, as well as registrations related to IPES services. We may also be required to file tariffs that describe our CLEC services and provide rates for those services. We are also required to comply with regulations that vary by state concerning service quality, disconnection and billing requirements. State commissions also have authority to review and approve interconnection agreements between incumbent phone carriers and CLECs such as our subsidiary.

Both we and RCLEC are also subject to state consumer protection laws, including privacy requirements, as well as U.S. state or municipal sales, use, excise, gross receipts, utility user and ad valorem taxes, fees, or surcharges.

International Regulation

As we expand internationally, we may be subject to telecommunications, consumer protection, data protection, emergency call services, and other laws, regulations, taxes, and fees in the foreign countries where we offer our subscriptions. Any foreign regulations could impose substantial compliance costs on us, restrict our ability to compete, and impact our ability

to expand our service offerings in certain markets. Moreover, the regulatory environment is constantly evolving and changes to the applicable regulations could impose additional compliance costs and require modifications to our technology and operations. European Union member states are currently implementing the new European Electronic Communications Code, including major modifications to the German Telecommunications Act and French regulations. The new rules in France impose additional obligations beyond our existing business model and will require domestic infrastructure buildout in France. Internationally, we currently sell our subscriptions in Canada, the U.K., Australia, Singapore, and several European countries. We also offer our Global MVP solution, enabling our multinational customers in locations where we sell our solutions, to establish local phone solutions in various countries internationally. We may be subject to telecommunications, consumer protection, data protection, emergency call services, call authentication, and other laws and regulations in additional countries as we continue to expand our Global MVP solution internationally.

In addition, our international operations are potentially subject to country-specific governmental regulation and related actions that may increase our costs or impact our solution and service offerings or prevent us from offering or providing our solutions and subscriptions in certain countries. Certain of our subscriptions may be used by customers located in countries where VoIP and other forms of IP communications may be illegal or require special licensing or in countries on a U.S. embargo list. Even where our solutions are reportedly illegal or become illegal or where users are located in an embargoed country, users in those countries may be able to continue to use our solutions and subscriptions in those countries notwithstanding the illegality or embargo. We may be subject to penalties or governmental action if customers continue to use our solutions and subscriptions in countries where it is illegal to do so, and any such penalties or governmental action may be costly and may harm our business and damage our brand and reputation. We may be required to incur additional expenses to meet applicable international regulatory requirements or be required to discontinue those subscriptions if required by law or if we cannot or will not meet those requirements.

The increasing growth and popularity of Internet voice communications, video conferencing and messaging heighten the risk that governments will regulate or impose new or increased fees or taxes on these services. To the extent that the use of our subscriptions continues to grow, and our user base continues to expand, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our subscriptions.

We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving international statutes, governmental regulation, industry standards and self-regulatory schemes, contractual obligations, and other legal obligations related to privacy and data protection, which may increase our costs, decrease adoption and use of our solutions and subscriptions, and expose us to liability.

In the course of providing our services, we collect, store, and process many types of data, including personal data. Moreover, our customers can use our subscriptions to store contact and other personal or identifying information, and to process, transmit, receive, store, and retrieve a variety of communications and messages, including information about their own customers and other contacts. Customers are able, and may be authorized under certain circumstances, to use our subscriptions to transmit, receive, and/or store personal information.

There are a number of federal, state, local, and foreign laws and regulations, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure, and protection of personal information and other customer data. With the implementation of our Global MVP solution, we are subject to additional data privacy regulations in other countries throughout the world. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain. Failure to comply with obligations and restrictions related to data privacy, data protection, and security in any jurisdiction in which we operate could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity, and other losses that could harm our business.

For example, the GDPR, which came into force in May 2018, strengthened the existing data protection regulations in the EU and its provisions include increasing the maximum level of fines that EU regulators may impose for the most serious of breaches to the greater of €20 million or 4% of worldwide annual turnover. National data protection supervisory authorities have been actively monitoring and sanctioning noncompliance with applicable regulations with particular focus on use of cookies without consent, protection of children data and breach of security. Such fines would be in addition to (i) the rights of individuals to sue for damages in respect of any data privacy breach which causes them to suffer harm and (ii) the right of individual member states to impose additional sanctions over and above the administrative fines specified in the GDPR. Other examples include, but are not limited to, Canadian data protection and anti-spam legislation and Australia's Privacy Act and Australia's Spam Act 2003, as amended.

Among other requirements, the GDPR regulates data transferred from the European Economic Area (the “EEA”) to countries that have not been found to provide adequate protection to such personal data, including the U.S. On June 4, 2021, the EU Commission adopted new Standard Contractual Clauses (“2021 SCCs”), for the transfer of personal data from the EU to countries not deemed by the EU Commission as providing adequate protection of personal data (e.g., the U.S.). We have begun adopting the 2021 SCCs with our customers and our suppliers transferring data out of the EEA and Switzerland (with approved modifications by the Federal Data Protection and Information Commissioner). Despite this, it may be difficult to maintain appropriate safeguards for the transfer of such data from the EEA and Switzerland, in particular as a result of continued legal and legislative activity that has challenged or called into question existing means of data transfers to countries that have not been found to provide adequate protection for personal data.

Following the U.K.’s exit from the EU on January 31, 2020 the U.K. largely adopted the EU rules on cross-border data flows, but allowed flexibility to diverge. On June 28, 2021, the European Commission issued an adequacy decision under the GDPR and the Law Enforcement Directive, pursuant to which personal data generally may be transferred from the EU to the U.K. without restriction; however, this adequacy decision is subject to a four-year “sunset” period, after which the European Commission’s adequacy decision may be renewed. On March 21, 2022, the U.K. Parliament approved new Standard Contractual Clauses (“UK SCCs”) to support personal data transfers out of the U.K., and we may, in addition to other impacts, experience additional costs associated with increased compliance burdens and be required to engage in new contract negotiations with third parties that aid in processing personal data on our behalf or localize certain personal data. We have begun adopting the UK SCCs with our customers and suppliers transferring personal data out of the U.K.

The 2021 SCCs and the UK SCCs include requirements to conduct personal data transfer impact assessments before transferring personal data out of the EEA, Switzerland and the U.K. The assessment requires the parties to take into account the specific circumstances of the transfer, the laws and practices of the destination country, particularly relating to government access, and any additional relevant contractual, technical or organizational safeguards. Each party is required to perform such an assessment and determine whether the transfer can proceed or must be suspended if there are insufficient safeguards to protect the transfer of personal data. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens following the implementation of the 2021 SCCs and UK SCCs, including requirements to block, or require ad hoc verification of measures taken with respect to, certain data flows from the EEA, Switzerland and the U.K. to the U.S. and other non-EEA countries. Additionally, we and our customers face the potential for regulators in the EEA, Switzerland or the U.K. to apply different standards to the transfer of personal data from the EEA, Switzerland or the U.K. to the U.S. and other non-EEA countries.

Anticipated developments and future regulatory guidance may, moreover, result in further varying requirements as well as varying interpretations regarding the industry-standard measures that we, and other companies, have taken, and as such, may require ongoing investments in our compliance program. Uncertainty regarding some details for cross-border data transfers remains. If we are unable to take necessary and additional measures as may be required, then we may be at risk of experiencing reluctance or refusal of European or multi-national customers to use our solutions and incurring regulatory penalties, which may have an adverse effect on our business.

Additionally, on November 17, 2022, the Digital Services Act (“DSA”) entered into force in the EU and includes new obligations to limit the spread of illegal content and illegal products online, increase the protection of minors, and provide users with more choice and transparency and allows for fines of up to 6% of annual turnover. The impact of the DSA on the overall industry, business models and our operations is uncertain, and these regulations could result in changes to our subscriptions or introduce new operational requirements and administrative costs each of which could have an adverse effect on our business, financial condition, and results of operations.

The European Commission has proposed new legislation to enhance privacy protections for users of communications services and to enhance protection for individuals against online tracking technologies. The proposed legislation, the Regulation on Privacy and Electronic Communications (the “e-Privacy Regulation”), is currently undergoing legislative scrutiny. When introduced, the e-Privacy Regulation is expected to impose greater potential liabilities upon communications service providers, including potential fines for the most serious of breaches of the greater of €20 million or 4% of worldwide annual turnover. New rules introduced by the e-Privacy Regulation are likely to include enhanced consent requirements for communications service providers in order to use communications content and communications metadata to deliver value added services, as well as restrict the use of data related to corporations and other non-natural persons. These restrictions, if adopted, may affect our future business growth in the EEA.

Further, the Data Security Law of China (“DSL”), which took effect on September 1, 2021, and the Personal Information Protection Law of China (“PIPL”), which took effect on November 1, 2021, implement comprehensive regulation of data and personal data processing activities across all industries and operations such as collecting, utilizing, processing,

sharing and transferring data and personal information in and out of China. The DSL and PIPL apply not only to the processing of data within China, but also cross-border data transfers as well as certain activities outside of China that relate to data originating from China. Restrictions imposed by the DSL and PIPL and uncertainty regarding their application in practice may impact us and our customers, and we may be required to implement modifications to our policies and practices in an effort to comply with these laws.

In the U.S., there are numerous federal and state laws governing the privacy and security of personal information. In particular, the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) establishes privacy and security standards that limit the use and disclosure of individually identifiable health information and requires the implementation of administrative, physical, and technical safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity, and availability of electronic protected health information by certain institutions. We act as a “Business Associate” through our relationships with certain customers and are thus directly subject to certain provisions of HIPAA. In addition, if we are unable to protect the privacy and security of protected health information, we could be found to have breached our contracts with customers with whom we have a Business Associate relationship and may also face regulatory liability. Additionally, we are subject to FCC regulations imposing obligations related to our use and disclosure of certain data related our interconnected VoIP service. If we experience a data security incident, we may be required by state law or FCC or other regulations to notify our customers and/or law enforcement. We may also be subject to Federal Trade Commission (“FTC”) enforcement actions if the FTC has reason to believe we have engaged in unfair or deceptive privacy or data security practices.

Noncompliance with laws and regulations relating to privacy and security of personal information, including HIPAA, or with contractual obligations under any Business Associate agreement may lead to significant fines, civil and criminal penalties, or liabilities. The U.S. Department of Health and Human Services (“HHS”) audits the compliance of Business Associates and enforces HIPAA privacy and security standards. HHS enforcement activity has become more significant over the last few years and HHS has signaled its intent to continue this trend. Violation of the FCC’s privacy rules can result in large monetary forfeitures and injunctive relief. The FTC has broad authority to seek monetary redress for affected consumers and injunctive relief. In addition to federal regulators, state attorneys general (and, in some states, individual residents) are authorized to bring civil actions seeking either injunctions or damages to the extent violations implicate the privacy of state residents. Class action lawsuits are common in the event of a data breach affecting financial or other forms of sensitive information.

Additionally, California has enacted the California Consumer Privacy Act (“CCPA”), which came into effect on January 1, 2020, with implementing regulations effective August 14, 2020. Pursuant to the CCPA, we are required, among other things, to make certain enhanced disclosures related to California residents regarding our use or disclosure of their personal information, allow California residents to opt-out of certain uses and disclosures of their personal information without penalty, provide Californians with other choices related to personal data in our possession, and obtain opt-in consent before engaging in certain uses of personal information relating to Californians under the age of 16. The California Attorney General may seek substantial monetary penalties and injunctive relief in the event of our non-compliance with the CCPA. The CCPA also allows for private lawsuits from Californians in the event of certain data breaches. Aspects of the CCPA remain uncertain, and we may be required to make modifications to our policies or practices in order to comply. Moreover, a new privacy law, the CPRA, was approved by California voters in November 2020. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. The CPRA created obligations relating to consumer data beginning on January 1, 2023, with enforcement beginning July 1, 2023. California residents’ rights under the CPRA to opt-out from the sale or sharing of their data may impact our marketing activities, particularly those that involve the use of third-party cookies on our websites. This may require that we implement specific contractual terms when we engage marketing entities to market our product and services and may limit our efforts to reach our target audience. Further, on March 2, 2021, Virginia enacted the Virginia Consumer Data Protection Act (“CDPA”), a comprehensive privacy statute that shares similarities with the CCPA, CPRA, and legislation proposed in other states. The CDPA is effective as of January 1, 2023. Colorado enacted a similar law, the Colorado Privacy Act, on June 8, 2021, which is effective as of July 1, 2023. Utah enacted a similar law, the Utah Consumer Privacy Act, on March 24, 2022, which is effective as of December 31, 2023, and Connecticut enacted a similar law, An Act Concerning Personal Data Privacy and Online Monitoring, on May 10, 2022, which is effective as of July 1, 2023. The U.S. federal government also is contemplating federal privacy legislation. On September 15, 2022, California passed the California Age-Appropriate Design Code Act, which will become enforceable on July 1, 2024. Many of these new and evolving laws and regulations have required us to incur costs and expenses, and will require us to incur additional costs and expenses, in our efforts to comply.

As Internet commerce and communication technologies continue to evolve, thereby increasing online service providers’ and network users’ capacity to collect, store, retain, protect, use, process, and transmit large volumes of personal information, increasingly restrictive regulation by federal, state, or foreign agencies becomes more likely.

While we try to comply with applicable data protection laws, regulations, standards, and codes of conduct, as well as our own posted privacy policies and contractual commitments to the extent possible, any actual or alleged failure by us to comply with any of the foregoing or to protect our users' privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of user confidence in our subscriptions and ultimately in a loss of users, which could materially and adversely affect our business.

Regulation of personal information is evolving, and new laws could further impact how we handle personal information or could require us to incur additional compliance costs, either of which could have an adverse impact on our operations. Further, our actual compliance, our customers' perception of our compliance, costs of compliance with such regulations, and obligations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our subscriptions and reduce overall demand. Privacy-related concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our subscriptions, may cause our customers' customers to resist providing the personal data necessary to allow our customers to use our subscriptions effectively. Even the perception of privacy-related concerns, whether or not valid, may inhibit market adoption of our subscriptions in certain industries.

Additionally, due to the nature of our service, we are unable to maintain complete control over data security or the implementation of measures that reduce the risk of a data security incident. For example, our customers may accidentally disclose their passwords or store them on a mobile device that is lost or stolen, creating the perception that our systems are not secure against third-party access. Additionally, our third-party contractors in the Philippines, Georgia, Bulgaria and Spain, may have access to customer data; no personal customer data is processed or stored in Russia or Ukraine.. If these or other third-party vendors violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have a material and adverse effect on our business.

Our emergency and E-911 calling services may expose us to significant liability.

The FCC requires Internet voice communications providers, such as our company, to provide E-911 service in all geographic areas covered by the traditional wire-line E-911 network. Under the FCC's rules, Internet voice communications providers must transmit the caller's phone number and registered location information to the appropriate public safety answering point ("PSAP") for the caller's registered location. Our CLEC services are also required by the FCC and state regulators to provide E-911 service to the extent that they provide services to end users. We are also subject to similar requirements internationally.

In connection with the regulatory requirements that we provide access to emergency services dialing to our interconnected VoIP customers, we must obtain from each customer, prior to the initiation of or changes to service, the physical locations at which the service will first be used for each VoIP line. For subscriptions that can be utilized from more than one physical location, we must provide customers one or more methods of updating their physical location. Because we are not able to confirm that the service is used at the physical addresses provided by our customers, and because customers may provide an incorrect location or fail to provide updated location information, it is possible that emergency services calls may get routed to the wrong PSAP. If emergency services calls are not routed to the correct PSAP, and if the delay results in serious injury or death, we could be sued and the damages substantial. We are evaluating measures to attempt to verify and update the addresses for locations where our subscriptions are used.

In addition, customers may attempt to hold us responsible for any loss, damage, personal injury, or death suffered as a result of delayed, misrouted, or uncompleted emergency service calls or text messages, subject to any limitations on a provider's liability provided by applicable laws, regulations and our customer agreements.

We rely on third parties to provide the majority of our customer service and support representatives and to fulfill various aspects of our E-911 service. If these third parties do not provide our customers with reliable, high-quality service, our reputation will be harmed, and we may lose customers.

We offer customer support through both our online account management website and our toll-free customer support number in multiple languages. Our customer support is currently provided via a third-party provider located in the Philippines, as well as our employees in the U.S. Our third-party providers generally provide customer service and support to our customers without identifying themselves as independent parties. The ability to support our customers may be disrupted by natural disasters, inclement weather conditions, civil unrest, strikes, and other adverse events in the Philippines. Furthermore, as we expand our operations internationally, we may need to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in additional foreign

languages. We also use third parties to deliver onsite professional services to our customers in deploying our solutions. If these vendors do not deliver timely and high-quality services to our customers, our reputation could be damaged, and we could lose customers. In addition, third-party professional services vendors may not be available when needed, which would adversely impact our ability to deliver on our customer commitments.

We also contract with third parties to provide emergency services calls in the U.S., Canada, the U.K., and other jurisdictions in which we provide access to emergency services dialing, including assistance in routing emergency calls and terminating emergency services calls. Our domestic providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain PSAP databases for the purpose of deploying and operating E-911 services. We rely on providers for similar functions in other jurisdictions in which we provide access to emergency services dialing. On mobile devices, we rely on the underlying cellular or wireless carrier to provide emergency services dialing. Interruptions in service from our vendors could cause failures in our customers' access to E-911/999/112 services and expose us to liability and damage our reputation.

If any of these third parties do not provide reliable, high-quality service, or the service is not provided in compliance with regulatory requirements, our reputation and our business will be harmed. In addition, industry consolidation among providers of services to us may impact our ability to obtain these services or increase our costs for these services.

Risks Related to Intellectual Property

Accusations of infringement of third-party intellectual property rights could materially and adversely affect our business.

There has been substantial litigation in the areas in which we operate regarding intellectual property rights. For instance, we have recently and in the past been sued by third parties claiming infringement of their intellectual property rights and we may be sued for infringement from time to time in the future. Also, in some instances, we have agreed to indemnify our customers, resellers, and global service providers for expenses and liability resulting from claimed intellectual property infringement by our solutions. From time to time, we have received requests for indemnification in connection with allegations of intellectual property infringement and we may choose, or be required, to assume the defense and/or reimburse our customers and/or resellers and global service providers for their expenses, settlement and/or liability. In the past, we have settled infringement litigation brought against us; however, we cannot assure you that we will be able to settle any future claims or, if we are able to settle any such claims, that the settlement will be on terms favorable to us. Our broad range of technology may increase the likelihood that third parties will claim that we, or our customers and/or resellers, and global service providers, infringe their intellectual property rights.

We have in the past received, and may in the future receive, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Furthermore, regardless of their merits, accusations and lawsuits like these, whether against us or our customers, resellers, and global service providers, may require significant time and expense to defend, may negatively affect customer relationships, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Certain technology necessary for us to provide our subscriptions may, in fact, be patented by other parties either now or in the future. If such technology were validly patented by another person, we would have to negotiate a license for the use of that technology. We may not be able to negotiate such a license at a price that is acceptable to us or at all. The existence of such a patent, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using the technology and cease offering subscriptions incorporating the technology, which could materially and adversely affect our business and results of operations.

If we, or any of our solutions, were found to be infringing on the intellectual property rights of any third party, we could be subject to liability for such infringement, which could be material. We could also be prohibited from using or selling certain subscriptions, prohibited from using certain processes, or required to redesign certain subscriptions, each of which could have a material adverse effect on our business and results of operations.

These and other outcomes may:

- result in the loss of a substantial number of existing customers or prohibit the acquisition of new customers;
- cause us to pay license fees for intellectual property we are deemed to have infringed;
- cause us to incur costs and devote valuable technical resources to redesigning our subscriptions;
- cause our cost of revenues to increase;

- cause us to accelerate expenditures to preserve existing revenues;
- cause existing or new vendors to require pre-payments or letters of credit;
- materially and adversely affect our brand in the marketplace and cause a substantial loss of goodwill;
- cause us to change our business methods or subscriptions;
- require us to cease certain business operations or offering certain subscriptions or features; and
- lead to our bankruptcy or liquidation.

Our limited ability to protect our intellectual property rights could materially and adversely affect our business.

We rely, in part, on patent, trademark, copyright, and trade secret law to protect our intellectual property in the U.S. and abroad. We seek to protect our technology, software, documentation and other information under trade secret and copyright law, which afford only limited protection. For example, we typically enter into confidentiality agreements with our employees, consultants, third-party contractors, customers, and vendors in an effort to control access to, use of, and distribution of our technology, software, documentation, and other information. These agreements may not effectively prevent unauthorized use or disclosure of confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure, and it may be possible for a third party to legally reverse engineer, copy, or otherwise obtain and use our technology without authorization. In addition, improper disclosure of trade secret information by our current or former employees, consultants, third-party contractors, customers, or vendors to the public or others who could make use of the trade secret information would likely preclude that information from being protected as a trade secret.

We also rely, in part, on patent law to protect our intellectual property in the U.S. and internationally. Our intellectual property portfolio includes over 940 issued patents, including patents acquired from a strategic partnership transaction, which expire between 2023 and 2041. We also have 72 patent applications pending examination in the U.S. and 59 patent applications pending examination in foreign jurisdictions, all of which are related to U.S. applications. We cannot predict whether such pending patent applications will result in issued patents or whether any issued patents will effectively protect our intellectual property. Even if a pending patent application results in an issued patent, the patent may be circumvented or its validity may be challenged in various proceedings in United States District Court or before the U.S. Patent and Trademark Office, such as Post Grant Review or *Inter Partes* Review, which may require legal representation and involve substantial costs and diversion of management time and resources. We cannot assure completeness of the chain of title of acquired patents prior to the completion of the assignments. In addition, we cannot assure you that every significant feature of our solutions is protected by our patents, or that we will mark our solutions with any or all patents they embody. As a result, we may be prevented from seeking injunctive relief or damages, in whole or in part for infringement of our patents.

Further, in the future, we may “prune” our patent portfolio by not continuing to renew some of our patents in some jurisdictions or may decide to divest some of our patents.

The unlicensed use of our brand, including domain names, by third parties could harm our reputation, cause confusion among our customers and impair our ability to market our solutions and subscriptions. To that end, we have registered numerous trademarks and service marks and have applied for registration of additional trademarks and service marks and have acquired a large number of domain names in and outside the U.S. to establish and protect our brand names as part of our intellectual property strategy. If our applications receive objections or are successfully opposed by third parties, it will be difficult for us to prevent third parties from using our brand without our permission. Moreover, successful opposition to our applications might encourage third parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. If we are not successful in protecting our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand.

Despite our efforts to implement our intellectual property strategy, we may not be able to protect or enforce our proprietary rights in the U.S. or internationally (where effective intellectual property protection may be unavailable or limited). For example, we have entered into agreements containing confidentiality and invention assignment provisions in connection with the outsourcing of certain software development and quality assurance activities to third-party contractors located in Ukraine and formerly in Russia. We have also entered into an agreement containing a confidentiality provision with a third-party contractor located in the Philippines, where we have outsourced a significant portion of our customer support function. We cannot assure you that agreements with these third-party contractors or their agreements with their employees and contractors will adequately protect our proprietary rights in the applicable jurisdictions and foreign countries, as their respective laws may not protect proprietary rights to the same extent as the laws of the U.S. In addition, our competitors may independently develop technologies that are similar or superior to our technology, duplicate our technology in a manner that does not infringe our intellectual property rights or design around any of our patents. Furthermore, detecting and policing

unauthorized use of our intellectual property is difficult and resource-intensive. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation, whether successful or not, could result in substantial costs and diversion of management time and resources and could have a material adverse effect on our business, financial condition, and results of operations.

Our use of open source technology could impose limitations on our ability to commercialize our subscriptions.

We use open source software in our platform on which our subscriptions operate. There is a risk that the owners of the copyrights in such software may claim that such licenses impose unanticipated conditions or restrictions on our ability to market or provide our subscriptions. If such owners prevail in such claim, we could be required to make the source code for our proprietary software (which contains our valuable trade secrets) generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our subscriptions, to re-engineer our technology, or to discontinue offering our subscriptions in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could cause us to discontinue our subscriptions, harm our reputation, result in customer losses or claims, increase our costs or otherwise materially and adversely affect our business and results of operations.

Risks Related to Our Class A Common Stock, Our Notes and Our Charter Provisions

The market price of our Class A Common Stock is likely to be volatile and could decline.

The stock market in general, and the market for SaaS and other technology-related stocks in particular, has been highly volatile. As a result, the market price and trading volume for our Class A Common Stock has been and may continue to be highly volatile, and investors in our Class A Common Stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. Factors that could cause the market price of our Class A Common Stock to fluctuate significantly include:

- our operating and financial performance and prospects and the performance of other similar companies including our strategic partners;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our subscriptions;
- the public's reaction to our press releases, financial guidance, and other public announcements, and filings with the SEC;
- changes in earnings estimates or recommendations by securities or research analysts who track our Class A Common Stock;
- actual or perceived security breaches, or other privacy or cybersecurity incidents;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and other regulations;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- arrival and departure of key personnel;
- sales of common stock by us, our investors, or members of our management team;
- changes in general market, economic, and political conditions in the U.S. and global economies or financial markets, including those resulting from natural disasters, telecommunications failure, cyber-attack, changes in diplomatic or trade relationships, civil unrest in various parts of the world, acts of war (including ongoing geopolitical tensions related to Russia's actions in Ukraine, resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions), terrorist attacks, or other catastrophic events, such as the global outbreak of COVID-19; and
- Geopolitical relations between the US and China.

Any of these factors may result in large and sudden changes in the trading volume and market price of our Class A Common Stock and may prevent investors from being able to sell their shares at or above the price they paid for their shares of our Class A Common Stock. Following periods of volatility in the market price of a company's securities, stockholders often file securities class-action lawsuits against such company. Our involvement in a class-action lawsuit could divert our senior management's attention and, if adversely determined, could have a material and adverse effect on our business, financial condition, and results of operations.

For as long as the dual class structure of our common stock as contained in our charter documents is in effect, voting control will be concentrated with a limited number of stockholders that held our stock prior to our initial public offering, including primarily our founders and their affiliates, and limiting other stockholders' ability to influence corporate matters.

Our Class B common stock, par value \$0.0001 per share ("Class B Common Stock" and, together with our Class A Common Stock, our "common stock"), has 10 votes per share, and our Class A Common Stock has one vote per share. Additionally, our Series A Convertible Preferred Stock has voting power measured on an as-converted to Class A Common Stock basis. Stockholders who hold shares of Class B Common Stock, including our founders and certain executive officers, and their affiliates, together hold approximately 54% of the voting power of our outstanding capital stock, and our founders, including our CEO and Chairman, together hold a majority of such voting power. As a result, for as long as the Class B voting structure remains in place, a small number of stockholders who acquired their shares prior to the completion of our initial public offering will continue to have significant influence over the management and affairs of our company and over the outcome of many matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

In addition, because of the ten-to-one voting ratio between our Class B and Class A Common Stock, the holders of Class B Common Stock collectively will continue to control many matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the voting power of the outstanding shares of our capital stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A Common Stock could be adversely affected.

Future transfers by holders of Class B Common Stock will generally result in those shares converting to Class A Common Stock, which may have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. If, for example, Mr. Shmunis retains a significant portion of his holdings of Class B Common Stock for an extended period of time, he could, in the future, control a majority of the combined voting power of our capital stock. As a board member, Mr. Shmunis owes fiduciary duties to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Shmunis is generally entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

We have never paid cash dividends and do not anticipate paying any cash dividends on our common stock.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future and plan to, instead, retain any earnings to finance our operations and growth. Because we have never paid cash dividends and do not anticipate paying any cash dividends on our common stock in the foreseeable future, the only opportunity to achieve a return on an investor's investment in our company will be if the market price of our Class A Common Stock appreciates and the investor sells its shares at a profit. There is no guarantee that the price of our Class A Common Stock that will prevail in the market will ever exceed the price that an investor pays.

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change or pay the principal amount of the Notes at 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 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 any accrued and unpaid special interest thereon, if any, as set forth in the applicable indenture governing the Notes. In addition, upon conversion of the Notes of the applicable series, we will be required to make cash payments in respect of such Notes being converted, as set forth in the applicable indenture governing the 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, even though we entered into a new credit agreement on February 14, 2023, we cannot assure you that we will 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. Refer to Note 16 – *Subsequent Events* of the notes to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information on the new credit agreement.

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 the Notes or to pay cash upon conversions of such Notes or at their respective maturity as required by the applicable indenture governing the 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 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 repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase such series of Notes or make cash payments upon conversions thereof.

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

In the event the conditional conversion feature of each series of Notes is triggered, holders of the Notes of the applicable series will be entitled under the applicable indenture governing the Notes to convert such Notes at any time during specified periods at their option. If one or more holders of a series elect to convert their Notes, 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 conversion by holders or redemption, we could be required under applicable accounting rules to reclassify all or a portion 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.

The capped call transactions may affect the value of the Notes and our Class A Common Stock and we are subject to counterparty risk.

In connection with the issuances of the Notes, we entered into capped call transactions with the counterparties with respect to each series of Notes. The capped call transactions cover, subject to customary adjustments, the number of shares of our Class A Common Stock initially underlying each series of Notes. The capped call transactions are expected to offset the potential dilution as a result of conversion of the Notes.

The counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A Common Stock and/or purchasing or selling our Class A 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 Class A Common Stock.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of each series of Notes or the shares of our Class A Common Stock. In addition, we do not make any representation that these transactions will not be discontinued without notice.

In addition, the counterparties to the capped call transactions 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 call transactions. If a counterparty to one or more capped call transaction 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 Class A 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 Class A Common Stock. We can provide no assurances as to the financial stability or viability of the counterparties.

The holders of Series A Convertible Preferred Stock are entitled to vote on an as-converted to Class A Common Stock basis and have rights to approve certain actions.

The holders of our Series A Convertible Preferred Stock are generally entitled to vote with the holders of our common stock on all matters submitted for a vote of holders of shares of our capital stock (voting together with the holders of shares of common stock as one class) on an as-converted basis. However, the consent of the holders of a majority of the outstanding shares of Series A Convertible Preferred Stock (voting together as a separate class) is required in order for us to take certain actions, including (i) any amendment, alteration, or repeal of (A) any provision of our certificate of incorporation or bylaws that adversely affects, in any material respect, the rights, preferences, privileges, or voting power of the Series A Convertible Preferred Stock or the holders thereof or (B) any provision of our certificate of designations, (ii) issuances of securities that are

senior to, or equal in priority with, the Series A Convertible Preferred Stock as to dividend rights or rights on the distribution of assets on liquidation, (iii) any increase or decrease in the authorized number of shares of Series A Convertible Preferred Stock or issuances thereof, and (iv) any dividend on our common stock that is a one-time special dividend of \$100,000,000 or more. As a result, the holders of Series A Convertible Preferred Stock may in the future have the ability to influence the outcome of certain matters affecting our governance and capitalization.

The issuance of shares of our Series A Convertible Preferred Stock reduces the relative voting power of holders of our common stock, and the conversion of those shares into shares of our Class A Common Stock would dilute the ownership of our common stockholders and may adversely affect the market price of our Class A Common Stock.

The holders of our Series A Convertible Preferred Stock are generally entitled to vote, on an as-converted basis, together with holders of our common stock, on all matters submitted to a vote of the holders of our capital stock, which reduces the relative voting power of the holders of our common stock. In addition, the conversion of our Series A Convertible Preferred Stock into Class A Common Stock would dilute the ownership interest of existing holders of our common stock, and any conversion of the Series A Convertible Preferred Stock would increase the number of shares of our Class A Common Stock available for public trading, which could adversely affect prevailing market prices of our Class A Common Stock.

Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to the rights of, our common stockholders, which could adversely affect our liquidity and financial condition.

The holders of our Series A Convertible Preferred Stock have the right to receive payments as to dividend rights and on account of the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of our business before any payment may be made to holders of any other class or series of capital stock. In addition, upon prior written notice of certain change of control events, all shares of Series A Convertible Preferred Stock will automatically be redeemed by us for a repurchase price equal to (i) \$1,000 per share of each share of Series A Convertible Preferred Stock (the “Liquidation Preference”) or (ii) if the applicable change of control occurs before the second anniversary of November 9, 2021, 1.5 multiplied by the Liquidation Preference of such share of Series A Convertible Preferred Stock. These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of our Series A Convertible Preferred Stock could also limit our ability to obtain additional financing, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the holders of our Series A Convertible Preferred Stock and holders of our common stock.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.

On February 13, 2023, our board of directors authorized a share repurchase program under which we may repurchase up to \$175 million of our outstanding Class A Common Stock, subject to certain limitations. We plan to fund repurchases under this program from our future cash flow generation, as well as from additional potential sources of cash including capped calls associated with the Notes. Under the program, share repurchases may be made at our discretion from time to time in open market transactions, privately negotiated transactions, or other means. The program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our Class A Common Stock. Our board had approved a previous share repurchase program in the past, and as of December 31, 2022, we have repurchased approximately \$100 million of our Class A Common Stock under these programs. The timing and number of any future shares repurchased under the program will depend on a variety of factors, including stock price, trading volume, and general business and market conditions. Our board of directors will review the program periodically and may authorize adjustments of its terms if appropriate. As a result, there can be no guarantee around the timing or volume of our share repurchases. The program could affect the price of our Class A Common Stock, increase volatility and diminish our cash reserves. The program may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value.

Anti-takeover provisions in our certificate of incorporation and bylaws and under Delaware corporate law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A Common Stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 100,000,000 shares of undesignated preferred stock, 200,000 share of which are currently designated as Series A Convertible Preferred Stock;
- require that, once our outstanding shares of Class B Common Stock represent less than a majority of the combined voting power of our common stock, any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent; specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- prohibit cumulative voting in the election of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- state that the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock is required to amend our bylaws and certain provisions of our certificate of incorporation; and
- reflect two classes of common stock, as discussed above.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder without obtaining specified approvals.

General Risk Factors

Changes in effective tax rates, or adverse outcomes resulting from examination of our income or other tax returns, could adversely affect our results of operations and financial condition.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expiration of, or lapses in, the research and development tax credit laws;
- expiration or non-utilization of net operating loss carryforwards;
- tax effects of share-based compensation;
- expansion into new jurisdictions;
- potential challenges to and costs related to implementation and ongoing operation of our intercompany arrangements;
- changes in tax laws and regulations and accounting principles, or interpretations or applications thereof; and
- certain non-deductible expenses as a result of acquisitions.

Any changes in our effective tax rate could adversely affect our results of operations.

Changes in U.S. and foreign tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.

We are subject to tax laws, regulations, and policies of the U.S. federal, state, and local governments and of comparable taxing authorities in foreign jurisdictions. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates in 2018 and thereafter and otherwise adversely affect our tax positions and/or our tax liabilities. For example, in 2019, France introduced a digital services tax at a rate of 3% on revenues derived from digital activities in France, and other jurisdictions are proposing or could introduce similar laws in the future. In addition, the United States recently introduced a 1% excise tax on stock buybacks and a 15% alternative minimum tax on adjusted financial statement income. Many countries, including the United States, and organizations such as the Organization for Economic Cooperation and Development are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Any of these developments or changes in federal, state, or international tax laws or tax rulings could

adversely affect our effective tax rate and our operating results. There can be no assurance that our effective tax rates, tax payments, tax credits, or incentives will not be adversely affected by these or other developments or changes in law.

If our internal control over financial reporting is not effective, it may adversely affect investor confidence in our company.

Pursuant to Section 404 of the Sarbanes-Oxley Act, our independent registered public accounting firm, KPMG LLP, is required to and has issued an attestation report as of December 31, 2022. While management concluded internal control over financial reporting was at a reasonable assurance level as of December 31, 2022, there can be no assurance that material weaknesses will not be identified in the future. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. As a result, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Our remediation efforts may not enable us to avoid a material weakness in the future.

If our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A Common Stock to decline, and we may be subject to investigation or sanctions by the SEC.

The nature of our business requires the application of complex revenue and expense recognition rules and the current legislative and regulatory environment affecting generally accepted accounting principles is uncertain. Significant changes in current principles could affect our financial statements going forward and changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our operating results.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board (the “FASB”), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies’ accounting policies are being subject to heightened scrutiny by regulators and the public. Further, the accounting rules and regulations are continually changing in ways that could materially impact our financial statements.

We cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward, which could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of the change. While we are not aware of any specific event or circumstance that would require a material update to our estimates, judgments or assumptions, this may change in the future. In addition, if we were to change our critical accounting estimates, including those related to the recognition of subscription revenue and other revenue sources, our operating results could be significantly affected.

Our estimates or judgments relating to our critical accounting policies may be based on assumptions that change or prove to be incorrect, including with respect to our recoverability assessment for prepaid sales commission balances with Avaya, which could cause our results of operations to fall below expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, the allowance for doubtful accounts, valuation of long-term investments, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities, and accrued liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The results of these estimates form the basis for making judgments about the recognition and measurement of certain assets and liabilities and revenue and expenses that is not readily apparent from other sources. Our accounting policies that involve judgment include those related to revenues the allowance for doubtful accounts, valuation of long-term investments, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return

reserves, provision for income taxes, uncertain tax position, loss contingencies, sales tax liabilities and accrued liabilities. If our assumptions change or if actual circumstances differ from those in our assumptions, our results of operations could be adversely affected, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

In particular, in connection with the Avaya partnership, we paid Avaya an advance predominately in stock, predominantly for future commissions for each qualified unit of Avaya Cloud Office by RingCentral sold during the term of the partnership. Under the original terms of the strategic partnership with Avaya, the unutilized prepaid sales commission balance was to be repaid to us at the end of the contractual term. On December 13, 2022, Avaya filed a Form 8-K disclosing ongoing discussions regarding one or more potential financings, refinancings, recapitalizations, reorganizations, restructurings or investment transactions. In light of public disclosures about the likelihood of Avaya's financial restructuring via Chapter 11, we recorded a non-cash asset write-down charge of \$279.3 million for the year ended December 31, 2022, out of which \$21.7 million of this balance was accrued interest and was recorded in other income (expense) in the Consolidated Statement of Operations. Further, on February 14, 2023, Avaya initiated an expedited, prepackaged financial restructuring via Chapter 11 with the support of certain of its financial stakeholders, including us. In connection therewith, we and Avaya entered into a new extended and expanded partnership arrangement pursuant to which, among other things, ACO remains Avaya's exclusive UCaaS offering and Avaya agreed to certain minimum volume commitments. As part of the new agreements, we and Avaya agreed to a revised go-to-market incentive structure intended to drive migration of customers to ACO. Avaya's contemplated prepackaged financial restructuring plan contemplates that the new partnership agreements between us and Avaya will be assumed and survive Avaya's emergence from Chapter 11 and that the shares of Avaya Series A Preferred Stock held by us will be cancelled without any consideration.

Our corporate headquarters, one of our data centers and co-location facilities, our third-party customer service and support facilities, and a research and development facility are located near known earthquake fault zones, and the occurrence of an earthquake, tsunami, or other catastrophic disaster could damage our facilities or the facilities of our contractors, which could cause us to curtail our operations.

Our corporate headquarters and many of our data centers, co-location and research and development facilities, and third-party customer service call centers are located in California, Florida, and several countries in Asia, including the Philippines and Australia. All of these locations are near known earthquake fault zones, which are vulnerable to damage from earthquakes and tsunamis, or are in areas subject to hurricanes. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics such as the global outbreak of COVID-19, cyber-attack, war (including ongoing geopolitical tensions related to Russia's actions in Ukraine, resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions), political unrest, and terrorist attacks and similar events that are beyond our control. If any disasters were to occur, our ability to operate our business could be seriously impaired, and we may endure system interruptions, reputational harm, loss of intellectual property, delays in our subscriptions development, lengthy interruptions in our services, breaches of data security, and loss of critical data, all of which could harm our future results of operations. In addition, we do not carry earthquake insurance and we may not have adequate insurance to cover our losses resulting from other disasters or other similar significant business interruptions. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

If research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our Class A Common Stock, our stock price and trading volume may decline.

The trading market for our Class A Common Stock will depend in part on the research and reports that research analysts publish about us and our business. If we do not maintain adequate research coverage or if one or more analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, the price of our Class A Common Stock may decline. If one or more of the research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our Class A Common Stock may decrease, which could cause our stock price or trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Belmont, California, and consists of approximately 110,000 square feet of office space under leases that expire in July 2026.

We also lease office space in Denver, Colorado; Charlotte, North Carolina; Dallas, Texas; London, England; Paris, France; Tel Aviv, Israel; Xiamen and Hangzhou, China; and other small offices worldwide. In addition, we lease space from third-party datacenter hosting facilities under co-location agreements that support our cloud infrastructure, the most significant locations being Vienna and Ashburn, Virginia; San Jose and Santa Clara, California; Chicago, Illinois; Amsterdam, the Netherlands; Zurich, Switzerland; Frankfurt, Germany; Bangalore and Mumbai, India; Johannesburg, South Africa; and other small locations worldwide. We believe that we will be able to obtain additional space at other locations at commercially reasonable terms to support our continuing expansion.

ITEM 3. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 8 – *Commitments and Contingencies* in the accompanying notes to the consolidated financial statements included in Part II, Item 8, “Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, under “Legal Matters” which is incorporated herein by reference.

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 Information for Common Stock

Our Class A Common Stock has been listed on the New York Stock Exchange under the symbol "RNG" since September 27, 2013.

Our Class B Common Stock is not listed or traded on any stock exchange.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant.

Stockholders

As of February 14, 2023, there were 15 stockholders of record of our Class A Common Stock and Class B Common Stock. Because most of our shares of Class A Common Stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Sales of Unregistered Equity Securities and Use of Proceeds

We did not sell any equity securities which were not registered under the Securities Act during the fiscal year ended December 31, 2022 that were not otherwise disclosed in our Quarterly Reports on Form 10-Q or our Current Reports on Form 8-K.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 in this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

The following table summarizes the share repurchase activity of our Class A Common Stock for the three months ended December 31, 2022 (in thousands, except per-share amounts):

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽¹⁾	Approximate dollar value of shares that may yet be purchased under the program ⁽¹⁾
October 1, 2022 to October 31, 2022	—	\$ —	—	55,013
November 1, 2022 to November 30, 2022	1,314,610	\$ 37.12	1,314,610	5,249
December 1, 2022 to December 31, 2022	142,465	\$ 35.08	142,465	252
Total	1,457,075		1,457,075	

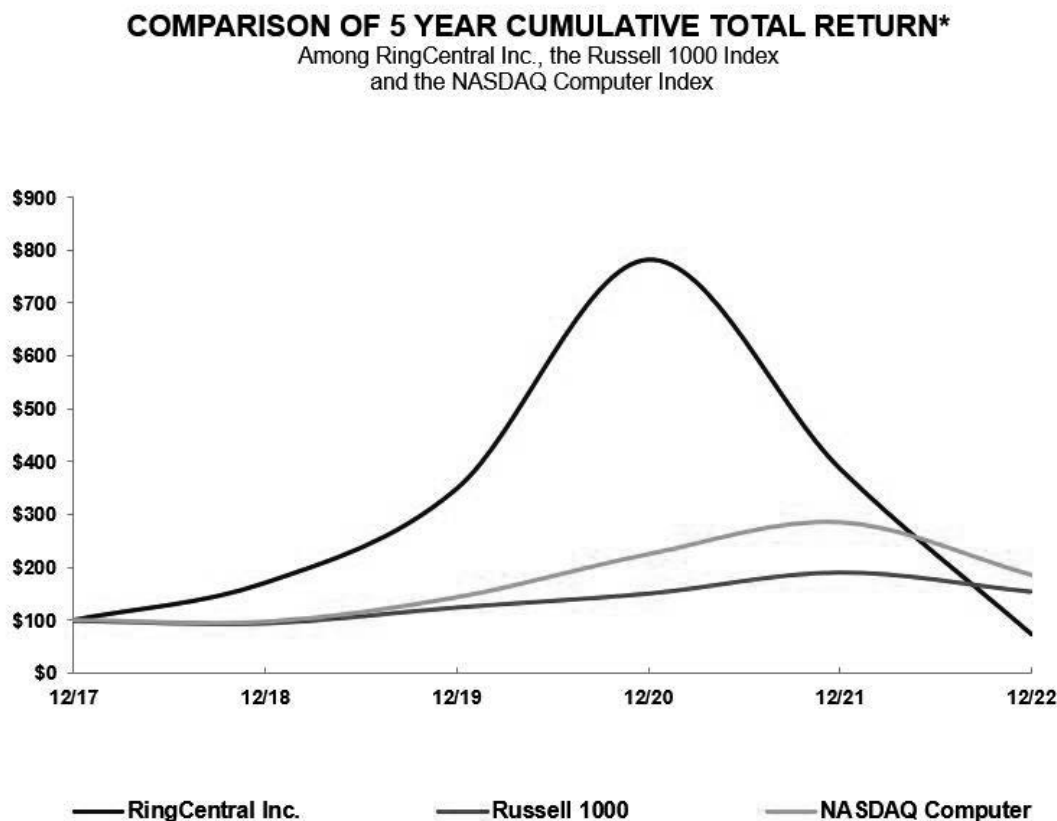
- (1) In December 2021, our board of directors authorized a share repurchase program to repurchase up to \$100 million of the Company's outstanding shares of Class A Common Stock. Under the program, share repurchases were permitted to be made at the Company's discretion from time to time in open market transactions, privately negotiated transactions, or other means. We completed our Share Repurchase Program on December 31, 2022. On February 13, 2023, the Board authorized another share repurchase program to repurchase up to \$175 million of the Company's outstanding shares of Class A Common Stock. Under this share repurchase program, share repurchases were permitted to be made at the Company's discretion from time to time in open market transactions, privately negotiated transactions, or other means. Please refer to

Note 9 – *Stockholders’ Deficit and Convertible Preferred Stock* in the accompanying notes to the consolidated financial statements included in Part II, Item 8, “Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K for additional information.

Stock Performance Graph

The following shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

The graph below matches RingCentral Inc.’s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the Russell 1000 index and the NASDAQ Computer index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2017 to December 31, 2022. The stock price performance on the following graph is not intended to forecast or be indicative of future stock price performance of our Class A Common Stock.



*\$100 invested on 12/31/17 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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 in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. As discussed in the section entitled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ significantly from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in the section entitled "Risk Factors" included under Part I, Item 1A.

This section of this Form 10-K generally discusses 2022 and 2021 items and year-to-year comparisons between 2022 and 2021. Discussion regarding our financial condition and results of operations for fiscal 2021 as compared to fiscal 2020 is included in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 1, 2022, as amended, which information is incorporated herein by reference.

Overview

We are a leading provider of global enterprise cloud communications, video meetings, collaboration, and contact center software-as-a-service ("SaaS") solutions. We believe that our innovative, cloud-based communication and contact center solutions disrupt the large market for business communications and collaboration by providing flexible and cost-effective solutions that support mobile and distributed workforces. We enable convenient and effective communications for organizations across all their locations and employees, enabling them to be more productive and more responsive.

Our cloud-based business communications and collaboration solutions are designed to be easy to use, providing a user identity across multiple locations and devices, including smartphones, tablets, PCs and desk phones. Our solutions can be deployed rapidly and configured and managed easily. Our cloud-based solutions are location and device independent and better suited to address the needs of modern mobile and global enterprise workforces than are legacy on-premise systems. Through our open Application Programming Interface (API) platform, we enable third-party developers and customers to integrate our solution with leading business applications to customize their own business workflows.

We have a portfolio of cloud-based offerings that are subscription based, made available at different rates varying by the specific functionalities, services, and number of users. We primarily generate revenues from the sale of subscriptions to our offerings. Our subscription plans have monthly, annual, or multi-year contractual terms. We believe that this flexibility in contract duration is important to meet the different needs of our customers. For the years ended December 31, 2022, 2021, and 2020, subscriptions revenues accounted for 90% or more of our total revenues. The remainder of our revenues has historically been primarily comprised of product revenues from the sale of pre-configured phones and professional services. We do not develop or manufacture physical phones and offer it as a convenience for a total solution to our customers in connection with subscriptions to our services; however, in some cases, we have built "interoperability" between MVP and third-party hardware devices. We rely on third-party providers to develop and manufacture these devices and fulfillment partners to successfully serve our customers.

We continue to support our direct inside sales force while also developing indirect sales channels to market our brand and our subscription offerings. Our indirect sales channels who sell our solutions consist of:

- Regional and global network of resellers and distributors;
- Strategic partners who market and sell our MVP and solutions, including co-branded solutions. Such partnerships include Mitel, Amazon, ALE, Avaya, Atos, and Unify.
- Global Service Providers including AT&T, TELUS, BT, Vodafone, Verizon, DT, 1&1 Versatel in Germany, Ecotel in Germany, MCM in Mexico, Frontier, Charter Communications and others.

Our revenue growth has primarily been driven by our flagship RingCentral MVP, RingCentral customer engagement solutions product offering, recurring license and other fees, derived from sales through our direct and indirect sales channels, including resellers and distributors, strategic partners and global service providers, which has resulted in an increased number of customers, relatively stable average subscription revenue per user, and relatively stable retention of our existing customer and user base. While average subscription revenue per user has been relatively stable, given competitive pressures in the market, we may see a reduction of average subscription revenue per user, and/or a decrease in acquisition and renewal rates, and/or an increase in down-sell and churn in the future. We define a “customer” as any party that purchases or subscribes to our products and services directly or indirectly through our channel partners. As of December 31, 2022, we had customers from a range of industries, including financial services, education, healthcare, legal services, real estate, retail, technology, insurance, construction, hospitality, and state and local government, among others. For the years ended December 31, 2022, 2021 and 2020, the vast majority of our total revenues were generated in the U.S. and Canada, although we expect the percentage of our total revenues derived outside of the U.S. and Canada to grow as we continue to expand internationally.

The growth of our business and our future success depend on many factors, including our ability to expand our customer base to larger customers, expand our indirect sales channels, continue to innovate, grow revenues from our existing customer base, expand our distribution channels, and scale internationally.

Macroeconomic Conditions and Other Factors

We are subject to risks and exposures, including those caused by the current macroeconomic environment, the Russia-Ukraine conflict and the COVID-19 pandemic.

Macroeconomic factors include increased inflation, increased interest rates, supply chain disruptions, decreased economic output and fluctuations in currency exchange rates, all of which can cause uncertainty. We have experienced sales cycles normalizing to pre-COVID norms and more cautious buying behavior from larger customers manifesting itself in smaller initial deployments. We also noted sales cycle times for up-market customers elongated incrementally in 2022, as customers often required additional approvals before making purchase decisions. We anticipate this behavior may persist until the macroenvironment becomes less uncertain. Also during the year, the United States Dollar has strengthened significantly against certain foreign currencies, particularly against the British Pound Sterling, Euro and Canadian Dollar. If these conditions continue, they could have an adverse impact on our results. We continuously monitor the impact of these circumstances on our business and financial results, as well as the overall global economy and geopolitical landscape. The implications of macroeconomic conditions on our business, results of operations and overall financial position, particularly in the long term, remain uncertain.

We had previously outsourced some of our software development and design, quality assurance, and operations activities to third-party contractors that have employees and consultants located in Odesa, Ukraine, and St. Petersburg, Russia. In 2022, we relocated some of their personnel to other countries and currently have no third-party contractors or employees in Russia. During the year ended December 31, 2022, direct and incremental expenses associated with our relocation efforts was \$21.9 million. We do not store or process any personal customer data in Russia or Ukraine and are not materially dependent on operations in these locations to continue to provide our core services. Further discussion of the potential impact of the Russian invasion of Ukraine on our business can be found in the section titled “Risk Factors” included in Part II, Item 1A above.

In response to the COVID-19 pandemic we adopted several measures to support the health and well-being of our global employees, customers, partners and communities. Such measures included temporarily requiring the vast majority of our employees to work remotely, suspending non-essential travel worldwide for our employees, and shifting some of our customer and industry events to virtual-only experiences. Beginning in the first quarter of 2022, we started to re-open our offices in the United States and other locations globally for employees to return. We have taken recommended measures to protect our employees who return to the office that include respecting occupancy limitations applicable to our facilities and implementing vaccination requirements; among other safety measures. We have also introduced company-wide programs to support the mental well-being of our employees such as providing virtual wellness classes. As we continue to monitor the actual and potential effects of the COVID-19 pandemic across our business, we may further adjust our policies depending on the severity of, or a spike in, COVID-19 or as may be required or recommended by federal, foreign, state or local authorities.

Further discussion of the potential impacts of the COVID-19 pandemic on our business can be found in the section titled “Risk Factors” included in Part I, Item 1A above.

Key Business Metrics

In addition to United States generally accepted accounting principles (“U.S. GAAP”) and financial measures such as total revenues, gross margin, and cash flows from operations, we regularly review a number of key business metrics to evaluate growth trends, measure our performance, and make strategic decisions. We discuss revenues and gross margin under “Results of Operations”, and cash flow from operations and free cash flows under “Liquidity and Capital Resources.” Other key business metrics are discussed below.

Annualized Exit Monthly Recurring Subscriptions

We believe that our Annualized Exit Monthly Recurring Subscriptions (“ARR”) is a leading indicator of our anticipated subscriptions revenues. We believe that trends in revenue are important to understanding the overall health of our business, and we use these trends in order to formulate financial projections and make strategic business decisions. Our ARR equals our Monthly Recurring Subscriptions multiplied by 12. Our Monthly Recurring Subscriptions equals the monthly value of all customer recurring charges at the end of a given month. For example, our Monthly Recurring Subscriptions at December 31, 2022 was \$175.0 million. As such, our ARR at December 31, 2022 was \$2.1 billion compared to \$1.8 billion at December 31, 2021.

Net Monthly Subscription Dollar Retention Rate

We believe that our Net Monthly Subscription Dollar Retention Rate provides insight into our ability to retain and grow subscriptions revenue, as well as our customers’ potential long-term value to us. We believe that our ability to retain our customers and expand their use of our solutions over time is a leading indicator of the stability of our revenue base and we use these trends in order to formulate financial projections and make strategic business decisions. We define our Net Monthly Subscription Dollar Retention Rate as (i) one plus (ii) the quotient of Dollar Net Change divided by Average Monthly Recurring Subscriptions.

We define Dollar Net Change as the quotient of (i) the difference of our Monthly Recurring Subscriptions at the end of a period minus our Monthly Recurring Subscriptions at the beginning of a period minus our Monthly Recurring Subscriptions at the end of the period from new customers we added during the period, all divided by (ii) the number of months in the period. We define our Average Monthly Recurring Subscriptions as the average of the Monthly Recurring Subscriptions at the beginning and end of the measurement period.

For example, if our Monthly Recurring Subscriptions were \$118 at the end of a quarterly period and \$100 at the beginning of the period, and \$20 at the end of the period from new customers we added during the period, then the Dollar Net Change would be equal to (\$0.67), or the amount equal to the difference of \$118 minus \$100 minus \$20, all divided by three months. Our Average Monthly Recurring Subscriptions would equal \$109, or the sum of \$100 plus \$118, divided by two. Our Net Monthly Subscription Dollar Retention Rate would then equal 99.4%, or approximately 99%, or one plus the quotient of the Dollar Net Change divided by the Average Monthly Recurring Subscriptions.

Our key business metrics for the five quarterly periods ended December 31, 2022 were as follows (dollars in millions):

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Net Monthly Subscription Dollar Retention Rate	>99%	>99%	>99%	>99%	>99%
Annualized Exit Monthly Recurring Subscriptions	\$ 2,099.7	\$ 2,046.9	\$ 1,980.7	\$ 1,894.8	\$ 1,799.9

Components of Results of Operations

Revenues

Our revenues for the years presented consisted of subscriptions and other revenues. Our subscriptions revenue primarily includes recurring fixed plan subscription fees, variable usage-based fees for usage in excess of plan limits, one-time fees, recurring license and other fees, derived from sales through our direct and indirect sales channels, including resellers and distributors, strategic partners and global service providers. We provide our subscriptions to our customers pursuant to contractual arrangements that range in duration typically from one month to five years. We provide our subscriptions to our customers pursuant to either “click through” online agreements for service terms up to one year or written agreements when the arrangement is expected to be one year or longer. We offer our subscriptions based on the functionalities and services selected by a customer, and generally our subscription arrangements automatically renew for additional periods at the end of the initial subscription term. We believe that this flexibility in contract duration is important to meet the different needs of our customers.

We generally bill our subscription fees in advance. We recognize subscription revenue over the term of the agreement. Amounts billed in excess of revenue recognized for the period are reported as deferred revenue on our Consolidated Balance Sheets.

We also generate revenues through sales of our subscriptions and products by resellers, strategic partners, and global service providers. When we control the performance of the contractual obligations, we record the revenues on a gross basis and amounts retained by our resellers are recorded as sales and marketing expense. Our assumption of such control is evidenced when, among other things, we are primarily responsible for the delivery of the service or products, have inventory risk, and have discretion in establishing pricing of the arrangement.

“Other revenues” includes product revenues from the sale of pre-configured phones, and professional services. Product revenue is recognized when the product has been delivered to the customer. Professional services revenue is recognized as and when services are delivered.

Cost of Revenues and Gross Margin

Our cost of subscriptions revenue primarily consists of fees paid to third-party telecommunications providers, network operations, costs to build out and maintain data centers, including co-location fees for the right to place our servers in data centers owned by third parties, depreciation of servers and equipment, along with related utilities and maintenance costs, amortization of acquired technology related intangible assets, personnel costs associated with customer care and support of the functionality of our platform and data center operations, including share-based compensation expenses, and allocated costs of facilities and information technology.

We define subscriptions gross margins as subscriptions revenue minus the cost of subscriptions revenue expressed as a percentage of subscriptions revenue.

Cost of other revenue is comprised primarily of the cost associated with the purchase of phones, personnel costs for employees and contractors, including share-based compensation expenses, cost of professional services, and allocated costs of facilities and information technology.

Operating Expenses

We classify our operating expenses as research and development, sales and marketing, general and administrative expenses, and asset write-down charges.

Our research and development efforts are focused on developing new and expanded features for our solutions, integrations with distributors and other software platforms, and improvements to our backend architecture. Research and development expenses consist primarily of personnel costs for employees and contractors, including share-based compensation expenses, and allocated costs of facilities and information technology, software tools, product certification, and the impact of the “reductions in force” (“RIF”) undertaken in 2022. We expense research and development costs as incurred, except for certain internal-use software development costs that we capitalize. We believe that continued investment in our products is important for our future growth, and we expect our research and development expenses to continue to increase in absolute dollars for the foreseeable future, although these expenses may fluctuate as a percentage of our total revenues from period to period depending on the timing of these expenses.

Sales and marketing expenses are the largest component of our operating expenses and consist primarily of personnel costs for employees and contractors directly associated with our sales and marketing activities including share-based compensation expenses, internet advertising fees, television, radio and billboard advertising, public relations, commissions paid to employees, resellers and other third parties, amortization of capitalized sales commissions, trade shows, travel expenses, credit card fees, marketing and promotional activities, amortization of acquired customer relationship intangibles, allocated costs of facilities and information technology, and the impact of the RIF undertaken in 2022. We expect our sales and marketing expenses to continue to increase in absolute dollars for the foreseeable future as we expand our sales and marketing efforts domestically and internationally and continue to build our brand, although these expenses may fluctuate as a percentage of our total revenues from period to period depending on the timing of these expenses.

General and administrative expenses consist primarily of personnel costs, including share-based compensation expenses, for employees and contractors engaged in infrastructure and administrative activities to support the day-to-day operations of our business. Other significant components of general and administrative expenses include professional service fees, allocated costs of facilities and information technology, cost of compliance with certain government-imposed taxes, the costs of legal matters, business acquisition costs, loss contingencies, and the impact of the RIF undertaken in 2022. We expect our general and administrative expenses to continue to increase in absolute dollars for the foreseeable future, although these expenses may fluctuate as a percentage of our total revenues from period to period, depending on the timing of these expenses.

Asset write-down charges consist of write-offs related to our assets, including deferred and prepaid sales commission and acquired intangibles balances, whenever events or changes in circumstances have occurred that could indicate the carrying amount of such assets may not be recoverable.

Other Income (Expense), Net

Interest expenses consist primarily of amortization of the debt discount and issuance costs in connection with our convertible senior notes.

Other income (expenses) consist primarily of the following items:

- unrealized gains and losses from fair value adjustments on our long-term investments
- the realized impact on foreign exchange resulting from the settlement of our foreign currency assets and liabilities as well as unrealized impact on foreign exchange resulting from remeasurement of transactions and monetary assets and liabilities denominated in non-functional currencies; and
- interest income from our investments.

Results of Operations

The following tables set forth selected consolidated statements of operations data and such data as a percentage of total revenues. The historical results presented below are not necessarily indicative of the results that may be expected for any future period (in thousands):

	Year ended December 31,		
	2022	2021	2020
Revenues			
Subscriptions	\$ 1,887,756	\$ 1,482,080	\$ 1,086,276
Other	100,574	112,674	97,381
Total revenues	1,988,330	1,594,754	1,183,657
Cost of revenues			
Subscriptions	531,098	345,948	236,990
Other	110,633	102,421	86,617
Total cost of revenues	641,731	448,369	323,607
Gross profit	1,346,599	1,146,385	860,050
Operating expenses			
Research and development	362,256	309,739	189,484
Sales and marketing	1,057,231	854,156	583,773
General and administrative	292,898	284,276	200,032
Asset write-down charges	283,689	—	—
Total operating expenses	1,996,074	1,448,171	973,289
Loss from operations	(649,475)	(301,786)	(113,239)
Other income (expense), net			
Interest expense	(4,807)	(64,382)	(49,281)
Other income (expense)	(219,771)	(7,554)	80,458
Other income (expense), net	(224,578)	(71,936)	31,177
Loss before income taxes	(874,053)	(373,722)	(82,062)
Provision for income taxes	5,113	2,528	934
Net loss	<u>\$ (879,166)</u>	<u>\$ (376,250)</u>	<u>\$ (82,996)</u>

Percentage of Total Revenues*

	Year ended December 31,		
	2022	2021	2020
Revenues			
Subscriptions	95 %	93 %	92 %
Other	5	7	8
Total revenues	100	100	100
Cost of revenues			
Subscriptions	27	22	20
Other	6	6	7
Total cost of revenues	32	28	27
Gross profit	68	72	73
Operating expenses			
Research and development	18	19	16
Sales and marketing	53	54	49
General and administrative	15	18	17
Asset write-down charges	14	—	—
Total operating expenses	100	91	82
Loss from operations	(33)	(19)	(10)
Other income (expense), net			
Interest expense	—	(4)	(4)
Other income (expense)	(11)	0	7
Other income (expense), net	(11)	(5)	3
Loss before income taxes	(44)	(23)	(7)
Provision for income taxes	—	—	—
Net loss	(44%)	(24%)	(7%)

* Percentages may not add up due to rounding.

Comparison of Fiscal Years Ended December 31, 2022, 2021, and 2020:

Revenues

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
Revenues								
Subscriptions	\$1,887,756	\$1,482,080	\$ 405,676	27 %	\$1,482,080	\$1,086,276	\$395,804	36 %
Other	100,574	112,674	(12,100)	(11)%	112,674	97,381	15,293	16 %
Total revenues	<u>\$1,988,330</u>	<u>\$1,594,754</u>	<u>\$ 393,576</u>	25 %	<u>\$1,594,754</u>	<u>\$1,183,657</u>	<u>\$411,097</u>	35 %
Percentage of revenues								
Subscriptions	95 %	93 %			93 %	92 %		
Other	5	7			7	8		
Total	<u>100 %</u>	<u>100 %</u>			<u>100 %</u>	<u>100 %</u>		

Subscriptions revenue. Subscriptions revenue increased by \$405.7 million, or 27%, during fiscal year 2022 as compared to fiscal year 2021. The increase was primarily a combination of the acquisition of new customers and upsells of seats and additional offerings to our existing customer base from our MVP and customer engagement solutions, and an increase in recurring license and other fees, derived from sales through our direct and indirect sales channels, including resellers and distributors, strategic partners and global service providers. This growth was primarily driven by an increase in sales to our

mid-market and enterprise customers as we continue to move up market. Although we expect to continue to add new customers and to increase the usage of our product for existing customers, we will monitor the impact of macroeconomic conditions, strengthening U.S. Dollar, and the effects of the COVID-19 pandemic. Subscriptions revenues included an adverse foreign currency impact of approximately 2% for the year ended December 31, 2022, compared to the respective prior year period. In addition, these macroeconomic factors could have an impact on customer buying behavior and demand, contract duration, churn, upsell and down-sell, payment terms, and credit card declines, all of which could cause variability in our revenue.

Other revenues. Other revenues are primarily comprised of product revenue from the sale of pre-configured phones and professional services.

Other revenues decreased by \$12.1 million, or 11%, during fiscal year 2022 as compared to fiscal year 2021, primarily due to the timing of revenue contracts for professional services compared to the prior year. Other revenues included an adverse foreign currency impact of approximately 1% for the year ended December 31, 2022 compared to the prior year. Due to evolving hybrid work environments, we continued to see a shift towards using RingCentral apps on laptops and mobile devices over traditional desktop phones which impacted the demand of phones and timing of professional services. We will continue to monitor the impact of the global economic conditions, and the effects of the COVID-19 pandemic on phone and professional services revenue.

Cost of Revenues and Gross Margin

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
Cost of revenues								
Subscriptions	\$531,098	\$345,948	\$185,150	54 %	\$345,948	\$236,990	\$108,958	46 %
Other	110,633	102,421	8,212	8 %	102,421	86,617	15,804	18 %
Total cost of revenues	<u>\$641,731</u>	<u>\$448,369</u>	<u>\$193,362</u>	43 %	<u>\$448,369</u>	<u>\$323,607</u>	<u>\$124,762</u>	39 %
Percentage of revenues								
Subscriptions	27 %	22 %			22 %	20 %		
Other	6 %	6 %			6 %	7 %		
Gross margins								
Subscriptions	72 %	77 %			77 %	78 %		
Other	(10)%	9 %			9 %	11 %		
Total gross margin %	68 %	72 %			72 %	73 %		

Subscription cost of revenues and gross margin. Cost of subscriptions revenues increased by \$185.2 million, or 54%, during fiscal year 2022 as compared to fiscal year 2021. The higher cost of subscription revenues and lower gross margin were due to incremental amortization of \$108.2 million primarily from intangible assets we acquired in the fourth quarter of 2021, third-party costs of \$31.8 million to support our solution offerings, infrastructure support costs of \$29.2 million, personnel and contractor-related costs of \$14.2 million, and professional fees of \$1.4 million. Personnel and contractor related costs includes share-based compensation expense of \$4.6 million.

The increase in expenses was driven by amortization of intangible assets we acquired in prior year, investments in our infrastructure and capacity to improve the availability of our subscription offerings, while also supporting the growth of new customers and increased usage of our subscriptions by our existing customer base.

Other cost of revenues and gross margin. Cost of other revenues increased by \$8.2 million, or 8%, during fiscal year 2022 as compared to fiscal year 2021. The higher cost of other revenues and lower gross margin were primarily due to the increase in professional fees of \$5.9 million and personnel costs of \$5.0 million, partially offset by a decrease in hardware costs of \$3.4 million.

Research and Development

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
Research and development	\$362,256	\$309,739	\$ 52,517	17 %	\$309,739	\$189,484	\$120,255	63 %
Percentage of total revenues	18 %	19 %			19 %	16 %		

Research and development expenses increased by \$52.5 million, or 17%, during fiscal year 2022 as compared to fiscal year 2021, primarily driven by an increase in personnel and contractor costs of \$50.2 million, and \$6.8 million in overhead costs to support our research and development efforts, partially offset by a \$5.2 million reduction in professional fees. The increase in personnel and contractor costs was mainly driven by \$18.5 million in incremental expenses associated with relocation of our third-party contractors as a result of the Russia-Ukraine conflict, \$13.3 million related to headcount growth, \$7.4 million related to contractor-related costs, \$5.8 million related to share-based compensation expense primarily driven by equity awards granted to new and existing employees, and \$5.3 million was due to restructuring costs.

The increases in research and development headcount and other expense categories were driven by continued investment in current and future software development projects for our applications. Given the continued emphasis and focus on product innovation, we expect research and development expenses to continue to increase in absolute dollars.

Sales and Marketing

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
Sales and marketing	\$1,057,231	\$854,156	\$203,075	24 %	\$854,156	\$583,773	\$270,383	46 %
Percentage of total revenues	53 %	54 %			54 %	49 %		

Sales and marketing expenses increased by \$203.1 million, or 24%, during fiscal year 2022 as compared to fiscal year 2021, primarily due to increases in third-party commissions of \$64.0 million, personnel and contractor costs of \$50.9 million, amortization of deferred sales commission costs of \$42.4 million, advertising, marketing and related travel costs of \$42.2 million, and overhead costs of \$4.5 million. Of the total increase in personnel and contractor costs, \$18.0 million was attributable to headcount growth, \$14.0 million was due to higher share-based compensation expense primarily driven by equity awards granted to new and existing employees, \$9.7 million was driven by restructuring costs, and \$4.3 million due to contractor-related costs.

The increases in sales and marketing headcount and other expense categories were necessary to support our growth strategy to acquire new customers with a focus on larger customers, and to establish brand recognition to achieve greater penetration into the North America and international markets. Additionally, we expect sales and marketing expenses to continue to increase in absolute dollars as we continue to expand our presence in North America and international markets.

General and Administrative

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
General and administrative	\$292,898	\$284,276	\$ 8,622	3 %	\$284,276	\$200,032	\$ 84,244	42 %
Percentage of total revenues	15 %	18 %			18 %	17 %		

General and administrative expenses increased by \$8.6 million, or 3%, during fiscal year 2022 as compared to fiscal year 2021, primarily due to increases in personnel and contractor costs of \$7.9 million, business fees and taxes of \$3.6 million, and overhead costs of \$1.6 million, partially offset by a \$4.4 million reduction in professional fees. Of the total increase in personnel and contractor costs, \$3.3 million was mainly due to higher share-based compensation expense primarily driven by equity awards granted to new and existing employees, and \$2.7 million was due to restructuring costs.

We expect general and administrative expenses to continue to increase in absolute dollars as we continue to make additional investments in processes, systems, and personnel to support our anticipated revenue growth.

Asset Write-Down Charges

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
Asset write-down charges	\$283,689	\$ —	\$283,689	nm	\$ —	\$ —	\$ —	nm
Percentage of total revenues	14 %	— %			— %	— %		

nm - not meaningful

Asset write-down charges increased by \$283.7 million during fiscal year 2022 as compared to fiscal year 2021, primarily due to the non-cash write-down of our prepaid sales commission balances in the second half of 2022 in connection with our strategic partnerships for Avaya. Refer to Note 5 – *Strategic Partnerships and Asset Acquisitions* the accompanying notes to the consolidated financial statements included in Part II, Item 8, “Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K for further information regarding our assessment of our deferred and prepaid sales commission balances with our strategic partners.

Other Income (Expense), Net

(in thousands, except percentages)	Year ended December 31,				Year ended December 31,			
	2022	2021	\$ Change	% Change	2021	2020	\$ Change	% Change
Interest expense	\$ (4,807)	\$ (64,382)	\$ 59,575	nm	\$ (64,382)	\$ (49,281)	\$ (15,101)	nm
Other income (expense)	(219,771)	(7,554)	(212,217)	nm	(7,554)	80,458	(88,012)	nm
Other income (expense), net	<u>\$ (224,578)</u>	<u>\$ (71,936)</u>	<u>\$ (152,642)</u>	nm	<u>\$ (71,936)</u>	<u>\$ 31,177</u>	<u>\$ (103,113)</u>	nm

nm - not meaningful

Other expense, net, increased by \$152.6 million during fiscal year 2022 as compared to fiscal year 2021, primarily due to incremental net unrealized losses of \$188.1 million recognized from our long-term investments, and a write-down charge of \$21.7 million related to accrued interest on our prepaid sales commission balance, partially offset by a \$59.6 million reduction in non-cash interest expense from the amortization of the debt discount and issuances costs related to our 2025 and 2026 Notes as a result of adopting ASU No. 2020-06 in the first quarter of 2022. The net unrealized losses on our long-term investments were \$202.3 million for the year ended December 31, 2022, compared to a loss of \$14.2 million recognized in the respective prior year period.

We expect interest income to further fluctuate in the future due to interest rate volatility in the current macroeconomic environment and reduction of our investments in money market funds.

Net Loss

Net loss increased by \$502.9 million during fiscal year 2022 as compared to fiscal year 2021, mainly due to non-cash items including \$305.4 million related to asset write-down charges on our prepaid sales commission balance, a \$188.1 million increase of unrealized net losses recognized from our long-term investments, and \$108.2 million of incremental amortization from certain intangible assets we acquired in the prior year, partially offset by a \$59.6 million reduction in non-cash interest expense from the amortization of the debt discount and issuances costs related to our 2025 and 2026 Notes as a result of our adoption of ASU No. 2020-06.

Liquidity and Capital Resources

Liquidity is a measure of our ability to access sufficient cash flows to meet the short-term and long-term cash requirements of our business operations.

We finance our operations primarily through sales to our customers, which could be billed either monthly or annually one year in advance. For customers with annual or multi-year contracts and those who opt for annual invoicing, we generally invoice only one annual period in advance and revenue is deferred for such advanced billings. We also finance our operations from proceeds from issuance of convertible senior notes, proceeds from issuance of convertible preferred stock, and proceeds from issuance of stock under our stock plans.

As of December 31, 2022 and 2021, we had cash and cash equivalents of \$270.0 million and \$267.2 million, respectively. For the year ended December 31, 2022 our cash flows reflected the following:

In December 2021, our board of directors authorized a share repurchase program to repurchase up to \$100 million of our outstanding shares of Class A Common Stock. During the year ended December 31, 2022, we repurchased and subsequently retired 2,297,330 shares of our Class A Common Stock for an aggregate amount of approximately \$100 million. We completed our share repurchase program on December 31, 2022.

We believe that our operations, existing liquidity sources as well as capital resources and ability to raise cash through additional financing will satisfy our future cash requirements and obligations for at least the next 12 months. Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support customer growth, acquisitions and expansions, sales and marketing, research and development, increased general and administrative expenses to support the anticipated growth in our operations, and capital equipment required to support our headcount and in support of our co-location data center facilities, repurchase, repayment or otherwise settlement of a portion of our 2025 Notes and/or the 2026 Notes, as well as the impact of the global macroeconomic conditions. Our capital expenditures in future periods are expected to grow in line with our business. We continually evaluate our capital needs and may decide to raise additional capital to fund the growth of our business for general corporate purposes through public or private equity offerings or through additional debt financing. In the future, we may also make investments in or acquire businesses or technologies that could require us to seek additional equity or debt financing. Access to additional capital may not be available or on favorable terms. The uncertainty created by the global economic conditions, including concerns about rising inflation and an associated economic downturn, and the effects of the COVID-19 pandemic may also impact our customers' ability to pay on a timely basis, which could negatively impact our operating cash flows.

Subsequent Events

Share Repurchase Program

On February 13, 2023, our board of directors authorized a share repurchase program under which we may repurchase up to \$175 million of our outstanding shares of Class A Common Stock. Under the program, share repurchases may be made at the our discretion from time to time in open market transactions, privately negotiated transactions, or other means, subject to us maintaining a minimum cash balance. The program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares of our Class A Common Stock. The timing and number of any shares repurchased under the program will depend on a variety of factors, including stock price, trading volume, and general business and market conditions. The authorization is effective until December 31, 2023.

Credit Agreement

On February 14, 2023, we entered into a Credit Agreement (the "Credit Agreement"), among the Company, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and as collateral agent. The Credit Agreement provides for a \$200.0 million revolving loan facility, with a \$25.0 million sublimit for the issuance of letters of credit, and a \$400.0 million delayed draw term loan facility. The obligations under the Credit Agreement and the other loan documents are guaranteed by certain of our material domestic subsidiaries, and secured by substantially all of our personal property and that of such subsidiary guarantors. As of the date of this filing, no loans or letters of credit were outstanding under the Credit Agreement. Refer to Note 16 – *Subsequent Events* of the notes to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

The proceeds of the loans under the Revolving Facility may be used for working capital and general corporate purposes. To the extent drawn, the proceeds of the loans under the Term Facility must be used to repurchase, repay, acquire or otherwise settle a portion of the 2025 Notes and/or the 2026 Notes.

Cash Flows

The table below provides selected cash flow information for the periods indicated (in thousands):

	Year ended December 31,		
	2022	2021	2020
Net cash provided by (used in) operating activities	\$ 191,305	\$ 152,151	\$ (35,191)
Net cash used in investing activities	(87,210)	(396,829)	(107,686)
Net cash provided by (used in) financing activities	(98,218)	(127,051)	437,590
Effect of exchange rate changes	(3,055)	(962)	1,534
Net increase (decrease) in cash and cash equivalents	<u>\$ 2,822</u>	<u>\$ (372,691)</u>	<u>\$ 296,247</u>

Net Cash Provided by Operating Activities

Cash used in or provided by operating activities is driven by the timing of customer collections, as well as the amount and timing of disbursements to our vendors, the amount of cash we invest in personnel, marketing, and infrastructure costs to support the anticipated growth of our business, and payments under strategic arrangements.

Net cash provided by operating activities was \$191.3 million for the year ended December 31, 2022. The cash flow from operating activities was driven by timing of cash receipts from customers and global service providers, primarily offset by cash payments for personnel related costs and to vendors.

Net cash provided by operating activities for the year ended December 31, 2022, increased by \$39.2 million as compared to the year ended December 31, 2021. This change reflects working capital impacts resulting from the timing of payments and collections.

Net Cash Used In Investing Activities

Our primary investing activities have consisted of our capital expenditures and expenditures for internal-use software, intellectual property assets, and long-term investments, partially offset by proceeds from sales of our marketable equity investments. As our business grows, we expect our capital expenditures to continue to increase.

Net cash used in investing activities was \$87.2 million for the year ended December 31, 2022, primarily due to capital expenditures including personnel-related costs associated with development of internal-use software of \$86.4 million, our acquisition of intellectual property of \$4.0 million to complement and support our product development and enhancement initiatives, partially offset by proceeds from the sales of our marketable equity investments of \$3.2 million.

Net cash used in investing activities for the year ended December 31, 2022 decreased by \$309.6 million as compared to the year ended December 31, 2021. The decrease was primarily due to lower payments of \$320.2 million due to our acquisitions of intellectual property and investments in 2021, partially offset by higher payments of \$13.8 million related to capital expenditures and internal-use software development.

Net Cash Used In Financing Activities

Our primary financing activities have consisted of the issuance of stock under our stock plans, offset by payments toward the repurchase of our Class A Common Stock and our current financing obligations.

Net cash used in financing activities was \$98.2 million for the year ended December 31, 2022, primarily due to payments of \$99.8 million to repurchase and retire 2,297,330 shares of our Class A Common Stock pursuant to our share repurchase program, \$7.6 million for net taxes paid in connection with our stock plans, and \$4.8 million in payments toward our current financing obligations, partially offset by \$15.9 million in proceeds from issuance of stock in connection with our stock plans.

Net cash used in financing activities for the year ended December 31, 2022, decreased by \$28.8 million as compared to the year ended December 31, 2021. This decrease was primarily due to lower repayments of \$333.6 million from conversion requests and the redemption of our 2023 Notes, partially offset by lower proceeds of \$199.4 million from the issuance of our Series A Convertible Preferred Stock, and higher payments of \$99.8 million to repurchase and retire 2,297,330 shares of our Class A Common Stock pursuant to our share repurchase program.

Non-GAAP Free Cash Flow

To supplement our statements of cash flows presented on a GAAP basis, we use non-GAAP measures of cash flows to analyze cash flow generated from our operations. We define free cash flow, a non-GAAP financial measure, as GAAP net cash provided by (used in) operating activities plus (subtract) cash paid (received) for strategic partnerships and repayments of convertible notes attributable to debt discount, reduced by purchases of property and equipment and capitalized internal-use software. We believe information regarding free cash flow provides useful information to management and investors in understanding the strength of liquidity and available cash. A limitation of the use of free cash flow is that it does not represent the total increase or decrease in our cash balance for the period. Free cash flow should not be considered in isolation or as an alternative to cash flows from operations, and should be considered alongside our other GAAP-based financial liquidity performance measures, such as net cash provided by (used in) operating activities and our other GAAP financial results.

The following table presents a reconciliation of free cash flow to net cash provided by (used in) operating activities, the most directly comparable GAAP measure, for each of the periods presented (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Net cash provided by (used in) operating activities	\$ 191,305	\$ 152,151	\$ (35,191)
Strategic partnerships	(30,000)	—	141,584
Repayment of convertible senior notes attributable to debt discount	—	10,131	35,020
Non-GAAP net cash provided by operating activities	161,305	162,282	141,413
Purchases of property and equipment	(32,713)	(28,959)	(43,618)
Capitalized internal-use software	(53,730)	(43,692)	(38,113)
Non-GAAP free cash flow	<u>\$ 74,862</u>	<u>\$ 89,631</u>	<u>\$ 59,682</u>

Backlog

We have generally signed new customers contracts with varying length, from month-to-month to multi-year terms for our subscription services. At any point in the contract term, there can be amounts allocated to services that we have not yet contractually performed, which constitute a backlog. Until we meet our performance obligations, we do not recognize them as revenues in our consolidated financial statements. Given the variability in our contract length, we believe that backlog is not a reliable indicator of future revenues and we do not utilize backlog as a key management metric internally.

Deferred Revenue

Deferred revenue primarily consists of the unearned portion of monthly or annual invoiced fees for our subscriptions, which we recognize as revenue in accordance with our revenue recognition policy. For customers with multi-year contracts, we generally invoice for only one monthly or annual subscription period in advance. Therefore, our deferred revenue balance does not capture the full contract value of multi-year contracts. Accordingly, we believe that deferred revenue is not a reliable indicator of future revenues and we do not utilize deferred revenue as a key management metric internally.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2022 (in thousands):

	Payments due by period				
	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Operating lease obligations	\$ 18,984	\$ 14,505	\$ 5,361	\$ 2,078	\$ 40,928
Financing obligations	4,972	1,791	—	—	6,763
Long-term debt	—	1,000,000	650,000	—	1,650,000
Purchase obligations	77,201	75,981	53,131	32,160	238,473
Total	<u>\$ 101,157</u>	<u>\$ 1,092,277</u>	<u>\$ 708,492</u>	<u>\$ 34,238</u>	<u>\$ 1,936,164</u>

Purchase obligations represent an estimate of open purchase orders and contractual obligations in the normal course of business for which we have not received the goods or services as of December 31, 2022. Although open purchase orders are considered enforceable and legally binding, except for our purchase orders with our inventory suppliers, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to the delivery of goods or performance of services. Our purchase orders with our inventory suppliers are non-cancellable. In addition, we have other obligations for goods and services that we enter into in the normal course of business. These obligations, however, are either not enforceable or legally binding, or are subject to change based on our business decisions. The aggregate of these items represents our estimate of purchase obligations.

Indemnification Obligations

Certain of our agreements with sales agents, resellers and customers include provisions for indemnification against liabilities if our products infringe a third-party's intellectual property rights. To date, we have not incurred any material costs as a result of such indemnification provisions and have not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2022.

Contingencies

We are and may be in the future subject to certain legal proceedings and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other matters relating to various claims that arise in the normal course of business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a significant impact on our results of operations, financial position, and cash flows.

Refer to Note 8 – *Commitments and Contingencies* of the notes to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application. In other cases, management's judgment is required in selecting among available alternative accounting standards that provide for different accounting treatment for similar transactions. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the amounts we report as assets, liabilities, revenues, costs, and expenses, and affect the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, our actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. A summary of our significant accounting policies is included in Note 1 of the notes to the

consolidated financial statements included in Part II, Item 8, which is incorporated herein by reference. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue Recognition

We derive our revenues from subscriptions, sale of products, and professional services. Subscriptions revenue is generally recognized over the period of the subscription contract. Subscription contracts generally allow the customers to terminate their services at any time during the first 30 to 60 days of the subscription period and are charged for the term of usage. Upon cancellation during the termination period, customers receive a pro-rata refund for any amounts paid. After the end of the termination period, the contract is non-cancellable and the customer is obligated to pay for the remaining term of the contract. For sale of products, revenue is recognized when control is transferred. For professional services, revenue is recognized as and when services are rendered.

Deferred and Prepaid Sales Commission

We capitalize sales commission expenses and associated payroll taxes paid to internal sales personnel and resellers, who sell our offerings. The resellers are selling agents for us and earn sales commissions which are directly tied to the value of the contracts that we enter with the end-user customers. These sales commissions are incremental costs we incur to obtain contracts with its end-user customers. We pay sales commissions on initial contracts and contracts for increased purchases with existing customers (expansion contracts). We generally do not pay sales commissions for contract renewals. These sales commission costs are deferred and then amortized over the expected period of benefit, which is estimated to be five years. We have determined the period of benefit taking into consideration the expected subscription term and expected renewal periods of its customer contracts, the duration of its relationships with its customers considering historical and expected customer retention, technology and other factors.

We estimate the recoverability of our deferred and prepaid and sales commissions balance whenever events or changes in circumstances have occurred that could indicate the carrying amount of such assets may not be recoverable. We have used various valuation techniques to determine the fair-values of our deferred and prepaid sales commission to measure and allocate an asset write-down charge. Determining valuations using these valuation techniques requires significant judgment and assumptions by management. Different judgments could yield different results.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements and the anticipated effects on our consolidated financial statements, see Note 1 to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" in this Annual Report on Form 10-K, which is incorporated herein by reference.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Risk

The majority of our sales and contracts are denominated in U.S. dollars, and therefore our net revenue is not currently subject to significant foreign currency risk. As part of our international operations, we charge customers in British Pounds, European Union (“EU”) Euro, Canadian Dollars and Australian Dollars, among others. Fluctuations in foreign currency exchange rates and volatility in the market due to global economic conditions could cause variability in our subscriptions revenues, total revenues, annualized exit monthly recurring subscriptions revenues and operating results. Our operating expenses are generally denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., and to a lesser extent in Canada, Europe, and Asia-Pacific. The functional currency of our foreign subsidiaries is generally the local currency. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign currency exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk. During fiscal 2022, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements. As our international operations continue to expand, risks associated with fluctuating foreign currency rates may increase. We will continue to reassess our approach to managing these risks.

Interest Rate Risk

As of December 31, 2022, we had cash and cash equivalents of \$270.0 million. We invest our cash and cash equivalents in short-term money market funds. The carrying amount of our cash equivalents reasonably approximates fair values. Due to the short-term nature of our money-market funds, we believe that exposure to changes in interest rates will not have a material impact on the fair value of our cash equivalents. Interest income may further fluctuate in the future due to interest rate volatility in the current macroeconomic environment. During fiscal year 2022, a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income.

As of December 31, 2022, we had \$994.1 million and \$644.3 million outstanding from our 2025 Notes and 2026 Notes (collectively the “Notes”), respectively. We carry the Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only. The Notes have a zero percent fixed annual interest rate and, therefore, we have no economic exposure to changes in interest rates. The fair value of the Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Notes will increase as interest rates decline and decrease as interest rates increase. In addition, the fair values of the Notes are affected by our 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 decrease in value.

Market Risk

As of December 31, 2022, we had long-term investments in convertible and redeemable preferred stock of \$1.6 million. These investments are subject to market related risks that could decrease or increase the fair value of our holdings. These investments are adjusted to fair value based on market inputs at the balance sheet date, which are subject to market-related risks that could decrease or increase the fair value of our holdings, including uncertainty created by the macroeconomic conditions. A change in the investee’s probability of default, recoverability of investment assumptions or a combination of both, could have an adverse impact on the fair value up to the full amount of our investment.

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 in connection with the operation of our business were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**RINGCENTRAL, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

RingCentral, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of RingCentral, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for convertible debt as of January 1, 2022 due to the adoption of Financial Accounting Standards Board's Accounting Standards Update No. 2020-06.

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 the accompanying Management's Annual Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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 Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the Sufficiency of Audit Evidence Over Subscriptions Revenue

As discussed in Note 1 to the consolidated financial statements, and disclosed in the consolidated statements of operations, the Company recorded \$1,988.3 million of total revenues for the year ended December 31, 2022, of which \$1,887.8 million related to subscriptions. There are high volumes of subscription transactions processed across multiple information technology (IT) systems.

We identified the evaluation of the sufficiency of audit evidence over subscriptions revenue as a critical audit matter. This matter required especially subjective auditor judgment because of the number of IT applications involved in the subscriptions revenue recognition process. This matter also included determining the nature and extent of audit evidence obtained over subscriptions revenue, and the need to involve IT professionals to assist with the performance of certain procedures.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's subscriptions revenue process, including associated IT controls. We applied auditor judgment to determine the nature and extent of procedures to be performed over subscriptions revenue, including the determination of the IT applications subject to testing. We assessed the recorded subscriptions revenue by selecting transactions and comparing the amounts recognized for consistency with underlying documentation, including contracts with customers. We also involved IT professionals with specialized skills and knowledge, who assisted in testing certain IT applications that are used by the Company in its subscriptions revenue recognition process. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of such evidence.

/s/ KPMG LLP

We have served as the Company's auditor since 2010.

San Francisco, California
February 22, 2023

RINGCENTRAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value per share)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 269,984	\$ 267,162
Accounts receivable, net	311,318	232,842
Deferred and prepaid sales commission costs	158,865	102,572
Prepaid expenses and other current assets	55,849	48,165
Total current assets	796,016	650,741
Property and equipment, net	185,400	166,910
Operating lease right-of-use assets	35,433	47,294
Long-term investments	4,559	210,445
Deferred and prepaid sales commission costs, non-current	438,579	723,448
Goodwill	54,335	55,490
Acquired intangibles, net	528,051	716,606
Other assets	31,289	8,105
Total assets	<u>\$ 2,073,662</u>	<u>\$ 2,579,039</u>
Liabilities, Temporary Equity, and Stockholders' (Deficit) Equity		
Current liabilities		
Accounts payable	\$ 62,721	\$ 70,022
Accrued liabilities	380,113	279,798
Deferred revenue	209,725	176,450
Total current liabilities	652,559	526,270
Convertible senior notes, net	1,638,411	1,398,489
Operating lease liabilities	20,182	31,812
Other long-term liabilities	45,848	84,052
Total liabilities	2,357,000	2,040,623
Commitments and contingencies (Note 8)		
Series A convertible preferred stock, \$0.0001 par value; 200 shares authorized at December 31, 2022 and 2021; 200 shares issued and outstanding at December 31, 2022 and 2021	199,449	199,449
Stockholders' (deficit) equity		
Class A common stock, \$0.0001 par value; 1,000,000 shares authorized at December 31, 2022 and 2021; 85,461 and 84,335 shares issued and outstanding at December 31, 2022 and 2021	9	8
Class B common stock, \$0.0001 par value; 250,000 shares authorized at December 31, 2022 and 2021; 9,924 and 9,974 shares issued and outstanding at December 31, 2022 and 2021	1	1
Additional paid-in capital	1,059,880	1,086,870
Accumulated other comprehensive (loss) income	(8,781)	644
Accumulated deficit	(1,533,896)	(748,556)
Total stockholders' (deficit) equity	(482,787)	338,967
Total liabilities, temporary equity and stockholders' (deficit) equity	<u>\$ 2,073,662</u>	<u>\$ 2,579,039</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31,		
	2022	2021	2020
Revenues			
Subscriptions	\$ 1,887,756	\$ 1,482,080	\$ 1,086,276
Other	100,574	112,674	97,381
Total revenues	1,988,330	1,594,754	1,183,657
Cost of revenues			
Subscriptions	531,098	345,948	236,990
Other	110,633	102,421	86,617
Total cost of revenues	641,731	448,369	323,607
Gross profit	1,346,599	1,146,385	860,050
Operating expenses			
Research and development	362,256	309,739	189,484
Sales and marketing	1,057,231	854,156	583,773
General and administrative	292,898	284,276	200,032
Asset write-down charges	283,689	—	—
Total operating expenses	1,996,074	1,448,171	973,289
Loss from operations	(649,475)	(301,786)	(113,239)
Other income (expense), net			
Interest expense	(4,807)	(64,382)	(49,281)
Other income (expense)	(219,771)	(7,554)	80,458
Other income (expense), net	(224,578)	(71,936)	31,177
Loss before income taxes	(874,053)	(373,722)	(82,062)
Provision for income taxes	5,113	2,528	934
Net loss	<u>\$ (879,166)</u>	<u>\$ (376,250)</u>	<u>\$ (82,996)</u>
Net loss per common share			
Basic and diluted	<u>\$ (9.23)</u>	<u>\$ (4.10)</u>	<u>\$ (0.94)</u>
Weighted-average number of shares used in computing net loss per share			
Basic and diluted	<u>95,239</u>	<u>91,738</u>	<u>88,684</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31,		
	2022	2021	2020
Net loss	\$ (879,166)	\$ (376,250)	\$ (82,996)
Other comprehensive (loss) income			
Foreign currency translation adjustments, net	(9,425)	(6,162)	4,858
Comprehensive loss	<u>\$ (888,591)</u>	<u>\$ (382,412)</u>	<u>\$ (78,138)</u>

See accompanying notes to consolidated financial statements

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

	Common stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount				
Balance as of December 31, 2019	86,940	\$ 9	\$ 1,033,053	\$ 1,948	\$ (289,310)	\$ 745,700
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings	3,149	—	4,513	—	—	4,513
Share-based compensation	—	—	194,667	—	—	194,667
Equity component of convertible senior notes, net of issuance costs	—	—	329,280	—	—	329,280
Purchase of capped calls related convertible senior notes	—	—	(102,695)	—	—	(102,695)
Equity component from repurchase or redemption of convertible senior notes	341	—	(781,081)	—	—	(781,081)
Temporary equity reclassification, convertible senior notes	—	—	(3,787)	—	—	(3,787)
Changes in comprehensive income	—	—	—	4,858	—	4,858
Net loss	—	—	—	—	(82,996)	(82,996)
Balance as of December 31, 2020	90,430	\$ 9	\$ 673,950	\$ 6,806	\$ (372,306)	\$ 308,459
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings	2,598	—	15,172	—	—	15,172
Share-based compensation	—	—	364,135	—	—	364,135
Issuance of common stock in connection with investments	1,281	—	299,410	—	—	299,410
Equity component from repurchase or redemption of convertible senior notes	—	—	(269,584)	—	—	(269,584)
Temporary equity reclassification, convertible senior notes	—	—	3,787	—	—	3,787
Changes in comprehensive income	—	—	—	(6,162)	—	(6,162)
Net loss	—	—	—	—	(376,250)	(376,250)
Balance as of December 31, 2021	94,309	\$ 9	\$ 1,086,870	\$ 644	\$ (748,556)	\$ 338,967
Cumulative effect of accounting change (Note 1)	—	—	(329,280)	—	93,826	(235,454)
Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings, and other commercial arrangements	3,373	1	21,418	—	—	21,419
Repurchases of common stock	(2,297)	—	(99,793)	—	—	(99,793)
Share-based compensation	—	—	380,665	—	—	380,665
Changes in comprehensive income	—	—	—	(9,425)	—	(9,425)
Net loss	—	—	—	—	(879,166)	(879,166)
Balance as of December 31, 2022	<u>95,385</u>	<u>\$ 10</u>	<u>\$ 1,059,880</u>	<u>\$ (8,781)</u>	<u>\$ (1,533,896)</u>	<u>\$ (482,787)</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net loss	\$ (879,166)	\$ (376,250)	\$ (82,996)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	246,561	125,292	75,612
Share-based compensation	386,009	357,965	189,600
Unrealized loss (gain) on investments	203,483	14,611	(80,988)
Asset write-down and other charges	305,351	—	—
Amortization of deferred and prepaid sales commission costs	115,184	74,165	47,207
Amortization of debt discount and issuance costs	4,468	64,063	49,031
Loss on early extinguishment of debt	—	1,736	13,284
Repayment of convertible senior notes attributable to debt discount	—	(10,131)	(35,020)
Reduction of operating lease right-of-use assets	19,907	18,025	15,712
Provision for bad debt	9,367	8,132	5,936
Other	4,327	809	(2,941)
Changes in assets and liabilities:			
Accounts receivable	(87,843)	(64,940)	(51,980)
Deferred and prepaid sales commission costs	(235,869)	(178,358)	(274,908)
Prepaid expenses and other assets	3,812	9,111	(20,612)
Accounts payable	(6,166)	17,852	21,916
Accrued and other liabilities	89,473	74,517	76,467
Deferred revenue	33,275	34,227	34,851
Operating lease liabilities	(20,868)	(18,675)	(15,362)
Net cash provided by (used in) operating activities	191,305	152,151	(35,191)
Cash flows from investing activities			
Purchases of property and equipment	(32,713)	(28,959)	(43,618)
Capitalized internal-use software	(53,730)	(43,692)	(38,113)
Purchases of intangible assets and long-term investments	(3,990)	(324,178)	(25,955)
Proceeds from sale of marketable equity investments	3,223	—	—
Net cash used in investing activities	(87,210)	(396,829)	(107,686)
Cash flows from financing activities			
Proceeds from issuance of convertible senior notes, net of issuance costs	—	—	1,627,177
Payments for repurchase or redemption of convertible senior notes	—	(333,632)	(1,086,268)
Payments for capped calls and transaction costs	—	—	(102,695)
Proceeds from series A convertible preferred stock, net of issuance costs	—	199,449	—
Payments for repurchase of common stock	(99,793)	—	—
Proceeds from issuance of stock in connection with stock plans	15,855	36,721	41,230
Payments for taxes related to net share settlement of equity awards	(7,598)	(21,549)	(36,717)
Repayment of financing obligations	(4,815)	(4,160)	(1,489)
Payment for contingent consideration	(1,867)	(3,880)	(3,648)
Net cash provided by (used in) financing activities	(98,218)	(127,051)	437,590
Effect of exchange rate changes	(3,055)	(962)	1,534
Net increase (decrease) in cash, cash equivalents, and restricted cash	2,822	(372,691)	296,247
Cash, cash equivalents, and restricted cash			
Beginning of year	267,162	639,853	343,606
End of year	\$ 269,984	\$ 267,162	\$ 639,853
Supplemental disclosure of cash flow data:			
Cash paid for interest	\$ 347	\$ 309	\$ 220
Cash paid for income taxes, net of refunds	\$ 3,726	\$ 1,388	\$ 870
Non-cash investing and financing activities			
Common stock issued for acquisition of intangible assets	\$ —	\$ 302,600	\$ —
Contingent consideration not paid	\$ —	\$ 50,000	\$ —
Equipment and capitalized internal-use software purchased and unpaid at period end	\$ 6,808	\$ 7,343	\$ 7,926
Cash held for future indemnity claims and other potential future payments	\$ —	\$ —	\$ 197
Equipment acquired under financing obligations	\$ —	\$ 6,898	\$ 4,694

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

RingCentral, Inc. (the “Company”) is a provider of software-as-a-service (“SaaS”) solutions that enables businesses to communicate, collaborate and connect. The Company was incorporated in California in 1999 and was reincorporated in Delaware on September 26, 2013.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the consolidated accounts of the Company and 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, the allowance for doubtful accounts, valuation of long-term investments, deferred and prepaid sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities and accrued liabilities. Management periodically evaluates these estimates and will make adjustments prospectively based upon the results of such periodic evaluations. Actual results may differ from these estimates.

Foreign Currency

The functional currency of the Company’s foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as part of a separate component of stockholders’ equity and reported in the Consolidated Statements of Comprehensive Income (Loss). Foreign currency transaction gains and losses are included in net loss for the period. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at fair value.

Allowance for Doubtful Accounts

For the years ended December 31, 2022 and 2021, a portion of revenues were realized from credit card transactions while the remaining revenues generated accounts receivable. The Company determines provisions based on historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with delinquent accounts.

Below is a summary of the changes in allowance for doubtful accounts for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Balance at beginning of year	Provision, net of recoveries	Write-offs	Balance at end of year
Year ended December 31, 2022				
Allowance for doubtful accounts	\$ 8,026	\$ 9,367	\$ 7,812	\$ 9,581
Year ended December 31, 2021				
Allowance for doubtful accounts	\$ 5,184	\$ 8,132	\$ 5,290	\$ 8,026
Year ended December 31, 2020				
Allowance for doubtful accounts	\$ 2,358	\$ 5,936	\$ 3,110	\$ 5,184

Long-Term Investments

Long-term investments consist of convertible and redeemable preferred securities in which the Company does not have a controlling interest or significant influence. These investments are reported at fair value using both observable and unobservable inputs and the valuation requires judgment. These investments are presented in long-term investments in the Consolidated Balance Sheets. All gains and losses on these investments, realized and unrealized, are recognized in other income (expense), net in the Consolidated Statements of Operations. The Company periodically reviews its long-term investments to determine whether events or changes in circumstances have occurred that could impact the fair value. Refer to Note 4 – *Fair Value of Financial Instruments* in this Annual Report on Form 10-K for further information regarding the Company's assessment and fair value write-down of its long-term investment balance with Avaya.

Marketable Equity Investments

Marketable equity investments are equity securities in which the Company does not have a controlling interest or significant influence. These investments are reported at fair value using quoted prices in active markets. These investments are presented in long-term investments in the Consolidated Balance Sheets. All gains and losses on these investments, realized and unrealized, are recognized in other income (expense), net in the Consolidated Statements of Operations.

Internal-Use Software Development Costs

The Company capitalizes qualifying internal-use software development costs that are incurred during the application development stage, provided that management with the relevant authority authorizes and commits to the funding of the project, it is probable the project will be completed, and the software will be used to perform the function intended. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized internal-use software development costs are included in property and equipment and are amortized on a straight-line basis over their estimated useful lives.

For the years ended December 31, 2022 and 2021, the Company capitalized \$59.2 million and \$50.1 million, net of impairment, of internal-use software development costs, respectively. The carrying value of internal-use software development costs was \$119.4 million and \$94.6 million at December 31, 2022 and 2021, respectively.

Property and Equipment, net

Property and equipment, net is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of those assets as follows:

Computer hardware and software	3 to 5 years
Internal-use software development costs	3 to 5 years
Furniture and fixtures	1 to 5 years
Leasehold improvements	Shorter of the estimated lease term or useful life

The Company evaluates the recoverability of property and equipment and intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. Recoverability of these assets or asset groups is measured by comparing the carrying amounts of such assets or asset groups to the future undiscounted cash flows that such assets or asset groups are expected to generate. If this evaluation indicates that the carrying amount of the assets or asset groups is not recoverable, the carrying amount of such assets or asset groups is reduced to its estimated fair value.

Maintenance and repairs are charged to expense as incurred.

Leases

The Company determines if a contract is a lease or contains a lease at the inception of the contract and reassesses that conclusion if the contract is modified. All leases are assessed for classification as an operating lease or a finance lease. Operating lease right-of-use ("ROU") assets are presented separately on the Company's Consolidated Balance Sheets. Operating lease liabilities are separated into a current portion, included within accrued liabilities on the Company's Consolidated Balance Sheets, and a non-current portion included within operating lease liabilities on the Company's Consolidated Balance Sheets. The Company does not have significant finance lease ROU assets or liabilities. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. The Company does not obtain and control its right to use the identified asset until the lease commencement date.

The Company's lease liabilities are recognized at the applicable lease commencement date based on the present value of the lease payments required to be paid over the lease term. Because the rate implicit in the lease is not readily determinable, the Company generally uses an incremental borrowing rate to discount the lease payments to present value. The estimated incremental borrowing rate is derived from information available at the lease commencement date. The Company factors in publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. The Company's ROU assets are also recognized at the applicable lease commencement date. The ROU asset equals the carrying amount of the related lease liability, adjusted for any lease payments made prior to lease commencement and lease incentives provided by the lessor. Variable lease payments are expensed as incurred and do not factor into the measurement of the applicable ROU asset or lease liability.

The term of the Company's leases is equal to the non-cancellable period of the lease, including any rent-free periods provided by the lessor, and also include options to renew or extend the lease (including by not terminating the lease) that the Company is reasonably certain to exercise. The Company establishes the term of each lease at lease commencement and reassesses that term in subsequent periods when one of the triggering events outlined in Topic 842, *Leases*, occurs. Operating lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company's lease contracts often include lease and non-lease components. For facility leases, the Company has elected the practical expedient offered by the standard to not separate lease from non-lease components and accounts for them as a single lease component. For the Company's other contracts that include leases, the Company accounts for the lease and non-lease components separately.

The Company has elected, for all classes of underlying assets, not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. Lease cost for short-term leases is recognized on a straight-line basis over the lease term. Additionally, for certain facility leases, the Company applies a portfolio approach, whereby it effectively accounts for the operating lease ROU assets and liabilities for multiple leases as a single unit of account because the accounting effect of doing so is not material.

Goodwill and Intangible Assets

Goodwill is tested for impairment at the reporting unit level at a minimum on an annual basis or more frequently when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The Company conducted its annual impairment test of goodwill in the fourth quarter of 2022 and 2021 and determined that no adjustment to the carrying value of goodwill was required.

Intangible assets consist of purchased customer relationships and developed technology. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from two to five years. No residual value is estimated for intangible assets.

Concentrations

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits. The Company's accounts receivable are primarily derived from sales by resellers and to larger direct customers. The Company maintains an allowance for doubtful accounts for estimated potential credit losses. As of December 31, 2022, 2021 and 2020, and for the years then ended, none of the Company's customers accounted for more than 10% of total accounts receivable, total revenues, or subscription revenues.

During the years ended 2021 and 2020, the Company contracted a significant portion of its software development efforts from third-party partners located in Russia and Ukraine. During the year ended December 31, 2022, the Company relocated some of their personnel to other countries. A cessation of services provided by these partners could result in a disruption to the Company's research and development efforts.

Long-lived assets by geographic location is based on the location of the legal entity that owns the asset. As of December 31, 2022 and 2021, approximately 94% and 95% of the Company's consolidated long-lived assets, respectively, were located in the U.S. No other single country outside of the U.S. represented more than 10% of the Company's consolidated long-lived assets as of December 31, 2022 and 2021.

Revenue Recognition

The Company derives its revenues primarily from subscriptions, sale of products, and professional services. Revenues are recognized when control of these services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

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; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company recognizes revenues as follows:

Subscriptions revenue

Subscriptions revenue is generated from fees that provide customers access to one or more of the Company's software applications and related services. These arrangements have contractual terms typically ranging from one month to five years and include recurring fixed plan subscription fees, variable usage-based fees for usage in excess of plan limits, one-time fees, recurring license and other fees, derived from sales through our direct and indirect sales channels, including resellers and distributors, strategic partners and global service providers.

Arrangements with customers do not provide the customer with the right to take possession of the Company's software at any time. Instead, customers are granted continuous access to the services over the contractual period. The Company transfers control evenly over the contractual period by providing stand-ready service. Accordingly, the fixed consideration related to subscription is recognized over time on a straight-line basis over the contract term beginning on the date the Company's service is made available to the customer. The Company may offer its customer services for no consideration during the initial months. Such discounts are recognized ratably over the term of the contract.

Fees for additional minutes of usage in excess of plan limits are deemed to be variable consideration that meet the allocation exception for variable consideration as they are specific to the month that the usage occurs.

The Company's subscription contracts typically allow the customers to terminate their services within the first 30 to 60 days and receive a refund for any amounts paid for the remaining contract period. After the end of the termination period, the contract is non-cancellable and the customer is obligated to pay for the remaining term of the contract. Accordingly, the Company considers the non-cancellable term of the contract to begin after the expiration of the termination period.

The Company records reductions to revenue for estimated sales returns and customer credits at the time the related revenue is recognized. Sales returns and customer credits are estimated based on the Company's historical experience, current trends and the Company's expectations regarding future experience. The Company monitors the accuracy of its sales reserve estimates by reviewing actual returns and credits and adjusts them for its future expectations to determine the adequacy of its current and future reserve needs. If actual future returns and credits differ from past experience, additional reserves may be required.

Other revenue

Other revenue primarily includes revenue generated from sale of pre-configured phones and professional implementation services.

Phone revenue is recognized upon transfer of control to the customer which is generally upon shipment from the Company's or its designated agents' warehouse.

The Company offers professional services to support implementation and deployment of its subscription services. Professional services do not result in significant customization of the product and are generally short-term in duration. The majority of the Company's professional services contracts are on a fixed price basis and revenue is recognized as and when services are delivered.

Principal vs. Agent

A portion of the Company's subscriptions and product revenues are generated through sales by resellers, strategic partners, and global service providers. When the Company controls the performance of contractual obligations to the customer, it records these revenues at the gross amount paid by the customer with amounts retained by the resellers recognized as sales and marketing expenses. The Company assesses control of goods or services when it is primarily responsible for fulfilling the promise to provide the good or service, has inventory risk and has discretion in establishing the price.

Deferred and prepaid sales commission costs

The Company capitalizes sales commission expenses and associated payroll taxes paid to internal sales personnel and resellers, who sell the Company's offerings. The resellers are selling agents for the Company and earn sales commissions which are directly tied to the value of the contracts that the Company enters with the end-user customers. These sales commissions are incremental costs the Company incurs to obtain contracts with its end-user customers. The Company pays sales commissions on initial contracts and contracts for increased purchases with existing customers (expansion contracts). The Company generally does not pay sales commissions for contract renewals.

These sales commission costs are deferred and then amortized over the expected period of benefit, which is estimated to be five years. The Company has determined the period of benefit taking into consideration the expected subscription term and expected renewal periods of its customer contracts, the duration of its relationships with its customers considering historical and expected customer retention, technology and other factors. Amortization expense is included in sales and marketing expenses in the accompanying Consolidated Statements of Operations. The Company evaluates its deferred and prepaid sales commission costs for possible recoverability whenever events or changes in circumstances have occurred that could indicate the carrying amount of such assets may not be recoverable. Refer to Note 5 – *Strategic Partnerships and Asset Acquisitions* in this Annual Report on Form 10-K for further information regarding the Company's assessment of its recoverability and subsequent non-cash asset write-down of its deferred and prepaid sales commission balances with Avaya and ALE.

Cost of Revenues

Cost of subscriptions revenue primarily consists of costs of network capacity purchased from third-party telecommunications providers, network operations, costs to build out and maintain data centers, including co-location fees for the right to place the Company's servers in data centers owned by third-parties, depreciation of the servers and equipment, along with related utilities and maintenance costs, amortization of acquired technology related intangible assets, personnel costs associated with customer care and support of the functionality of the Company's platform and data center operations, including share-based compensation expenses, and allocated costs of facilities and information technology. Cost of subscriptions revenue is expensed as incurred.

Cost of other revenue is comprised primarily of the cost associated with purchased phones, personnel costs for employees and contractors, including share-based compensation expenses, shipping costs, costs of professional services, and allocated costs of facilities and information technology related to the procurement, management and shipment of phones. Cost of other revenue is expensed in the period product is delivered to the customer.

Share-Based Compensation

Share-based compensation expense resulting from options, restricted stock units ("RSUs"), performance-based awards, and employee stock purchase plan ("ESPP") rights granted is measured at the grant date fair value of the award and is generally recognized using the straight-line attribution method over the requisite service period of the award, which is generally the vesting period. The Company estimates the fair value of stock options, ESPP rights, and performance-based awards using the Black-Scholes-Merton option-pricing model. The Company estimates the fair value of RSUs as the closing market value of its

Class A Common Stock on the grant date. For awards with performance-based and service-based conditions, compensation cost is recognized over the requisite service period if it is probable that the performance condition will be satisfied. The expense for performance-based awards is evaluated each quarter based on the achievement of the performance conditions. The effect of a change in the estimated number of performance-based awards expected to be earned is recognized in the period those estimates are revised. Compensation expense is recognized net of estimated forfeiture activity, which is based on historical forfeiture rates.

Research and Development

Research and development expenses consist primarily of third-party contractor costs, personnel costs, technology license expenses, and depreciation associated with research and development equipment. Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs, which include various forms of e-commerce such as search engine marketing, search engine optimization and online display advertising, as well as more traditional forms of media advertising such as radio and billboards, are expensed as incurred and were \$125.6 million, \$88.2 million, and \$76.6 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Restructuring Costs

Restructuring costs occur when management commits to a restructuring plan, the restructuring plan identifies all significant actions, the period of time to complete the restructuring plan indicates that significant changes to the plan are not likely and employees who are impacted have been notified of the pending involuntary termination. Restructuring costs are accrued in the period in which it is probable that the employees are entitled to the restructuring benefits and the amounts can be reasonably estimated.

Asset Write-down Charges

Asset write-down charges consist of write-offs related to our assets, including deferred and prepaid sales commission and acquired intangibles balances, whenever events or changes in circumstances have occurred that could indicate the carrying amount of such assets may not be recoverable.

Convertible Debt

Prior to the adoption of ASU 2020-06, the Company bifurcated the debt and equity (the contingently convertible feature) components of its convertible debt instruments in a manner that reflects its nonconvertible debt borrowing rate at the time of issuance. The equity components of the convertible debt instruments were recorded within stockholders' (deficit) equity with an allocated issuance discount. The debt issuance discount was amortized to interest expense in the Consolidated Statements of Operations using the effective interest method over the expected term of the convertible debt.

Upon adoption of ASU 2020-06 on January 1, 2022, the Company is no longer recording the conversion feature of its convertible senior notes in equity. Instead, the Company combined the previously separated equity component with the liability component, which together is now classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense. Similarly, the portion of issuance costs previously allocated to equity was reclassified to debt and amortized as interest expense.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. As of December 31, 2022, except for deferred tax assets associated with certain foreign subsidiaries, the Company recorded a full valuation allowance against substantially all of its net deferred tax assets due to its history of operating losses. The Company classifies interest and penalties on unrecognized tax benefits as income tax expense.

Segment Information

The Company has determined the chief executive officer is the chief operating decision maker. The Company's chief executive officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. Accordingly, the Company has determined that it operates in a single reportable segment.

Indemnification

Certain of the Company's agreements with resellers and customers include provisions for indemnification against liabilities if its subscriptions infringe upon a third-party's intellectual property rights. At least quarterly, the Company assesses the status of any significant matters and its potential financial statement exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount or the range of loss can be estimated, the Company accrues a liability for the estimated loss. The Company has not incurred any material costs as a result of such indemnification provisions. The Company has not accrued any material liabilities related to such obligations as of December 31, 2022 and 2021.

Recent Accounting Pronouncements Not Yet Adopted

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* ("ASU 2022-04"), which requires buyers that use supplier finance programs in connection with the purchase of goods and services to make certain annual disclosures regarding the programs' key terms and information about the obligations at the end of a reporting period, including a roll-forward of those obligations. Only the amount outstanding at the end of the period must be disclosed in interim periods. The amendments do not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The amendments in ASU 2022-04 are effective retrospectively for fiscal years beginning after December 15, 2022, including interim periods in those fiscal years, except for the requirement to disclose roll-forward information, which is effective prospectively for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company does not expect the adoption to have a material impact on the Company's financial statements.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This update simplifies the accounting for convertible instruments by eliminating the conversion option separation model for convertible debt that can be settled in cash. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. This update also eliminates the treasury stock method and instead requires entities to calculate the impact of convertible instruments on diluted earnings per share when the instruments may be settled in cash or shares. The required use of the if-converted method did not impact the diluted net loss per share as the Company was in a net loss position.

The Company adopted this update, effective January 1, 2022, using the modified retrospective method. Upon adoption, the Company is no longer recording the conversion feature of its convertible senior notes in equity. Instead, the Company combined the previously separated equity component with the liability component, which together is now classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense. Similarly, the portion of issuance costs previously allocated to equity was reclassified to debt and amortized as interest expense. Accordingly, the Company recorded a decrease to accumulated deficit of approximately \$93.8 million, a decrease to additional paid-in capital of \$329.3 million, and an increase to convertible senior notes, net of approximately \$235.5 million. Prior period financial statements were not restated.

Note 2. Revenue

Disaggregation of revenue

Revenue by geographic location is based on the billing address of the customer. The following table provides information about disaggregated revenue by primary geographical markets:

	Year ended December 31,		
	2022	2021	2020
Primary geographical markets			
North America	90 %	88 %	92 %
Others	10 %	12 %	8 %
Total revenues	100 %	100 %	100 %

The Company derived over 90% of subscription revenues from RingCentral MVP and RingCentral customer engagement solutions products for the years ended December 31, 2022, 2021, and 2020.

Deferred revenue

During the year ended December 31, 2022, the Company recognized approximately all of the corresponding deferred revenue balance at the beginning of the year as revenue.

Remaining performance obligations

The typical subscription term ranges from one month to five years. Contract revenue as of December 31, 2022 that has not yet been recognized was approximately \$2.1 billion. This excludes contracts with an original expected length of less than one year. Of these remaining performance obligations, the Company expects to recognize revenue of 53% of this balance over the next 12 months and 47% thereafter.

Other revenues

Other revenues are primarily comprised of product revenue from the sale of pre-configured phones, and professional services. Product revenues from the sale of pre-configured phones were \$46.6 million, \$48.8 million, and \$43.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Note 3. Financial Statement Components

Cash and cash equivalents consisted of the following (in thousands):

	December 31, 2022	December 31, 2021
Cash	\$ 88,153	\$ 91,499
Money market funds	181,831	175,663
Total cash and cash equivalents	\$ 269,984	\$ 267,162

As of December 31, 2022 and 2021, the Company's restricted cash balance, which is held in the form of a bank deposit for issuance of a foreign bank guarantee and also included in the cash balance above, was \$5.5 million.

Accounts receivable, net consisted of the following (in thousands):

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 242,650	\$ 193,192
Unbilled accounts receivable	78,249	47,676
Allowance for doubtful accounts	(9,581)	(8,026)
Accounts receivable, net	\$ 311,318	\$ 232,842

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

	December 31, 2022	December 31, 2021
Prepaid expenses	\$ 23,306	\$ 26,254
Inventory	1,209	5,655
Other current assets	31,334	16,256
Total prepaid expenses and other current assets	<u>\$ 55,849</u>	<u>\$ 48,165</u>

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

	December 31, 2022	December 31, 2021
Computer hardware and software	\$ 221,727	\$ 197,395
Internal-use software development costs	199,642	140,424
Furniture and fixtures	8,937	8,660
Leasehold improvements	13,889	13,533
Property and equipment, gross	444,195	360,012
Less: accumulated depreciation and amortization	(258,795)	(193,102)
Property and equipment, net	<u>\$ 185,400</u>	<u>\$ 166,910</u>

Total depreciation and amortization expense related to property and equipment was \$72.0 million, \$58.9 million, and \$39.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The carrying value of goodwill is as follows (in thousands):

Balance at December 31, 2021	\$ 55,490
Foreign currency translation adjustments	(1,155)
Balance at December 31, 2022	<u>\$ 54,335</u>

The carrying values of intangible assets are as follows (in thousands):

	Weighted-Average Remaining Useful Life	December 31, 2022			December 31, 2021		
		Cost	Accumulated Amortization And Impairment	Acquired Intangibles, Net	Cost	Accumulated Amortization And Impairment	Acquired Intangibles, Net
Customer relationships	0.8 years	\$ 20,855	\$ 19,090	\$ 1,765	\$ 21,333	\$ 15,725	\$ 5,608
Developed technology	3.7 years	814,614	288,328	526,286	814,873	103,875	710,998
Total acquired intangible assets		<u>\$ 835,469</u>	<u>\$ 307,418</u>	<u>\$ 528,051</u>	<u>\$ 836,206</u>	<u>\$ 119,600</u>	<u>\$ 716,606</u>

Amortization expense from acquired intangible assets for the years ended December 31, 2022, 2021 and 2020 was \$174.5 million, \$66.4 million, and \$35.8 million, respectively. Amortization of developed technology is included in cost of revenues and amortization of customer relationships is included in sales and marketing expenses in the Consolidated Statements of Operations.

During the quarter ended December 31, 2022, the Company recorded a non-cash asset write-down charge of \$13.7 million on a portion of its acquired developed technology intangible assets, based on management's assessment that the carrying amount of such assets may not be fully recoverable.

Estimated amortization expense for acquired intangible assets for the following five fiscal years is as follows (in thousands):

2023	\$ 148,277
2024	133,798
2025	132,928
2026	112,639
2027 onwards	409
Total estimated amortization expense	<u>\$ 528,051</u>

Accrued liabilities consisted of the following (in thousands):

	December 31, 2022	December 31, 2021
Accrued compensation and benefits	\$ 53,419	\$ 48,911
Accrued sales, use, and telecom related taxes	37,836	30,463
Accrued marketing	70,745	52,547
Operating lease liabilities, short-term	17,513	18,686
Accrued sales commission	57,195	—
Other accrued expenses	143,405	129,191
Total accrued liabilities	<u>\$ 380,113</u>	<u>\$ 279,798</u>

Deferred and Prepaid Sales Commission Costs

Amortization expense for the deferred and prepaid sales commission costs for the years ended December 31, 2022, 2021 and 2020 were \$115.2 million, \$74.2 million, and \$47.2 million, respectively. There was no impairment loss in relation to the deferred commission costs capitalized for the periods presented.

Note 4. Fair Value of Financial Instruments

The Company measures and reports certain cash equivalents, including money market funds and certificates of deposit, in addition to its long-term investments at fair value in accordance with the provisions of the authoritative accounting guidance that addresses fair value measurements. This guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1: Observable inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Other inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are based on management's assumptions, including fair value measurements determined by using pricing models, discounted cash flow methodologies or similar techniques.

The financial assets carried at fair value were determined using the following inputs (in thousands):

	Fair Value at December 31, 2022	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 181,831	\$ 181,831	\$ —	\$ —
Non-current assets:				
Long-term investments	1,646	—	—	1,646

	Fair Value at December 31, 2021	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 175,663	\$ 175,663	\$ —	\$ —
Non-current assets:				
Long-term investments	199,965	—	—	199,965
Marketable equity investments	8,600	8,600	—	—

The Company's other financial instruments, including accounts receivable, accounts payable, and other current liabilities, are carried at cost, which approximates fair value due to the relatively short maturity of those instruments.

Long-Term Investments

As of December 31, 2022 and 2021, the fair value of the Company's long-term investments in convertible and redeemable preferred stock was \$1.6 million and \$200.0 million, respectively. The Company classifies these investments as Level 3 in the fair value hierarchy based on the nature of the fair value inputs and judgment involved in the valuation process. The Company uses a lattice model to value these investments and relies on observable inputs including share-price, credit spread, and volatility. The model also incorporates judgments relating to the probability of special redemption triggers, the expected holding period of the investment, interest rates, probability of default, and expected recoverability. These investments are reported at fair value in long-term investments in the Consolidated Balance Sheets with net unrealized gain (loss) recorded in other income (expense). Volatility in the global economic climate and financial markets, including the effects of rising inflation and associated economic slowdown, the ongoing Russian invasion of Ukraine, and the investee's financial and liquidity position, could have an adverse impact on the fair value up the full amount of the long-term investment.

The Company considered recent public disclosures about Avaya's financial condition in connection with determining the fair value of its long-term investment. As a result, the Company recognized an unrealized loss of \$202.3 million and \$14.2 million for the years ended December 31, 2022 and 2021, respectively. Refer to Note 5 – *Strategic Partnerships and Asset Acquisitions* in this Annual Report on Form 10-K for further information regarding the Company's assessment and subsequent asset write-down balances with Avaya.

Marketable Equity Investments

In October 2021, the Company invested \$10 million in cash in registered equity securities of a special purpose acquisition company ("SPAC"), which as a result of a completed merger converted into common shares of the publicly traded company. The Company did not have a controlling interest or a significant influence in the SPAC or the ultimate issuer. During the year ended December 31, 2022 and 2021, the Company recognized a loss from its marketable equity investments of \$5.4 million and \$1.4 million, respectively, which was reported in other income (expense) in the Consolidated Statement of Operations. During the year ended December 31, 2022, the Company completed the sale of its marketable equity investments for proceeds of \$3.2 million.

Other Non-Marketable Investments

As of December 31, 2022, the Company had an immaterial amount of non-marketable investments held in debt and equity securities without readily determinable fair values in which it had neither a controlling interest nor significant influence. These investments are carried at cost under the measurement alternative as part of long-term investments in the Consolidated Balance Sheets.

Convertible Senior Notes

As of December 31, 2022, the fair value of the 0% convertible senior notes due 2026 (the "2026 Notes") was approximately \$508.6 million, and the 0% convertible senior notes due 2025 (the "2025 Notes") was approximately \$860.0 million. The fair value for the convertible senior notes was determined based on the quoted price for such notes in an inactive market on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

Note 5. Strategic Partnerships and Asset Acquisitions

Avaya Partnership

In October 2019, the Company entered into certain agreements for a strategic partnership with Avaya Holdings Corp. (“Avaya”) and its subsidiaries, including Avaya Inc. (collectively, “Avaya”). In connection with the strategic partnership, the Company prepaid Avaya in the Company’s class A Common Stock predominantly for future sales commissions to be earned for each qualified unit of Avaya Cloud Office by RingCentral (“ACO”) sold during the term of the partnership. Under the terms of the partnership, the unutilized prepaid sales commissions were payable to the Company at the end of the contractual term.

On December 13, 2022, Avaya filed a Form 8-K disclosing ongoing discussions regarding one or more potential financings, refinancings, recapitalizations, reorganizations, restructurings or investment transactions. Further, on February 14, 2023, Avaya initiated an expedited, prepackaged financial restructuring via Chapter 11 with the support of its financial stakeholders. The Company and Avaya entered into a new extended and expanded agreement, which now includes certain minimum volume commitments and revised go-to-market incentive structure intended to drive migration to Avaya Cloud Office. The Company evaluates the recoverability of its long-term assets whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. In light of public disclosures about the likelihood of Avaya’s financial restructuring via Chapter 11, the Company recorded a non-cash asset write-down charge of \$279.3 million for the year ended December 31, 2022, out of which \$21.7 million of this balance was accrued interest and was recorded in other income (expense) in the Consolidated Statement of Operations. No portion of the impairment charge relates to future cash expenditures.

Other Strategic Partnerships

In 2021, the Company entered into strategic arrangements with Mitel US Holdings, Inc. (“Mitel”) whereby the Company would be Mitel’s exclusive provider of UCaaS offerings and cloud communications applications. Under the commercial arrangement, Mitel earns commissions in the form of cash and/or shares of Class A Common stock in connection with the migration of Mitel customers to RingCentral MVP. In connection with the Mitel partnership, the Company purchased certain intellectual property rights for consideration of \$649.4 million, of which \$300.0 million was paid in cash, \$299.4 million was settled in the form of 1,281,504 shares of the Company’s Class A Common Stock, and \$50.0 million was held back as a contingent consideration to be settled in the form of cash or shares of the Company’s Class A Common Stock on the achievement of specified performance metrics and also to cover for any potential indemnity claims post-closing. As of December 31, 2022, \$5.2 million and \$42.6 million of the contingent consideration remained recorded in accrued liabilities and other long-term liabilities, respectively, on the Company’s Consolidated Balance Sheet. Also in connection with the Mitel strategic partnership, the Company closed an Investment Agreement with Searchlight II MLN, L.P. (“Searchlight Investor”), Mitel’s principal shareholder, and Searchlight Investor purchased 200,000 shares of Series A Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Convertible Preferred Stock”), for an aggregate purchase price of \$200.0 million. Refer to Note 9 – *Stockholders’ Deficit and Convertible Preferred Stock* in this Annual Report on Form 10-K for additional information.

The Company previously entered into strategic arrangements with certain strategic partners, under which these partners are engaged in the marketing and sale of the Company’s product offerings. Under these arrangements, the Company had paid approximately \$176.1 million, predominantly for future sales commissions. Such advance payments are considered incremental costs to obtain contracts with customers and are included in deferred and prepaid sales commission costs on the Consolidated Balance Sheets. Such pre-paid assets are being amortized to sales and marketing expense over their useful life based on the pattern of benefit.

During the quarter ended December 31, 2022, the Company updated the terms of its arrangement with certain strategic partners. The amended agreements change certain existing rights and obligations under the original contract and, in connection with these changes, a portion of the original advance payments were refunded. Pursuant to these amendments, the Company recorded a non-cash asset write-down charge of \$12.4 million for the year ended December 31, 2022, relating to such advance payments included in deferred and prepaid sales commission on the Consolidated Balance Sheets.

Note 6. Convertible Senior Notes

In March 2018, the Company issued \$460.0 million aggregate principal amount of 0% convertible senior notes due 2023 in a private placement, including the exercise in full of the over-allotment options of the initial purchasers (the “2023 Notes”). The 2023 Notes would have matured on March 15, 2023, unless repurchased or redeemed earlier by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately \$449.5 million. In the second quarter of 2021, the Company redeemed the remaining outstanding principal balance of its 2023 Notes.

In March 2020, the Company issued \$1.0 billion aggregate principal amount of 0% convertible senior notes due 2025 in a private placement to qualified institutional buyers (the “2025 Notes”). The 2025 Notes will mature on March 1, 2025, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately \$986.5 million.

In September 2020, the Company issued \$650 million aggregate principal amount of 0% convertible senior notes due 2026 in a private placement to qualified institutional buyers (the “2026 Notes”). The 2026 Notes will mature on March 15, 2026, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately \$640.2 million.

The 2023 Notes, 2025 Notes and 2026 Notes (collectively, the “Notes”) are senior, unsecured obligations of the Company that do not bear regular interest, and the principal amount of the Notes do not accrete. The Notes may bear special interest under specified circumstances relating to the Company’s failure to comply with its reporting obligations under the indentures governing each of the Notes (collectively, the “Notes Indentures”) or if the Notes are not freely tradable as required by each respective Notes Indenture.

Redemption of 2023 Notes

In March 2021, the Company delivered a notice to fully redeem the remaining outstanding \$41.2 million principal balance of its 0% convertible senior notes due 2023. During the three months ended June 30, 2021, the Company settled the redemption by paying \$160.1 million in cash. The redemption of the 2023 Notes resulted in a \$1.1 million loss that is included in other income (expense), net in the Consolidated Statement of Operations. The loss represents the difference between the fair value of the liability component and the sum of the carrying value of the debt component and any unamortized debt issuance costs at the time of settlement.

Other Terms of the Notes

	2025 Notes	2026 Notes
\$1,000 principal amount initially convertible into number of the Company’s Class A Common Stock par value \$0.0001	2.7745 shares	2.3583 shares
Equivalent initial approximate conversion price per share	\$ 360.43	\$ 424.03

The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, upon the occurrence of a make-whole fundamental change or a redemption period, each as defined in the respective Notes Indentures, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change or during the relevant redemption period.

The Notes will be convertible at certain times and upon the occurrence of certain events in the future. Further, on or after December 1, 2024 for the 2025 Notes, and December 15, 2025 for the 2026 Notes, until the close of business on the scheduled trading day immediately preceding the maturity date, holders of the Notes may convert all or a portion of their notes regardless of these conditions. Under the terms of the respective Notes Indentures, effective January 1, 2022, the Company made an irrevocable election to settle the principal portion of the Notes only in cash, with the conversion premium to be settled in cash or shares.

During the three months ended December 31, 2022, the conditions allowing holders of the 2025 Notes and 2026 Notes to convert were not met. The Notes may be convertible thereafter if one or more of the conversion conditions specified in the indentures are satisfied during future measurement periods.

The Company may redeem the 2025 Notes at its option, on or after March 5, 2022, and the 2026 Notes at its option, on or after March 20, 2023, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid special interest to, but excluding the redemption date, subject to certain conditions. No sinking fund is provided for the Notes.

Upon the occurrence of a fundamental change (as defined in each respective Notes Indentures) prior to the maturity date, holders may require the Company to repurchase all or a portion of the 2025 Notes or 2026 Notes for cash at a price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid special interest to, but excluding, the fundamental change repurchase date.

Accounting for the Notes

In accounting for the issuance of the Notes, the Company separated the respective notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component of the Notes representing the conversion option was determined by deducting the fair value of the liability component from the par value. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount (“debt discount”) is amortized to interest expense at an effective interest rate over the contractual terms of the Notes.

In accounting for the transaction costs related to the Notes, the Company allocated the total amount incurred to the liability and equity components of the notes based on the proportion of the proceeds allocated to the debt and equity components. Issuance costs attributable to the liability component recorded as additional debt discount were \$10.9 million for the 2025 Notes and \$7.7 million for the 2026 Notes, which will be amortized to interest expense using the effective interest method over the contractual terms of the 2025 and 2026 Notes at an effective interest rate of 4.7%. Issuance costs attributable to the equity component of the Notes were netted with the equity component in stockholders’ equity.

The initial net carrying amount of the equity component of the Notes were as follows (in thousands):

	2025 Notes	2026 Notes
Proceeds allocated to the conversion option (debt discount)	\$ 195,074	\$ 138,923
Issuance cost	(2,632)	(2,085)
Net carrying amount	\$ 192,442	\$ 136,838

Upon adoption of ASU 2020-06 on January 1, 2022, the Company is no longer recording the conversion feature of its convertible senior notes in equity. Instead, the Company combined the previously separated equity component with the liability component, which together is now classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense. Similarly, the portion of issuance costs previously allocated to equity was reclassified to debt and amortized as interest expense. Accordingly, the Company recorded a decrease to accumulated deficit of approximately \$93.8 million, a decrease to additional paid-in capital of \$329.3 million, and an increase to convertible senior notes, net of approximately \$235.5 million.

The net carrying amount of the liability component of the Notes as of December 31, 2022 were as follows (in thousands):

	2025 Notes	2026 Notes
Principal	\$ 1,000,000	\$ 650,000
Unamortized issuance cost	(5,880)	(5,709)
Net carrying amount ⁽¹⁾	\$ 994,120	\$ 644,291

(1) The net carrying amount was increased on January 1, 2022 as a result of the adoption of ASU No. 2020-06. Refer to Note 1 – Description of Business and Summary of Significant Accounting Policies, in this Annual Report on Form 10-K for further information.

The following table sets forth the total interest expense recognized related to the Notes (in thousands):

	Year ended December 31,		
	2022	2021	2020
Amortization of debt discount ⁽¹⁾	\$ —	\$ 60,932	\$ 46,439
Amortization of debt issuance cost ⁽¹⁾	4,468	3,131	2,592
Total interest expense related to the Notes ⁽¹⁾	\$ 4,468	\$ 64,063	\$ 49,031

(1) The decrease in total interest expense during the year ended December 31, 2022 was due to the derecognition of the unamortized debt discount, partially offset by the increase in the amortization of issuance costs previously recognized in equity. These changes were the result of the Company's adoption of ASU No. 2020-06, as of January 1, 2022, as described in Note 1 – *Description of Business and Summary of Significant Accounting Policies*.

Capped Calls

In connection with the offering of the Notes, the Company entered into privately-negotiated capped call transactions relating to each series of notes with certain counterparties (collectively the “Capped Calls”). The initial strike price of the Notes corresponds to the initial conversion price of each of the Notes. The Capped Calls are generally intended to reduce or offset the potential dilution to the Class A Common Stock upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The Capped Calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event; a tender offer; and a nationalization, insolvency or delisting involving the Company. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including changes in law; insolvency filings; and hedging disruptions. The Capped Call transactions are recorded in stockholders' equity and are not accounted for as derivatives.

The following table below sets forth key terms and costs incurred for the Capped Calls related to each of the Notes:

	2023 Notes	2025 Notes	2026 Notes
Initial approximate strike price per share, subject to certain adjustments	\$ 81.45	\$ 360.43	\$ 424.03
Initial cap price per share, subject to certain adjustments	\$ 119.04	\$ 480.56	\$ 556.10
Net cost incurred (in millions)	\$ 49.9	\$ 60.9	\$ 41.8
Class A Common Stock covered, subject to anti-dilution adjustments (in millions)	5.6	2.8	1.5
Settlement commencement date	1/13/2023	1/31/2024	2/13/2025
Settlement expiration date	3/13/2023	2/28/2024	3/13/2025

All of the capped call transactions, including the capped call relating to the 2023 Notes, were outstanding as of December 31, 2022.

Note 7. Leases

The Company primarily leases facilities for office and data center space under non-cancelable operating leases for its U.S. and international locations. As of December 31, 2022, non-cancelable leases expire on various dates between 2023 and 2029.

Generally, the non-cancelable leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has the right to exercise or forego the lease renewal options. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of December 31, 2022 and 2021, the components of leases and lease costs are as follows (in thousands):

	December 31, 2022	December 31, 2021
Operating leases		
Operating lease right-of-use assets	\$ 35,433	\$ 47,294
Accrued liabilities	\$ 17,513	\$ 18,686
Operating lease liabilities	20,182	31,812
Total operating lease liabilities	\$ 37,695	\$ 50,498

	Year ended December 31,		
	2022	2021	2020
Lease Cost			
Operating lease cost (a)	\$ 26,730	\$ 25,053	\$ 21,031

(a) Includes short-term leases and variable lease costs, which are immaterial.

Maturities of operating lease liabilities as of December 31, 2022 are presented in the table below (in thousands):

Year Ending December 31,	
2023	\$ 18,984
2024	8,292
2025	6,213
2026	4,034
2027	1,327
2028 onwards	2,078
Total future minimum lease payments	40,928
Less: Imputed interest	(3,233)
Present value of lease liabilities	\$ 37,695

Other supplemental information is as follows:

	December 31, 2022	December 31, 2021
Lease Term and Discount Rate		
Weighted-average remaining operating lease term (years)	3.1	3.7
Weighted-average operating lease discount rate	5 %	5 %

	Year ended December 31,	
	2022	2021
Supplemental Cash Flow Information (in thousands)		
Operating cash flows resulting from operating leases:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 22,899	\$ 21,246
New ROU assets obtained in exchange of lease liabilities:		
Operating leases	\$ 8,771	\$ 14,530

Note 8. Commitments and Contingencies

Legal Matters

The Company is subject to certain legal proceedings described below, and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business.

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Actual claims could settle or be adjudicated against the Company in the future for materially different amounts than the Company has accrued due to the inherently unpredictable nature of litigation. Legal fees are expensed in the period in which they are incurred.

Patent Infringement Matter

On April 25, 2017, Uniloc USA, Inc. and Uniloc Luxembourg, S.A. (together, “Uniloc”) filed in the U.S. District Court for the Eastern District of Texas two actions against the Company alleging infringement of U.S. Patent Nos. 7,804,948; 7,853,000; and 8,571,194 by RingCentral’s Glip unified communications application. The plaintiffs seek a declaration that the Company has infringed the patents, damages according to proof, injunctive relief, as well as their costs, attorney’s fees, expenses and interest. On October 9, 2017, the Company filed a motion to dismiss or transfer requesting that the case be transferred to the United States District Court for the Northern District of California. In response to the motion, plaintiffs filed a first amended complaint on October 24, 2017. The Company filed a renewed motion to dismiss or transfer on November 15, 2017. Although briefing on that motion has been completed, the motion has not yet been decided. On February 5, 2018, Uniloc moved to stay the litigation pending the resolution of certain third-party inter partes review proceedings (“IPRs”) before the United States Patent and Trademark Office. On February 9, 2018, the court stayed the litigation pending resolution of the IPRs without prejudice to or waiver of the Company’s motion to dismiss or transfer. This litigation is still in its early stages. Based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company’s consolidated financial statements, it is not possible to provide an estimated amount of any such loss or range of loss that may occur. The Company intends to vigorously defend against this lawsuit.

CIPA Matter

On June 16, 2020, Plaintiff Meena Reuben (“Reuben”) filed a complaint against the Company for a putative class action lawsuit in California Superior Court for San Mateo County. The complaint alleges claims on behalf of a class of individuals for whom, while they were in California, the Company allegedly intercepted and recorded communications between individuals and the Company’s customers without the individual’s consent, in violation of the California Invasion of Privacy Act (“CIPA”) Sections 631 and 632.7. Reuben seeks statutory damages of \$5,000 for each alleged violation of Sections 631 and 632.7, injunctive relief, and attorneys’ fees and costs, and other unspecified amount of damages. The parties participated in mediation on August 24, 2021. On September 16, 2021, Reuben filed an amended complaint. The Company filed a demurrer to the amended complaint on October 18, 2021. The Court overruled the Company’s demurrer and the parties are now engaged in discovery. RingCentral filed a motion for judgment on the pleadings on January 23, 2023. This litigation is still in its early stages. Based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company’s consolidated financial statements, it is not possible to provide an estimated amount of any such loss or range of loss that may occur. The Company intends to vigorously defend against this lawsuit.

Other Matter

On June 14, 2019, the Company filed suit in the Superior Court of California, County of Alameda, against Bright Pattern, Inc. and two of its officers, alleging that the defendants negotiated a potential acquisition of Bright Pattern by RingCentral fraudulently and in bad faith. The Company seeks its costs incurred in negotiating under the Letter of Intent (“LOI”) that the parties entered into and damages for lost opportunity as a result of forgoing another acquisition opportunity, and attorneys’ fees and costs. On August 26, 2019, Bright Pattern filed a cross-complaint against the Company and two of its executive officers alleging breach of the LOI as well as tort claims arising from the Company’s allegedly inducing Bright Pattern to enter into the LOI and subsequent extensions while allegedly misstating the timeframe for the proposed transaction. As damages, Bright Pattern seeks audit fees it allegedly incurred, a \$5 million break-up fee, its alleged “cash burn” during the negotiations, and unspecified lost opportunity damages. The Company filed a demurrer to Bright Pattern’s amended cross-complaint, as well as a related motion to strike. On May 7, 2020, the court denied both the motion to strike and demurrer. On July 19, 2022, the parties filed a joint motion to stay the proceedings, which the court granted on July 20, 2022. Based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company’s consolidated financial statements, it is not possible to provide an estimated amount of any loss or range of loss that may occur. The Company intends to vigorously prosecute and defend this lawsuit.

Employee Agreements

The Company has signed various employment agreements with executives and key employees pursuant to which if the Company terminates their employment without cause or if the employee terminates his or her employment for good reason following a change of control of the Company, the employees are entitled to receive certain benefits, including severance payments, accelerated vesting of stock options and RSUs, and continued COBRA coverage. As of December 31, 2022, no triggering events which would cause these provisions to become effective have occurred. Therefore, no liabilities have been recorded for these agreements in the consolidated financial statements.

Note 9. Stockholders’ Deficit and Convertible Preferred Stock

In connection with the Company’s initial public offering, the Company reincorporated in Delaware on September 26, 2013. The Delaware certificate of incorporation provides for two classes of common stock: Class A and Class B Common Stock, both with a par value of \$0.0001 per share. In addition, the certificate of incorporation authorizes shares of undesignated preferred stock with a par value of \$0.0001 per share, pursuant to which on November 9, 2021, the Company filed a certificate of designations authorizing the issuance of 200,000 shares of Series A Convertible Preferred Stock. The terms of preferred stock are described below.

Preferred Stock

The board of directors may, without further action by the stockholders, fix the powers, designations, preferences, or relative participating, optional, or other rights, and the qualifications, limitations, and restrictions of up to an aggregate of 100,000,000 shares of preferred stock in one or more series and authorizes their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of the Class A and Class B Common Stock. As of December 31, 2022 and 2021, there were 100,000,000 shares of preferred stock authorized, 200,000 shares of which are issued and outstanding as Series A Convertible Preferred Stock.

Class A and Class B Common Stock

The Company has authorized 1,000,000,000 and 250,000,000 shares of Class A Common Stock and Class B Common Stock for issuance, respectively. Holders of Class A Common Stock and Class B Common Stock have identical rights for matters submitted to a vote of the Company’s stockholders. Holders of Class A Common Stock are entitled to one vote per share of Class A Common Stock and holders of Class B Common Stock are entitled to 10 votes per share of Class B Common Stock. Holders of shares of Class A Common Stock and Class B Common Stock vote together as a single class on all matters (including the election of directors) except for specific circumstances that would adversely affect the powers, preferences, or rights of a particular class of Common Stock. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, holders of Class A and Class B Common Stock share equally, identically and ratably, on a per share basis, with respect to any dividend or distribution of cash, property or shares of the Company’s capital stock. Holders of Class A and Class B Common Stock also share equally, identically, and ratably in all assets remaining after the payment of any liabilities and liquidation preferences and any accrued or declared but unpaid dividends, if any, with respect to any outstanding preferred stock at the time. Each share of Class B Common Stock is convertible at any time at the option of the holder into one share of Class A Common Stock. In addition, each share of Class B Common Stock will convert automatically to Class A Common

Stock upon: (i) the date specified by an affirmative vote or written consent of holders of at least 67% of the outstanding shares of Class B Common Stock, (ii) the date on which the number of outstanding shares of Class B Common Stock represents less than 10% of the aggregate combined number of outstanding shares of Class A Common Stock and Class B Common Stock, or (iii) any time seven years after the Company's initial public offering (October 2, 2020), when a stockholder owns less than 50% of the shares of Class B Common Stock that such holder owned immediately prior to completion of the initial public offering.

Shares of Class A Common Stock reserved for future issuance were as follows (in thousands):

	December 31, 2022
Preferred stock	100,000
Class B Common Stock	9,925
2013 Employee stock purchase plan	6,055
2013 Equity incentive plan:	
Outstanding options and restricted stock unit awards	5,123
Available for future grants	19,648
	<u>140,751</u>

Share Repurchase Program

On December 13, 2021, the Company's board of directors authorized a share repurchase program to repurchase up to \$100 million of the Company's outstanding shares of Class A Common Stock. During the year ended December 31, 2022, the Company repurchased and subsequently retired 2,297,330 shares of our Class A Common Stock for an aggregate amount of approximately \$100 million. The Company completed its share repurchase program on December 31, 2022.

Series A Convertible Preferred Stock

On November 8, 2021, the Company entered into the Investment Agreement, pursuant to which the Company sold to Searchlight Investor, in a private placement exempt from registration under the Securities Act of 1933, as amended, 200,000 shares of newly issued Series A Convertible Preferred Stock, par value \$0.0001 per share, for an aggregate purchase price of \$200 million. The Series A Convertible Preferred Stock issued to Searchlight Investor pursuant to the Investment Agreement is convertible into shares of the Company's Class A Common Stock, par value \$0.0001 per share, at a conversion price of \$269.22 per share, subject to adjustment as provided in the certificate of designations specifying the terms of such shares. The transactions contemplated by the Investment Agreement closed on November 9, 2021. The Series A Convertible Preferred Stock ranks senior to the shares of the Company's Class A Common Stock and Class B Common Stock with respect to rights on the distribution of assets on any voluntary or involuntary liquidation or winding up of the affairs of the Company. The Series A Convertible Preferred Stock is a zero coupon, perpetual preferred stock, with a liquidation preference of \$1,000 per share and other customary terms, including with respect to mandatory conversion and change of control premium under certain circumstances. The shares of Series A Convertible Preferred Stock shall not be redeemable or otherwise mature, other than for a liquidation or a specified change in control event as provided in the certificate of designations specifying the terms of such shares. Holders of Series A Convertible Preferred Stock will be entitled to vote with the holders of the Class A Common Stock and Class B Common Stock on an as-converted basis. Holders of the Series A Convertible Preferred Stock will be entitled to a separate class vote with respect to, among other things, certain amendments to the Company's organizational documents that have an adverse impact on the rights, preferences, privileges or voting power of the Series A Convertible Preferred Stock, authorizations or issuances of Company capital stock, or other securities convertible into capital stock, that is senior to, or equal in priority with, the Series A Convertible Preferred Stock, and increases or decreases in the number of authorized shares of Series A Convertible Preferred Stock.

As the liquidation or specified change in control event is not solely within the Company's control, the Series A Convertible Preferred Stock is therefore classified as temporary equity and recorded outside of stockholders' equity on the Consolidated Balance Sheet. As of December 31, 2022 and 2021, there were 200,000 shares of the Company's Series A Convertible Preferred Stock issued and outstanding, and the carrying value, net of issuance costs, was \$199.4 million.

Note 10. Share-Based Compensation

A summary of share-based compensation expense recognized in the Company's Consolidated Statements of Operations is as follows (in thousands):

	Year ended December 31,		
	2022	2021	2020
Cost of revenues	\$ 34,269	\$ 29,307	\$ 14,275
Research and development	88,846	83,042	39,283
Sales and marketing	151,950	137,924	64,240
General and administrative	110,944	107,692	71,802
Total share-based compensation expense	<u>\$ 386,009</u>	<u>\$ 357,965</u>	<u>\$ 189,600</u>

A summary of share-based compensation expense by award type is as follows (in thousands):

	Year ended December 31,		
	2022	2021	2020
Options	\$ —	\$ 1	\$ 44
Employee stock purchase plan rights	7,719	9,573	7,161
Restricted stock units	378,290	348,391	182,395
Total share-based compensation expense	<u>\$ 386,009</u>	<u>\$ 357,965</u>	<u>\$ 189,600</u>

Equity Incentive Plans

In September 2013, the Board adopted and the Company's stockholders approved the 2013 Equity Incentive Plan, which became effective on September 26, 2013, and the stockholders approved an amended and restated 2013 Equity Plan on December 15, 2022 (together, "2013 Plan"). In connection with the adoption of the 2013 Plan, the Company terminated the 2010 Equity Incentive Plan ("2010 Plan"), under which stock options had been granted prior to September 26, 2013. The 2010 Plan was established in September 2010, when the 2003 Equity Incentive Plan ("2003 Plan") was terminated. After the termination of the 2003 and 2010 Plans, no additional options were granted under these plans; however, options previously granted under these plans will continue to be governed by these plans and will be exercisable into shares of Class B Common Stock. In addition, options authorized to be granted under the 2003 and 2010 Plans, including forfeitures of previously granted awards, are authorized for grant under the 2013 Plan.

A total of 6,200,000 shares of Class A Common Stock were originally reserved for issuance under the 2013 Plan. The 2013 Plan includes an annual increase on the first day of each fiscal year beginning in 2014, equal to the least of: (i) 6,200,000 shares of Class A Common Stock; (ii) 5% of the outstanding shares of all classes of common stock as of the last day of the Company's immediately preceding fiscal year; or (iii) such other amount as the board of directors may determine. During the year ended December 31, 2022, a total of 4,715,470 shares of Class A Common Stock were added to the 2013 Plan in connection with the annual automatic increase provision. As of December 31, 2022, a total of 19,648,499 shares remain available for grant under the 2013 Plan.

The plans permit the grant of stock options and other share-based awards, such as restricted stock units, to employees, officers, directors, and consultants by the board of directors. Option awards are generally granted with an exercise price equal to the fair market value of the Company's Class A Common Stock at the date of grant. Option awards generally vest according to a graded vesting schedule based on four years of continuous service. On January 29, 2014, the board of directors approved an amendment to decrease the contractual term of all equity awards issued from the 2013 Plan from 10 years to 7 years for all awards granted after January 29, 2014. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the option agreement) and early exercise of options prior to vesting (subject to the Company's repurchase right).

A summary of option activity under all of the Company's equity incentive plans at December 31, 2022 and changes during the period then ended is presented in the following table:

	Number of Options Outstanding (in thousands)	Weighted- Average Exercise Price Per Share	Weighted- Average Contractual Term (in Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2019	2,257	\$ 13.13	2.5	\$ 351,428
Exercised	(1,360)	13.87		
Canceled/Forfeited	—	—		
Outstanding at December 31, 2020	897	\$ 12.02	1.7	\$ 329,151
Exercised	(741)	12.58		
Canceled/Forfeited	(2)	27.45		
Outstanding at December 31, 2021	154	\$ 9.12	0.9	\$ 27,465
Exercised	(132)	8.54		
Canceled/Forfeited	—	—		
Outstanding at December 31, 2022	22	\$ 12.53	0.5	\$ 509
Vested and expected to vest as of December 31, 2022	22	\$ 12.53	0.5	\$ 509
Exercisable as of December 31, 2022	22	\$ 12.53	0.5	\$ 509

There were no options granted for the year ended December 31, 2022 and 2021. The total intrinsic value of options exercised during year ended December 31, 2022, 2021 and 2020 were \$13.6 million, \$190.7 million, and \$343.7 million, respectively. There is no remaining unamortized share-based compensation expense related to options.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of the Company's Class A Common Stock at a discounted price, through payroll deductions of up to the lesser of 15% of their eligible compensation or the IRS allowable limit per calendar year. A participant may purchase a maximum of 3,000 shares during an offering period. The offering periods are for a period of six months and generally start on the first trading day on or after May 13th and November 13th of each year. At the end of the offering period, the purchase price is set at the lower of: (i) 85% of the fair value of the Company's common stock at the beginning of the six-month offering period and (ii) 85% of the fair value of the Company's Class A Common Stock at the end of the six-month offering period.

The ESPP provides for annual increases in the number of shares available for issuance under the ESPP on the first day of each fiscal year beginning in fiscal 2014, equal to the least of: (i) 1% of the outstanding shares of all classes of common stock on the last day of the immediately preceding year; (ii) 1,250,000 shares; or (iii) such other amount as may be determined by the board of directors. During the year ended December 31, 2022, a total of 943,094 shares of Class A Common Stock were added to the ESPP Plan in connection with the annual increase provision. At December 31, 2022, a total of 6,054,525 shares were available for issuance under the ESPP.

The weighted-average assumptions used to value ESPP rights under the Black-Scholes-Merton option-pricing model and the resulting offering grant date fair value of ESPP rights granted in the periods presented were as follows:

	Year ended December 31,		
	2022	2021	2020
Expected term (in years)	0.5	0.5	0.5
Expected volatility	81 %	48 %	63 %
Risk-free interest rate	3.01 %	0.05 %	0.13 %
Expected dividend yield	0 %	0 %	0 %
Offering grant date fair value of ESPP rights	\$ 20.18	\$ 71.27	\$ 79.85

As of December 31, 2022 and 2021, there was approximately \$4.4 million and \$4.2 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to ESPP, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 0.4 years.

Restricted Stock Units

The 2013 Plan provides for the issuance of RSUs to employees, directors, and consultants. RSUs issued under the 2013 Plan generally vest over four years. A summary of activity of RSUs under the 2013 Plan at December 31, 2022 and changes during the periods then ended is presented in the following table:

	Number of RSUs Outstanding (in thousands)	Weighted- Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2019	3,249	\$ 85.39	\$ 548,145
Granted	1,599	236.97	
Released	(1,804)	99.31	
Canceled/Forfeited	(319)	111.47	
Outstanding at December 31, 2020	2,725	\$ 162.04	\$ 1,032,997
Granted	2,792	299.53	
Released	(1,811)	185.55	
Canceled/Forfeited	(855)	240.21	
Outstanding at December 31, 2021	2,851	\$ 258.26	\$ 534,186
Granted	5,999	72.96	
Released	(2,787)	131.18	
Canceled/Forfeited	(963)	206.32	
Outstanding at December 31, 2022	5,100	\$ 119.55	\$ 180,577

As of December 31, 2022 and 2021, there was a total of \$422.3 million and \$554.1 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to RSUs, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 2.8 years.

Bonus Plan

The Company's board of directors (the "Board") adopted employee equity bonus plans (the "Bonus Plans"), which allow the recipients to earn fully vested shares of the Company's Class A Common Stock upon the achievement of quarterly service and performance conditions. During the year ended December 31, 2022 and 2021, 813,330 and 173,441 RSUs were issued under the Company's Key Employee Equity Bonus Plan ("KEEB Plans"), respectively. The total requisite service period of each quarterly award is approximately 0.4 years.

The unrecognized share-based compensation expense as of December 31, 2022 was approximately \$4.4 million, which will be recognized over the remaining service period of 0.1 years. The shares issued under the KEEB Plans will be issued from the reserve of shares available for issuance under the 2013 Plan.

Note 11. Income Taxes

Net loss before provision for income taxes consisted of the following (in thousands):

	Year ended December 31,		
	2022	2021	2020
United States	\$ (898,036)	\$ (394,392)	\$ (93,979)
International	23,983	20,670	11,917
Total net loss before provision for income taxes	\$ (874,053)	\$ (373,722)	\$ (82,062)

The provision for income taxes consisted of the following (in thousands):

	Year ended December 31,		
	2022	2021	2020
Current			
Federal	\$ —	\$ —	\$ —
State	1,104	746	208
Foreign	4,710	3,580	1,386
Total current	\$ 5,814	\$ 4,326	\$ 1,594
Deferred			
Federal	\$ —	\$ —	\$ —
State	—	—	—
Foreign	(701)	(1,798)	(660)
Total deferred	(701)	(1,798)	(660)
Total income tax provision	\$ 5,113	\$ 2,528	\$ 934

The provision for (benefit from) income tax differed from the amounts computed by applying the U.S. federal income tax rate to pretax loss as a result of the following (in thousands):

	Year ended December 31,		
	2022	2021	2020
Federal tax benefit at statutory rate	\$ (183,551)	\$ (78,482)	\$ (17,233)
State tax, net of federal tax benefit	848	314	164
Research and development credits	(12,830)	(10,135)	(9,330)
Share-based compensation	5,828	(45,501)	(93,866)
Debt extinguishment	19	365	2,790
Other permanent differences	3,143	835	10
Change in U.S. federal Tax Rate	—	—	—
Foreign tax rate differential	(2,497)	(4,104)	(694)
Net operating (gains) losses not recognized	194,153	139,236	119,093
Release of valuation allowance associated with acquisitions	—	—	—
Total income tax provision	\$ 5,113	\$ 2,528	\$ 934

In general, it is the Company's practice and intention to reinvest the earnings of its non-U.S. subsidiaries in those operations. Because the Company's non-U.S. subsidiary earnings have previously been subject to the one-time transition tax on foreign earnings required by the 2017 Tax Act, any additional taxes due with respect to such earnings or the excess of the amount for financial reporting over the tax basis of its foreign investments would generally be limited to foreign withholding taxes and/or U.S. state income taxes.

The types of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

	Year ended December 31,	
	2022	2021
Deferred tax assets		
Net operating loss and credit carry-forwards	\$ 491,323	\$ 506,352
Research and development credits	71,756	53,890
Capitalized Research Expenditures	75,821	—
Basis difference in investments	107,756	—
Sales tax liability	90	158
Share-based compensation	14,986	12,859
Acquired intangibles	50,156	15,427
Accrued liabilities	16,550	18,100
Gross deferred tax assets	828,438	606,786
Valuation allowance	(669,690)	(425,599)
Total deferred tax assets	158,748	181,187
Deferred tax liabilities		
Convertible debt discount	—	(58,060)
Deferred sales commissions	(117,724)	(76,562)
Acquired intangibles	—	—
Lease right of use assets	(7,045)	(8,997)
Basis difference in investments	—	(16,102)
Property and equipment	(32,746)	(20,935)
Net deferred tax assets	\$ 1,233	\$ 531

As of December 31, 2022, the Company has federal net operating loss carryforwards of approximately \$1.9 billion, of which approximately \$193.4 million expire between 2033 and 2037 and the remainder do not expire. As of December 31, 2022, the Company had state net operating loss carryforwards of approximately \$1.3 billion which will begin to expire in 2023. The Company also has research credit carryforwards for federal and California tax purposes of approximately \$63.2 million and \$41.0 million, respectively, available to reduce future income subject to income taxes. The federal research credit carryforwards will begin to expire in 2028 and the California research credits carry forward indefinitely.

The Internal Revenue Code of 1986, as amended, imposes restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use net operating losses may be limited as prescribed under Internal Revenue Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Utilization of the federal and state net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions.

The Company's management believes that, based on a number of factors, it is more likely than not, that all or some portion of the deferred tax assets will not be realized; and accordingly, for the year ended December 31, 2022, the Company has provided a valuation allowance against the Company's U.S. net deferred tax assets. The net change in the valuation allowance for the years ended December 31, 2022 and 2021 was an increase of \$244.1 million and \$170.2 million, respectively.

The following shows the changes in the gross amount of unrecognized tax benefits as of December 31, 2022 (in thousands):

	2022	2021	2020
Unrecognized tax benefits, beginning of the year	\$ 20,010	\$ 14,158	\$ 8,965
Increases related to prior year tax positions	—	—	—
Decreases related to prior year tax positions	—	—	—
Increases related to current year tax positions	6,402	5,852	5,193
Unrecognized tax benefits, end of year	<u>\$ 26,412</u>	<u>\$ 20,010</u>	<u>\$ 14,158</u>

In accordance with ASC 740-10, *Income Taxes*, the Company has adopted the accounting policy that interest and penalties recognized are classified as part of its income taxes.

The Company does not anticipate that its total unrecognized tax benefits will significantly change due to settlement of examination or the expiration of statute of limitations during the next 12 months. Included in the balance of unrecognized tax benefits as of December 31, 2022 are \$0.3 million of tax benefit that, if recognized, would affect the effective tax rate. Otherwise, as a result of the full valuation allowance as of December 31, 2022, current adjustments to the unrecognized tax benefit will not have an impact on our effective income tax rate. Any adjustments made after the valuation allowance is released will have an impact on the tax rate.

The Company files U.S. and foreign income tax returns with varying statutes of limitations. Due to the Company's net carry-over of unused operating losses and tax credits, all years from 2003 forward remain subject to future examination by tax authorities.

Note 12. Basic and Diluted Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, stock options, restricted stock units, ESPP, convertible senior notes, and convertible preferred stock, to the extent dilutive. For the years ended December 31, 2022, 2021 and 2020, all such common stock equivalents have been excluded from diluted net loss per share as the effect to net loss per share would be anti-dilutive.

The following table sets forth the computation of the Company's basic and diluted net loss per share of common stock (in thousands, except per share data):

	Year Ended December 31,		
	2022	2021	2020
Numerator			
Net loss	\$ (879,166)	\$ (376,250)	\$ (82,996)
Denominator			
Weighted-average common shares outstanding for basic and diluted net loss per share	95,239	91,738	88,684
Basic net income (loss) per share	<u>\$ (9.23)</u>	<u>\$ (4.10)</u>	<u>\$ (0.94)</u>

The following table summarizes the potentially dilutive common shares that were excluded from diluted weighted-average common shares outstanding because including them would have had an anti-dilutive effect (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Shares of common stock issuable under equity incentive plans outstanding	4,050	3,866	4,760
Shares of common stock related to convertible preferred stock	743	107	—
Shares of common stock related to convertible senior notes	—	135	1,669
Potential common shares excluded from diluted net loss per share	<u>4,793</u>	<u>4,108</u>	<u>6,429</u>

Under the terms of the respective Notes Indentures, effective January 1, 2022, the Company made an irrevocable election to settle the principal portion of the Notes only in cash, with the conversion premium to be settled in cash or shares.

Upon the adoption of ASU No. 2020-06 on January 1, 2022, the Company calculates the potential dilutive effect of its 2025 Notes and 2026 Notes under the if-converted method. Under this method, only the amounts settled in excess of the principal will be considered in diluted earnings per share, in line with the terms of the Notes Indentures.

The denominator for diluted net income per share does not include any effect from the capped call transactions the Company entered into concurrently with the issuance of the 2023, 2025, and 2026 Notes as this effect would be anti-dilutive. In the event of conversion of the Notes, if shares are delivered to the Company under the capped call, they will offset the dilutive effect of the shares that the Company would issue under the Notes.

Note 13. 401(k) Plan

The Company has a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. Substantially all of the U.S. employees are eligible to make contributions to the 401(k) plan. The Company matches 401(k) based on the amount of the employees' contributions subject to certain limitations. Employer contributions were \$6.9 million, \$6.7 million, and \$5.4 million for the years ended December 31, 2022, 2021 and 2020.

Note 14. Related Party Transactions

In the ordinary course of business, the Company made purchases from Google Inc., at which one of the Company's directors previously served as President, Americas. Total payables to Google Inc. at December 31, 2022 and 2021 were \$1.9 million and \$3.0 million, respectively. Total expenses incurred from Google Inc. in 2022, 2021, and 2020 were \$24.3 million, \$24.7 million, and \$23.6 million, respectively.

Note 15. Restructuring Activities

On November 7, 2022, the Company's board of directors approved a reduction in force plan (the "Q4'22 Plan") as part of broader efforts to align the Company's cost base with its strategic priorities in the current environment. The Q4'22 Plan is expected to reduce the Company's full-time employees by approximately 10%, primarily consisting of severance payments, employee benefits and related costs. The Company expects to incur aggregate restructuring costs associated with the Q4'22 Plan of approximately \$15.5 million, of which approximately \$10.2 million was recognized through December 31, 2022. Prior to approval of the Q4'22 Plan, the Company incurred approximately \$8.0 million of restructuring costs for the year ended December 31, 2022 in connection with the Company's strategy to optimize its cost structure and improve its operational efficiencies, which were substantially completed as of December 31, 2022. The Company estimates the remaining costs of approximately \$5.5 million associated with the Q4'22 Plan to be substantially complete by the first quarter of 2023, subject to local law and consultation requirements, which may extend the process beyond the first quarter of 2023 in certain countries.

The following table summarizes the Company's restructuring costs that were recorded as an operating expense in the accompanying Consolidated Statement of Operations for the year ended December 31, 2022 (in thousands):

Cost of revenues	\$	457
Research and development		5,321
Sales and marketing		9,695
General and administrative		2,711
Total restructuring costs	\$	<u>18,184</u>

The following table summarizes the Company's restructuring liability that is included in accrued liabilities in the accompanying Consolidated Balance Sheets (in thousands):

Balance as of December 31, 2021	\$	—
Restructuring costs		18,184
Cash payments		(12,699)
Balance as of December 31, 2022	\$	<u>5,485</u>

Note 16. Subsequent Events

Share Repurchase Program

On February 13, 2023, the Company's board of directors authorized a share repurchase program under which it may repurchase up to \$175 million of the Company's outstanding shares of Class A Common Stock. Under the program, share repurchases may be made at the Company's discretion from time to time in open market transactions, privately negotiated transactions, or other means, subject to a minimum cash balance. The program does not obligate the Company to repurchase any specific dollar amount or to acquire any specific number of shares of its Class A Common Stock. The timing and number of any shares repurchased under the program will depend on a variety of factors, including stock price, trading volume, and general business and market conditions. The authorization is effective until December 31, 2023.

Credit Agreement

On February 14, 2023, the Company entered into a Credit Agreement (the "Credit Agreement"), among the Company, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent"). The Credit Agreement provides for a \$200.0 million revolving loan facility (the "Revolving Facility"), with a \$25.0 million sublimit for the issuance of letters of credit, and a \$400.0 million delayed draw term loan facility (the "Term Facility"). The obligations under the Credit Agreement and the other loan documents are guaranteed by certain material domestic subsidiaries of the Company, and secured by substantially all of the personal property of the Company and such subsidiary guarantors. As of the date of this filing, no loans or letters of credit were outstanding under the Credit Agreement.

The proceeds of the loans under the Revolving Facility may be used for working capital and general corporate purposes. To the extent drawn, the proceeds of the loans under the Term Facility must be used to repurchase, repay, acquire or otherwise settle a portion of the 2025 Notes and/or the 2026 Notes.

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

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this Annual Report on Form 10-K.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

Management’s Annual Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the guidelines established in the *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There are no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our chief executive officer and chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will

succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B. OTHER INFORMATION

On February 18, 2023, Sridhar Srinivasan notified the Company that he was resigning from the Company's board of directors, effective immediately. Mr. Srinivasan confirmed that his resignation was not the result of any disagreement with the Company or management on any matter relating to the Company's operations, policies or practices.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Composition of the Board of Directors

We manage our business affairs under the direction of our board of directors, which is currently composed of eight members. Seven of our directors are independent within the meaning of the applicable rules of the New York Stock Exchange (“NYSE”). Each director’s term continues until the election and qualification of such director’s successor, or such director’s earlier death, resignation, or removal.

The names, ages, and certain other information as of December 31, 2022 for each current director are set forth below.

Nominees	Age	Position	Director Since
Vladimir Shmunis	62	Chairman and Chief Executive Officer	1999
Mignon Clyburn	60	Director	2020
Arne Duncan	58	Director	2021
Kenneth Goldman ⁽¹⁾⁽²⁾	73	Director	2017
Tarek Robbiati ⁽¹⁾⁽³⁾	57	Director	2022
Robert Theis ⁽¹⁾⁽²⁾⁽³⁾	61	Director	2011
Allan Thygesen ⁽³⁾	60	Director	2015
Neil Williams ⁽¹⁾	69	Director	2012

(1) Member of the audit committee

(2) Member of the nominating and corporate governance committee

(3) Member of the compensation committee

Vladimir Shmunis is one of our co-founders and has served as our Chief Executive Officer, or CEO, and Chairman since our inception in 1999. Prior to RingCentral, from 1992 to 1998, Mr. Shmunis served as President and Chief Executive Officer of Ring Zero Systems, Inc., a desktop communications software provider founded by Mr. Shmunis and acquired by Motorola, Inc. From 1982 to 1992, Mr. Shmunis held various software development and management roles with a number of Silicon Valley companies, including Convergent Technologies, Inc. and Ampex Corporation. Mr. Shmunis holds a B.S. in Computer Science and an M.S. in Computer Science from San Francisco State University.

Our board of directors believes that Mr. Shmunis possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our CEO and his experience as an executive in the technology industry. Our board of directors also believes that he brings historical knowledge, operational expertise and continuity to the board of directors.

Mignon Clyburn has served on our board of directors since November 2020. Ms. Clyburn has served as President of MLC Strategies, LLC, a Washington, D.C.-based consulting firm, since January 2019, and previously served as a Fellow at Open Society Foundations, a philanthropic organization, from June 2018 to January 2019. Prior to this, Ms. Clyburn served as a Commissioner of the U.S. Federal Communications Commission (the “FCC”) from August 2009 to June 2018, including as acting chair. While at the FCC, she was committed to closing the digital divide and championed the modernization of the agency’s Lifeline Program, which assists low-income consumers with voice and broadband service. In addition, Ms. Clyburn promoted diversity in media ownership, initiated Inmate Calling Services reforms, supported inclusion in STEM opportunities and fought for an Open Internet. Prior to her federal appointment, Ms. Clyburn served 11 years on the Public Service Commission of South Carolina and worked for nearly 15 years as publisher of the Coastal Times, a Charleston weekly newspaper focused on the African American community. Ms. Clyburn has served as a member of the board of directors of Charah Solutions, Inc., a provider of environmental and maintenance services to the power generation industry, since March 2019, and as a member of the board of directors of Lions Gate Entertainment Corp., an entertainment company, since September 2020. Ms. Clyburn holds a B.S. in Banking, Finance and Economics from the University of South Carolina.

Our board of directors believes that Ms. Clyburn possesses specific attributes that qualify her to serve as a director, including her experience as a regulator of public utilities and as a federal commissioner in the telecommunications sector.

Arne Duncan has served on our board of directors since February 2021. Mr. Duncan served as a member of the board of directors of Pluralsight, Inc. from December 2017 to April 2021 and as a member of the board of managers of Pluralsight Holdings from June 2016 to April 2021. Since March 2016, Arne has both served as a managing partner of Emerson Collective and also led ChicagoCRED, a nonprofit focused on reducing gun violence in his hometown. Mr. Duncan previously served as the U.S. Secretary of Education from January 2009 to December 2015. Mr. Duncan currently serves on the board of directors of several private companies. Mr. Duncan holds a B.A. degree in Sociology from Harvard University.

Our board of directors believes that Mr. Duncan possesses specific attributes that qualify him to serve as a director, including his professional experience in the public education sector.

Kenneth Goldman has served on our board of directors since June 2017. Between March 2018 and April 2022, Mr. Goldman served as President of Hillspire LLC, a wealth management services provider, where he also previously served as a contractor from September 2017 to March 2018. From October 2012 to June 2017, Mr. Goldman served as the Chief Financial Officer of Yahoo! Inc., an Internet commerce website, where he was responsible for Yahoo's global finance functions including financial planning and analysis, controllership, tax, treasury and investor relations. From September 2007 to October 2012, Mr. Goldman was the Senior Vice President, Finance and Administration and Chief Financial Officer of Fortinet Inc., a provider of threat management technologies. From August 2000 until March 2006, Mr. Goldman served as Senior Vice President of Finance and Administration and Chief Financial Officer of Siebel Systems, Inc., a supplier of customer software solutions and services. Previously, Mr. Goldman has been the Chief Financial Officer of Sybase, Inc., an enterprise software and services company (acquired by SAP SE), Excite@Home, an internet access provider, Cypress Semiconductor Corporation, a semiconductor company, and VLSI Technology, Inc., an integrated circuit designer and manufacturer (acquired by Philips Electronics). Mr. Goldman currently serves on the board of directors of GoPro, Inc., a technology company, Zuora Inc., a subscription software company and Fortinet, Inc., a cybersecurity company, and previously served on the boards of directors of NXP Semiconductor N.V., a global semiconductor manufacturer, from August 2010 to June 2022, and TriNet Group, Inc., a human resources management company, from August 2009 to July 2020. He also is a Trustee Emeritus of Cornell University. Mr. Goldman also currently serves on the board of directors of several private companies. From December 1999 to December 2003, Mr. Goldman served on the Financial Accounting Standards Board's primary Advisory Council ("FASAC"). Between July 2018 and August 2022, Mr. Goldman served on the Sustainability Accounting Standards Board, now a part of The Value Reporting Foundation, and previously served a three-year term on the Public Company Accounting Oversight Board's Standing Advisory Group ("SAG"). Mr. Goldman holds a B.S. in Electrical Engineering from Cornell University and an M.B.A. from Harvard Business School.

Our board of directors believes that Mr. Goldman is qualified to serve as a member of the board of directors based on his experience on the boards of directors of numerous companies, his extensive executive experience and his service as a member of FASAC and SAG. He provides a high level of expertise and significant leadership experience in the areas of finance, accounting and audit oversight.

Tarek Robbiati has served on our board of directors since December 2022. Mr. Robbiati has served as Executive Vice President, Chief Financial Officer of Hewlett Packard Enterprise Co. since September 2018. Before joining Hewlett Packard Enterprise, Mr. Robbiati served as Chief Financial Officer of Sprint Corporation from August 2015 to February 2018. Prior to that, Mr. Robbiati served as Chief Executive Officer and Managing Director of FlexiGroup Limited in Australia from January 2013 to August 2015. He previously served as Group Managing Director and President of Telstra International Group in Hong Kong and Executive Chairman of Hong Kong CSL Limited from December 2009 to December 2012, and as Chief Executive Officer of Hong Kong CSL Limited from July 2007 to May 2010. He holds a Baccalaureat C, Terminale C from Lycée Chateaubriand Rome, a Master of Science Nuclear Physics and Electronics from École nationale supérieure d'ingénieurs de Caen (ENSICAEN), a Master of Science Business Administration from IAE Caen and a Master of Business Administration from the London Business School.

Our board of directors believes that Mr. Robbiati possesses specific attributes that qualify him to serve as a director, including his business and financial expertise and his experience as a chief financial officer.

Robert Theis has served on our board of directors since August 2011. Mr. Theis has served as a General Partner of World Innovation Lab, a venture capital firm, since September 2016. He served as a managing director at Scale Venture Partners, a venture capital firm, from May 2008 to October 2014. Prior to joining Scale Ventures, from July 2000 to April 2008, Mr. Theis served as a general partner with Doll Capital Management, a venture capital firm. From July 1996 to June 2000, Mr. Theis served as executive vice president and served on the board of directors of New Era of Networks, Inc., a supplier of Internet infrastructure software and services. From April 1986 to June 1996, Mr. Theis served as a Managing Director at Sun Microsystems, Inc., a provider of computers and computer components acquired by Oracle Corporation, and from January 1984 to March 1986, as Marketing Manager at Silicon Graphics, Inc., a provider of high-performance computing solutions. Mr. Theis

also served on the board of directors of Avaya Holdings Corp., a business communication and cloud solutions company, from November 2020 to October 2022. Mr. Theis holds a B.A. in Economics from the University of Pittsburgh, Pennsylvania.

Our board of directors believes that Mr. Theis possesses specific attributes that qualify him to serve as a director, including his substantial experience as a venture capitalist investment professional and as a director of technology infrastructure and applications companies.

Allan Thygesen has served on our board of directors since October 2015. Mr. Thygesen has served since October 2022 as Chief Executive Officer of DocuSign, Inc., an eSignature and digital transaction management company. Previously, Mr. Thygesen served from February 2017 to October 2022 as President, Americas at Google Inc. (a subsidiary of Alphabet Inc.) and from September 2011 to February 2017 as Vice President, Global SMB Sales and Operations. He is also a lecturer at the Stanford Graduate School of Business. Before joining Google, Mr. Thygesen consulted to Google and other companies in 2010 and until September 2011 and previously co-founded an early stage venture firm and was a managing director and partner in the U.S. venture and growth funds of The Carlyle Group, where he led investments in startups in sectors including e-commerce, mobile advertising and imaging. Earlier, Mr. Thygesen served as an executive in several public and private companies, including Wink Communications, Inc., an interactive television technology company, which he helped take public in 1999. Mr. Thygesen has served on the board of directors of DocuSign, Inc. since October 2022, and has also served on the boards of directors of various private companies. Mr. Thygesen holds an M.Sc. in Economics from the University of Copenhagen and an M.B.A. from Stanford University.

Our board of directors believes that Mr. Thygesen possesses specific attributes that qualify him to serve as a director, including his professional experience in the areas of advertising, scaling operations and market strategies.

Neil Williams has served on our board of directors since March 2012. From January 2008 to February 2018, Mr. Williams served as Executive Vice President and Chief Financial Officer at Intuit Inc., a business and financial software company. Prior to joining Intuit, from April 2001 to September 2007, Mr. Williams served as Executive Vice President of Visa U.S.A., Inc., a credit and debit card payment network, and from November 2004 to September 2007, he served as Chief Financial Officer. During the same period, Mr. Williams held the dual role of Chief Financial Officer for Inovant LLC, Visa's global IT organization. Mr. Williams has served on the board of directors of Oportun Financial Corporation, a financial services provider, since November 2017 and previously served on the board of directors and as chair of the audit committee of Amyris, Inc., an integrated renewable products company, from May 2013 to March 2020. Mr. Williams holds a B.A. in Business Administration from the University of Southern Mississippi and is a certified public accountant.

Our board of directors believes that Mr. Williams possesses specific attributes that qualify him to serve as a director, including his professional experience in the areas of finance, accounting and audit oversight.

Executive Officers

The following table sets forth the names, ages and positions of our executive officers as of December 31, 2022:

Name	Age	Position
Vladimir Shmunis	62	Chief Executive Officer and Chairman
Mo Katibeh	44	President and Chief Operating Officer
Sonalee Parekh	49	Chief Financial Officer
John Marlow	54	Chief Administrative Officer, Senior Vice President, Corporate Development, General Counsel and Secretary

Vladimir Shmunis, Chief Executive Officer and Chairman. For a biography of Mr. Shmunis please see the above section entitled "Composition of the Board of Directors."

Mo Katibeh has served as our President and Chief Operating Officer since January 2022. Over the past twenty years, Mr. Katibeh has served in multiple leadership roles at AT&T, a multinational telecommunications company. Most recently, he served as Head of AT&T Network Infrastructure & Build from April 2021 to January 2022; Executive Vice President Chief Product & Platform Officer from July 2020 to April 2021; Executive Vice President Chief Marketing Officer from August 2017 to July 2020; Senior Vice President – Advanced Solutions from May 2016 to July 2017; and Vice President – Global Technology Planning from March 2014 to May 2016. Mr. Katibeh holds a B.S. in Business with Majors in International

Business Marketing and Philosophy from Oklahoma State University and an Executive M.B.A. from The University of Texas at Dallas – School of Management.

Sonalee Parekh has served as our Chief Financial Officer since May 2022. Ms. Parekh previously served as the Senior Vice President of Corporate Development and Investor Relations at Hewlett Packard Enterprise, a Fortune 500 technology company, from September 2019 to April 2022, where she oversaw critical growth initiatives, including the M&A strategy globally, and was responsible for corporate strategy, mergers and acquisitions, strategic investments, business integration and performance management. In her role as Senior Vice President of Investor Relations, Ms. Parekh worked directly with many of the world's largest institutional investors and asset managers and led HPE's socially responsible investing strategy. Prior to HPE, Ms. Parekh held senior leadership roles at several global investment banks, including Goldman Sachs and Barclays Capital. Ms. Parekh currently serves as a director and chair of the audit committee for Indie Semiconductor and Ms. Parekh is also currently serving as the chair of the compensation committee for PWP Forward Acquisition Corp. I. Ms. Parekh earned a Bachelor of Commerce degree from McGill University and is a Chartered Accountant and alumna of PricewaterhouseCoopers.

John Marlow has served as our Chief Administrative Officer since February 2017, as our Senior Vice President, Corporate Development since June 2013 and as our General Counsel and Secretary since April 2009, and also served as our Managing Director—EMEA from January 2015 to June 2016. He was appointed as Vice President of Corporate Development in November 2008. Mr. Marlow also served on our board of directors from August 2005 until August 2011. In addition, Mr. Marlow serves as the Director of Business and Legal Affairs at BrainSonix Corporation, a private medical device company. Mr. Marlow holds a B.A. in Sociology from Colgate University and a J.D. from the University of California (Berkeley) School of Law.

Director Independence

Under the rules of the NYSE, independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of its initial public offering. In addition, the rules of the NYSE require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of the NYSE, a director is independent only if our board of directors makes an affirmative determination that the director has no material relationship with us.

Our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. The determination of our board of directors was based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships. In making this determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

With respect to Mr. Thygesen, our board of directors specifically considered that Mr. Thygesen previously served as president, Americas at Google Inc. (though he was not an executive officer at Google Inc. or its parent company, Alphabet Inc.) and the terms and value of the search engine optimization/search engine marketing agreement we have with Google Inc. as well as the suite of Google apps and services that we license from Google Inc. In addition, our board of directors has specifically considered that Mr. Thygesen is Chief Executive Officer of DocuSign, Inc., a vendor of the Company. Our board of directors has concluded that our relationships with Google Inc. and DocuSign, Inc. would not impede the exercise of independent judgment by Mr. Thygesen.

Our board of directors has determined that all of the members of our board of directors, except our CEO, Mr. Shmunis, are "independent" as defined in the applicable NYSE rules and applicable rules and regulations of the SEC.

Leadership Structure

Mr. Shmunis currently serves as both Chairman of our board of directors and CEO. Our board of directors believes that the current board leadership structure, coupled with a strong emphasis on board independence, provides effective independent oversight of management while allowing the board and management to benefit from Mr. Shmunis's leadership, Company specific experience and years of experience as an executive in the technology industry. Serving on our board of directors and as CEO since our founding in 1999, Mr. Shmunis is best positioned to identify strategic priorities, lead critical discussion and execute our strategy and business plans. Mr. Shmunis possesses detailed in-depth knowledge of the issues, opportunities and challenges facing us. Independent directors and management sometimes have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside of our Company, while the CEO brings Company specific experience and expertise. The board of directors believes that Mr. Shmunis's

combined role enables strong leadership, creates clear accountability and enhances our ability to communicate our message and strategy clearly and consistently to stockholders.

Lead Independent Director

Our corporate governance guidelines provide that one of our independent directors should serve as a lead independent director at any time when the Chairman is not independent. Because our CEO, Mr. Shmunis, is our Chairman, our board of directors appointed Mr. Theis to serve as our lead independent director. Our lead independent director presides over periodic meetings of our independent directors, serves as a liaison between our Chairman and the independent directors and performed such additional duties as our board of directors otherwise determines and delegates from time to time.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our board of directors may establish other committees from time to time. The charters for each of our committees are available on our website at ir.ringcentral.com.

Audit Committee

Our audit committee oversees our accounting and financial reporting process and the audit of our financial statements and assists our board of directors in monitoring our financial systems and our legal and regulatory compliance. Our audit committee is responsible for, among other things:

- appointing, approving the compensation of, supervising, evaluating and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing annually a report by the independent registered public accounting firm regarding the independent registered public accounting firm's internal quality control procedures and various issues relating thereto;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting with both management and the independent registered public accounting firm;
- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns, including a confidential, anonymous mechanism for the submission of concerns by employees;
- periodically reviewing legal compliance matters, including securities trading policies, periodically reviewing significant accounting and other financial risks or exposures to our Company and reviewing and, if appropriate, approving all transactions between our Company or its subsidiaries and any related party (as described in Item 404 of Regulation S-K);
- periodically reviewing our Code of Business Conduct and Ethics;
- establishing policies for the hiring of employees and former employees of the independent registered public accounting firm; and
- reviewing the audit committee report required by SEC rules to be included in our annual proxy statement.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Our audit committee is currently comprised of Kenneth Goldman, Tarek Robbiati, Rob Theis and Neil Williams, who is the chairperson of the committee. Our board of directors has designated Kenneth Goldman, Tarek Robbiati, Rob Theis and

Neil Williams as “audit committee financial experts,” as defined under the rules of the SEC implementing Section 407 of the Sarbanes Oxley Act of 2002.

Our board of directors has considered the independence and other characteristics of each member of our audit committee and has concluded that the composition of our audit committee meets the requirements for independence under the current requirements of the NYSE and SEC rules and regulations. Audit committee members must satisfy additional independence criteria set forth under Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In order to be considered independent for purposes of the Rule 10A-3, an audit committee member may not, other than in his or her capacity as a member of the audit committee, accept consulting, advisory or other fees from us or be an affiliated person of us. Each of the members of our audit committee qualifies as an independent director pursuant to Rule 10A-3.

No member of our audit committee should simultaneously serve on the audit committee of more than two additional public companies unless our board of directors determines that such simultaneous service would not impair the ability of such member to effectively serve on the audit committee and discloses such determination in accordance with the requirements of the NYSE. Our board of directors has considered Mr. Goldman’s simultaneous service on the audit committees of RingCentral and three other public companies and has determined that such simultaneous service does not impair his ability to effectively serve as a member of our audit committee.

Compensation Committee

Our compensation committee oversees our compensation policies, plans and programs. The compensation committee is responsible for, among other things:

- reviewing and recommending policies, plans and programs relating to compensation and benefits of our directors, officers and employees;
- annually reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers;
- annually evaluating the performance of our chief executive officer in light of such corporate goals and objectives and recommending the compensation of our chief executive officer and our other executive officers to the board of directors for its approval;
- administering our equity compensations plans for our employees and directors; and
- reviewing for inclusion in this Form 10-K the report of the compensation committee required by the SEC.

The compensation committee also has the power to investigate any matter brought to its attention within the scope of its duties and the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Our compensation committee is currently comprised of Tarek Robbiati, Robert Theis and Allan Thygesen , who is the chairperson of the committee. Our board of directors has determined that each member of the compensation committee is an independent director for compensation committee purposes as that term is defined in the applicable rules of the NYSE and is a “non-employee director” within the meaning of Rule 16b-3(d)(3) promulgated under the Exchange Act.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee, or nominating committee, oversees and assists our board of directors in reviewing and recommending corporate governance policies and nominees for election to our board of directors and its committees. The nominating committee is responsible for, among other things:

- evaluating and making recommendations regarding the organization and governance of our board of directors and its committees and changes to our certificate of incorporation and bylaws and stockholder communications;
- reviewing succession planning for our chief executive officer and other executive officers and evaluating potential successors;
- assessing the performance of board members and making recommendations regarding committee and chair assignments and composition and size of our board of directors and its committees;

- recommending desired qualifications for board and committee membership and conducting searches for potential members of our board of directors;
- evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;
- reviewing and making recommendations with regard to our corporate governance guidelines and compliance with laws and regulations; and
- reviewing and approving conflicts of interest of our directors and corporate officers, other than related party transactions reviewed by the audit committee.

The nominating committee also has the power to investigate any matter brought to its attention within the scope of its duties. It also has the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Our nominating committee is currently comprised of Robert Theis and Kenneth Goldman, who is the chairperson of the committee. Each of the nominating committee members is an independent director for nominating committee purposes as that term is defined in the applicable rules of the NYSE.

Considerations in Evaluating Director Nominees

The nominating committee uses a variety of methods for identifying and evaluating director nominees. In its evaluation of director candidates, the nominating committee will consider the current size and composition of the board of directors and the needs of the board of directors and the respective committees of the board of directors. Some of the qualifications that the nominating committee considers include, without limitation, issues of character, integrity, judgment, diversity (with respect to diversity, such factors as gender, gender identity, sexual orientation, race, ethnicity, differences in professional background, education, skill and other individual qualities and attributes that contribute to the total mix of viewpoints and experience represented on the board of directors), independence, area of expertise, corporate experience, length of service, potential conflicts of interest and other commitments. The nominating committee requires the following minimum qualifications to be satisfied by any nominee for a position on our board of directors, (1) the highest personal and professional ethics and integrity, (2) proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, (3) skills that are complementary to those of the existing members of our board of directors, (4) the ability to assist and support management and make significant contributions to the Company's success, and (5) an understanding of the fiduciary responsibilities that are required of a member of our board of directors, and the commitment of time and energy necessary to diligently carry out those responsibilities. Other than the foregoing, there are no stated minimum criteria for director nominees, although the nominating committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests. The nominating committee may also take such measures that it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the nominating committee, the board of directors or management.

Although the board of directors does not maintain a specific policy with respect to board diversity, the board of directors believes that the board should be a diverse body and is committed to increasing board diversity. Accordingly, the nominating committee considers a broad range of backgrounds, experiences and other factors as it oversees the annual board of director and committee evaluations. After completing its review and evaluation of director candidates, the nominating committee recommends to the full board of directors the director nominees for selection.

Stockholder Recommendations for Nominations to the Board of Directors

The nominating committee will consider candidates for director recommended by stockholders holding at least one percent (1%) of the fully diluted capitalization of the Company continuously for at least twelve (12) months prior to the date of the submission of the recommendation, so long as such recommendations comply with the certificate of incorporation and bylaws of our Company and applicable laws, rules and regulations, including those promulgated by the SEC. The committee will evaluate such recommendations in accordance with its charter, our bylaws, our policies and procedures for director candidates, as well as the regular nominee criteria described above. This process is designed to ensure that the board of directors includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Eligible stockholders wishing to recommend a candidate for nomination should contact our General Counsel or our Legal Department in writing. Such recommendations must include the information about the candidate, relevant qualifications, a signed letter from the candidate confirming willingness to serve, a statement of support by the recommending

stockholder, information regarding any relationships between the candidate and the Company and evidence of the recommending stockholder's ownership of Company stock. The committee has discretion to decide which individuals to recommend for nomination as directors.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

We have adopted Corporate Governance Guidelines that address items such as the qualifications and responsibilities of our directors and director candidates and corporate governance policies and standards applicable to us in general. In addition, we have adopted a Code of Business Conduct and Ethics that is applicable to all of our employees, officers and directors, including our chief executive and senior financial officers. The Corporate Governance Guidelines and Code of Business Conduct and Ethics are available on our website at ir.ringcentral.com. We expect that any amendment to the Code of Business Conduct and Ethics, or any waivers of its requirements, will be disclosed on our website.

Risk Management

Risk is inherent with every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational. We have designed and implemented processes to manage risk in our operations. Management is responsible for the day-to-day management of risks the Company faces, while our board of directors, as a whole and assisted by its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are appropriate and functioning as designed.

Our board of directors believes that open communication between management and the board of directors is essential for effective risk management and oversight. Our board of directors meets with members of the senior management team at regular board meetings, where, among other topics, they discuss strategy and risks facing the Company.

While our board of directors is ultimately responsible for risk oversight, our board committees assist the board of directors in fulfilling its oversight responsibilities in certain areas of risk. The audit committee assists our board of directors in fulfilling its oversight responsibilities with respect to risk management in the areas of significant accounting and other financial risk exposure, and discusses with management and the independent auditor guidelines and policies with respect to risk assessment and risk management. The audit committee also reviews management's assessment of the key risks facing us, including the key controls it relies on to mitigate those risks. The audit committee also monitors certain key risks at each of its regularly scheduled meetings, such as risk associated with internal control over financial reporting, liquidity risk, legal and regulatory compliance, data privacy, security (including cybersecurity) and enterprise-level risk assessment and management. The nominating committee assists our board of directors in fulfilling its oversight responsibilities with respect to the management of risk associated with board organization, membership and structure, and corporate governance, as well as risks attributable to environmental, social, and governance (ESG) policies and other programs supporting the sustainable growth of the business. The compensation committee assesses risks created by the incentives inherent in our compensation philosophy and practices. Finally, the full board of directors reviews strategic and operational risk in the context of reports from the management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of our Company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Non-Employee Director Compensation

Our board of directors has approved a compensation program for non-employee directors to attract, retain and reward its qualified directors and align the financial interests of the non-employee directors with those of our stockholders.

The compensation committee has the primary responsibility for reviewing and approving the compensation paid to non-employee directors. The compensation committee reviews at least annually the type and form of compensation paid to our non-employee directors, which includes a market assessment and analysis by our independent compensation consulting firm, Compensia, Inc. ("Compensia") regarding practices at comparable companies. As part of this analysis, Compensia reviews non-employee director compensation trends and data from companies comprising the same executive compensation peer group used by the compensation committee in connection with its review of executive compensation. Based on this review, the

compensation committee has made adjustments to the non-employee director compensation program, most recently in July 2021, in an effort to provide competitive compensation opportunities for our non-employee directors.

Pursuant to this compensation program, each non-employee director receives cash and equity compensation for board services as described below. In addition, we reimburse our non-employee directors for expenses incurred in connection with attending board and committee meetings as well as continuing director education.

Cash Compensation

Our non-employee directors are entitled to receive the following cash compensation for their services:

- \$50,000 per year for service as a board member;
- \$30,000 per year for service as lead independent director;
- \$30,000 per year for service as chair of the audit committee;
- \$20,000 per year for service as chair of the compensation committee;
- \$15,000 per year for service as chair of the nominating committee;
- \$12,500 per year for service as member of the audit committee;
- \$10,000 per year for service as member of the compensation committee; and
- \$5,000 per year for service as member of the nominating committee.

All cash payments to non-employee directors are paid quarterly in arrears.

From time to time, non-employee directors may also be compensated, generally in cash, for serving on a special or sub-committee of the Board.

Equity Compensation

Our non-employee directors are entitled to receive the following equity compensation:

On the first trading day on or after June 1 of each year, each non-employee director will be granted an award RSUs having an award value (as determined based on the fair value of the award on the date of grant) of \$300,000, which award will vest in full on the date that is the earlier of: (i) the next annual meeting of stockholders and (ii) one year from the date of grant, subject to the non-employee director continuing to be a service provider through such vesting date.

In addition, each person who becomes a non-employee director will receive an award of RSUs having an award value (as determined based on the fair value of the award on the date of grant) equal to (i) \$600,000 multiplied by (ii) a fraction, the numerator of which is the number of months between the date the non-employee director becomes a member of the board and the first trading day on or after June 1 following such date and the denominator of which is 12. The date of grant for this award will be the date the non-employee director joins the board, or, if such date occurs during a Company blackout period, the fifth trading day following the expiration of such Company blackout period and any special blackout period in effect, subject to the director remaining on the board through the grant date. This grant will vest in full on the date that is one year from the date of grant, subject to the non-employee director continuing to be a service provider through such vesting date.

In the event of a change in control, 100% of the non-employee director's outstanding and unvested equity awards will immediately vest and, if applicable, become exercisable. In no event will an award granted under the policy be greater than the non-employee director limits set forth in our 2013 Plan.

The following table shows, for the fiscal year ended December 31, 2022, certain information with respect to the compensation of all of our non-employee directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	All Other Compensation \$(2)	Total (\$)
Mignon Clyburn (3)	50,000	299,938	—	349,938
Arne Duncan (4)	50,000	299,938	—	349,938
Kenneth Goldman (5)	77,500	299,938	—	377,438
Michelle McKenna (6)	77,500	299,938	—	377,438
Tarek Robbiati (7)	2,856	—	—	2,856
Sridhar Srinivasan (8)	—	—	—	—
Robert Theis (9)	104,140	299,938	100,000	504,078
Allen Thygesen (10)	60,914	299,938	—	360,852
Neil Williams (11)	80,000	299,938	—	379,938

- (1) The amounts listed in the “Stock Awards” column represent the aggregate fair market value of RSUs granted in the fiscal year ended December 31, 2022 and calculated in accordance with FASB ASC Topic 718 (“ASC Topic 718”). See Note 10 of the notes to the consolidated financial statements included in Part II, Item 8 for a discussion of assumptions made in determining the grant date fair market value.
- (2) In connection with our strategic partnership with Avaya, we are entitled to nominate one person to Avaya’s board of directors. Mr. Theis served on Avaya’s board of directors as our nominee through October 20, 2022, and we paid him \$120,000 per year in cash for such board service. The amount listed in this column represents the pro-rated amount for such service in 2022.
- (3) As of December 31, 2022, Ms. Clyburn held 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs vest on the earlier of (a) the date of the annual meeting of stockholders for 2023 (the “2023 Annual Meeting”) or (b) June 1, 2023, subject to her continued service with us.
- (4) As of December 31, 2022, Mr. Duncan held 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs vest on the earlier of (a) the date of the 2023 Annual Meeting or (b) June 1, 2023, subject to his continued service with us.
- (5) As of December 31, 2022, Mr. Goldman held 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs vest on the earlier of (a) the date of the 2023 Annual Meeting or (b) June 1, 2023, subject to his continued service with us.
- (6) As of December 31, 2022, Ms. McKenna held 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs would vest on the earlier of (a) the date of the 2023 Annual Meeting or (b) June 1, 2023, subject to her continued service with us. However, in connection with Ms. McKenna’s resignation from our board of directors on January 18, 2023, she forfeited all of her then unvested equity awards.
- (7) Mr. Robbiati became a member of our board of directors in December 2022.
- (8) Mr. Srinivasan became a member of our board of directors in December 2022, and resigned from our board in February 2023.
- (9) As of December 31, 2022, Mr. Theis held 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs vest on the earlier of (a) the date of the 2023 Annual Meeting or (b) June 1, 2023, subject to his continued service with us.
- (10) As of December 31, 2022, Mr. Thygesen held 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs vest on the earlier of (a) the date of the 2023 Annual Meeting or (b) June 1, 2023, subject to his continued service with us.
- (11) As of December 31, 2022, Mr. Williams held (i) 4,770 RSUs, of which 4,770 shares of our Class A Common Stock underlying the RSUs vest on the earlier of (a) the date of the 2023 Annual Meeting or (b) June 1, 2023, subject to his continued service with us.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act, requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify anyone who filed a required report late during the most recent year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal ended December 31, 2022, all Section 16(a) filing requirements were satisfied on a timely basis, except for one late Form 4 filing that was filed on behalf of Mr. Agarwal, our Chief Accounting Officer and deputy Chief Financial Officer, on August 4, 2022. Such late filing did not result in any liability under Section 16(b) of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the material principles governing executive compensation policies and decisions, and the material elements of compensation awarded to, earned by or paid to our named executive officers. In addition, we explain how and why the independent compensation committee determines the specific compensation elements that made up our 2022 executive compensation program.

Our named executive officers for fiscal 2022 were:

- Vladimir Shmunis, Chief Executive Officer (“CEO”);
- Mo Katibeh, President and Chief Operating Officer (“COO”);
- Sonalee Parekh, Chief Financial Officer (“CFO”);
- John Marlow, Chief Administrative Officer, Senior Vice President, Corporate Development, General Counsel and Secretary (“CAO”); and
- Vaibhav Agarwal, Chief Accounting Officer and former interim Chief Financial Officer.

The information in this Compensation Discussion and Analysis provides perspective and narrative analysis relating to, and should be read along with, the executive compensation tables.

Mr. Katibeh was appointed as President, effective as of May 9, 2022.

Ms. Parekh was appointed as CFO, effective as of the commencement of her employment with us in May 2022.

Mr. Agarwal was appointed interim Chief Financial Officer, effective as of January 1, 2022, and he served in such capacity until Ms. Parekh’s appointment as CFO became effective.

2022 Executive Compensation Highlights

Consistent with our compensation philosophy and objectives, the compensation committee took the following actions with respect to the compensation of our named executive officers for 2022:

- *Base Salary*—Adjusted base salary amounts for certain named executive officers to reflect market conditions described in the “Base Salary” section below;
- *Non-Equity Incentive Plan Compensation*—Approved a bonus plan for our named executive officers that paid out only if we achieved quarterly revenue and Non-GAAP operating margin goals that were set to be aggressive and achievable with strong leadership from our executive team described in the “Annual Incentive Compensation” section below. Quarterly payouts under the plan were made in the form of RSUs that were fully vested upon grant (or for certain of the RSUs granted to Mr. Shmunis, on the first trading day after the grant date) in order to conserve cash resources and further align the interests of our stockholders and our executive officers, described in the “Annual Incentive Compensation” section below;
- *Annual Equity Compensation*—Granted RSUs as part of our annual compensation in an effort to retain our named executive officers, provide incentives for them to continue to grow our business and enhance the link between their interests and the interests of our stockholders described in the “Equity Compensation” section below; and
- *Other Equity Compensation*—Granted (i) an equity award of 4,769 RSUs to Mr. Shmunis in April 2022 (effective in May 2022) in lieu of payment of \$494,530 of his base salary for the period April 1, 2022 through March 31, 2023, (ii) equity awards to Mr. Katibeh and Ms. Parekh in connection with their hire, (iii) equity awards to Mr. Katibeh and Mr. Agarwal in connection with their appointment as President and interim Chief Financial Officer, respectively, and (iv) an equity award of 4,673 RSUs to Mr. Marlow in March 2022 to bolster the retention value of his unvested equity awards, and (v) a special retention equity award of 35,175 RSUs to Mr. Agarwal.

Compensation Philosophy and Objectives

The overall objective of our executive compensation program is to tie executive compensation to the performance of our Company. Our executive compensation is designed with a mix of short-term and long-term components, cash and equity elements and fixed and contingent payments in proportions that we believe provide appropriate incentives to retain and motivate our named executive officers, and other senior executives and management team and help to achieve success in our business.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. Our executive compensation program seeks to achieve this objective by ensuring that we can:

- Reward talented executives, who possess the proven experience, knowledge, skills, and leadership criteria;
- Motivate our executive officers by giving them a stake in our growth and prosperity and encouraging the continuance of their services with us; and
- Align the interests of stockholders and named executive officers without creating an incentive for inappropriate risk-taking.

Based on this philosophy, we have designed our executive compensation program to encourage the achievement of strong overall financial results, particularly revenue growth and Non-GAAP operating margin.

Executive Compensation Policies and Practices

We endeavor to maintain compensation policies and practices that are consistent with sound governance standards. We believe it is important to provide competitive compensation packages and a high-quality work environment in order to hire, retain and motivate key personnel. Our compensation committee evaluates our executive compensation program on an ongoing basis to ensure that it is consistent with our short-term and long-term goals given the nature of the market in which we compete for key personnel. The following policies and practices were in effect during 2022:

- *Independent Compensation Committee.* Our compensation committee is comprised solely of independent directors who have established effective means for communicating with each other and with stockholders, and implementing their executive compensation ideas, as well as addressing concerns;
- *Compensation Consultant.* Our compensation committee engaged its own compensation consultant, Compensia, to assist with its 2022 compensation reviews. Compensia performed no other consulting or other services for us;
- *Annual Executive Compensation Review.* Our compensation committee conducts an annual review and approval of our compensation strategy, including a review of our compensation peer group used for comparative purposes;
- *Performance-Based Compensation.* Our executive compensation program is designed so that a significant portion of compensation is performance-based, and therefore “at risk,” dependent upon corporate performance, as well as equity-based to align the interests of our executive officers with our stockholders. The overall performance and contribution of the executive is also considered in determining each individual’s compensation;
- *Minimal Perquisites and Special Benefits.* The members of our executive team are eligible to participate in broad-based Company-sponsored retirement, health and welfare benefits programs on the same basis as our other full-time, salaried employees. At this time, we do not regularly provide any perquisites or other personal benefits to the members of our executive team;
- *No “Golden Parachute” Tax Reimbursements.* We do not provide any tax reimbursement payments (including “gross-ups”) on any tax liability that our executive officers might owe as a result of the application of Sections 280G or 4999 of the Internal Revenue Code (the “Code”);
- *No Hedging and Pledging.* Our Insider Trading Policy prohibits our employees, including our executive officers and the members of our board of directors, from hedging any Company securities and from pledging any Company securities as collateral for a loan;
- *No “Single-Trigger” Change-in-Control Arrangements; “Double-Trigger” Change-in-Control Arrangements.* There are no payments and benefits that are payable solely as a result of a change-in-control in the Company. All

change-in-control payments and benefits are based on a “double-trigger” arrangement (that is, they require both a change-in-control of our Company plus an involuntary termination of employment before payments and benefits are paid); and

- *Stockholder Advisory Votes on Named Executive Officer Compensation.* Our stockholders have an opportunity to cast an advisory vote to (i) approve our named executive officers’ compensation and (ii) approve the frequency of the vote to approve the named executive officers’ compensation. Our stockholders have voted in favor of annual advisory votes on the named executive officers’ compensation. At the 2022 annual meeting of stockholders, approximately 69% of the votes cast voted to approve our named executive officers’ compensation. We believe that the results of this vote affirm our stockholders’ support of our approach to executive compensation, and therefore we have not made any significant changes to our executive compensation program. We will consider the results from this year’s and future years’ stockholder advisory votes on named executive officer compensation when making decisions about our executive compensation program. No changes in the overall structure of the programs were made in 2022.

Compensation-Setting Process

Compensation Committee

Each year, our compensation committee conducts a review of our executive compensation program and related policies and practices. At the beginning of each year, the compensation committee assesses the prior year performance and establishes bonus targets and metrics for the current year and annual equity award grants for our named executive officers. In addition, the compensation committee reviews and determines the base salary of our named executive officers. In determining the compensation of the members of our executive team, including our named executive officers, for 2022, our compensation committee reviewed the compensation arrangements, including base salary, target bonus and equity compensation, of our executive officers and considered an analysis of competitive market data presented by the compensation committee’s advisor, Compensia, a national compensation consulting firm that provides executive compensation advisory services, as well as our overall strategic business plan. Market data was used primarily as a reference point for measuring the competitive marketplace, and was one factor among others, used by the compensation committee in determining executive compensation. Other factors the compensation committee considers in making its executive compensation decisions include: input from our CEO, COO, and CAo (except regarding their own compensation), past individual performance and expected future performance, vesting status and value of existing equity awards, and internal pay equity based on the impact of business and performance.

Role of Management

In carrying out its responsibilities, the compensation committee works with members of our management, including our CEO, President and COO, and CAo. Typically, these members of management and our CFO assist the compensation committee in developing the annual bonus plans based on metrics that contain attainable target levels that are achievable through the commitment and leadership of our executive officers. Our CEO provides recommendations on compensation matters for our employees in general and all of his direct reports, including our executive officers. The CEO, President and COO, CAo and CFO usually attend compensation committee meetings. No members of management participate in discussions or decisions regarding their own compensation and none of them are present when their own compensation is determined.

Role of Compensation Consultant

Compensia has been engaged by and serves as the compensation committee’s compensation consultant. Compensia reviews the compensation arrangements of the members of our executive team and generally assists the compensation committee in analyzing executive officer and employee compensation, and the compensation of non-employee members of our board of directors. Compensia provides support for the compensation committee by attending meetings of the compensation committee, providing recommendations regarding the composition of our compensation peer group, analyzing compensation data and formulating recommendations for executive and non-employee director compensation. Our compensation committee also works directly with Compensia from time to time to obtain additional information or clarity regarding data provided by Compensia, and also requests specific analyses to assist the compensation committee in the design and structure of our executive and non-employee director compensation programs.

The compensation committee has determined that the work of Compensia does not give rise to any “conflict of interest” in accordance with Item 407(e)(3)(iv) of Regulation S-K and the listing standards of the NYSE.

Competitive Positioning

In setting executive compensation, our compensation committee uses publicly-available data on the compensation policies and practices of comparable publicly-traded companies as a reference to understand the competitive market for executive talent. With respect to decisions regarding the 2022 compensation of the members of our executive team, including the named executive officers, our compensation committee reviewed an analysis prepared by Compensia of competitive market data derived from the companies in the following compensation peer group (which was approved by our compensation committee in January 2022):

ANSYS	Paycom Software	Twilio
CrowdStrike Holdings	Salesforce	Veeva Systems
Datadog	ServiceNow	Workday
DocuSign	Shopify	Zendesk
HubSpot	Splunk	Zoom Video Communications
Okta	The Trade Desk	

In selecting the companies that comprised the compensation peer group, the compensation committee focused primarily on public companies in the same or similar country or countries of operation, industry group and financial comparability, which include revenue and market capitalization. The companies that comprise the peer group are our competitors in the labor and capital markets and have similar growth and performance potential.

This competitive market data was used as a reference in the course of our compensation committee's review and evaluation of our executive compensation program and decisions regarding executive compensation in 2022. The competitive market data is useful to understand market practice and to provide a general context for its decisions. The compensation committee determines the nature and the extent of the use of market data, which varies by executive. Actual compensation is based on individual performance, experience, responsibilities and other criteria selected by our compensation committee. While the compensation committee does not target any component of our executive compensation program to a particular level versus the competitive market, our compensation committee generally refers to a range of the 50th to the 75th market percentile when making its executive compensation decisions. The competitive market data was not used to benchmark the compensation for our named executive officers.

Compensation Overview

Our executive compensation program for 2022 consisted of the following principal compensation elements:

- Base salary (with our CEO receiving a special equity award in lieu of amounts that would have otherwise been paid as base salary and our other named executive officers receiving a portion of their base salaries in the form of fully vested RSUs);
- Annual incentive compensation paid if earned in the form of RSUs each quarter; and
- Long-term incentive compensation in the form of annual grants of time-based RSUs, equity awards granted in connection with the hire or appointment of certain named executive officers, an equity award to our CAoO to bolster the retention value of his unvested equity awards, and a special retention equity award to our Chief Accounting Officer.

We are committed to providing appropriate cash and equity incentives to compensate our named executive officers in a manner that our compensation committee determines is reasonable and appropriate to motivate and retain key talent.

Base Salary

Base salary is a customary, fixed element of compensation intended to attract and retain our named executive officers and compensate them for their day-to-day efforts. Our board of directors and/or the compensation committee reviews base salary every year, as well as at the time of a promotion or other change in responsibilities, and considers each executive officer's performance, prior base salary level, the competitive market data, breadth of role, and the other factors described in the "Compensation Setting Process-Compensation Committee" section above. Our board of directors and the compensation committee do not target base pay at any particular level versus the competitive market data. In 2022, Mr. Shmunis's base salary

was decreased at his request, and Messrs. Marlow and Agarwal received adjustments to their base salaries to (i) reflect changes to the competitive market, (ii) retain these named executive officers to grow and expand our business, and (iii) in the case of Mr. Agarwal, to reflect his appointment as interim Chief Financial Officer. These base salary changes were effective on April 1, 2022. Mr. Katibeh's and Ms. Parekh's base salaries at hire were determined through arm's-length negotiation. In connection with his appointment as President, in May 2022, Mr. Katibeh received a \$100,000 increase to his base salary (from \$500,000 to \$600,000).

In November 2021, our compensation committee approved the 2022 NEO Equity Compensation Program (the "NEO Equity Compensation Program"), which provided each then-named executive officer (other than Mr. Shmunis) the opportunity to receive all but \$60,000 of his or her base salary for 2022 in the form of awards of fully vested RSUs to be granted under the 2013 Plan on the first trading day on or after January 3, February 15, May 15, August 15, and November 15 of 2022. The number of RSUs a participating named executive officer received on each grant date equaled the portion of his or her salary for the applicable period (as noted below) that was to be paid in RSUs divided by the closing price of a share of our Class A Common Stock on the grant date. Messrs. Katibeh, and Marlow and Ms. Parekh elected to participate in the NEO Equity Compensation Program.

In November 2021, our compensation committee also approved the 2022 Non-NEO Equity Compensation Program (the "Non-NEO Equity Compensation Program"), which provided each employee at or above the assistant vice president level (other than then-named executive officers) the opportunity to receive all but \$135,000 or \$60,000 of his or her base salary for 2022 in the form of awards of fully vested RSUs to be granted under the 2013 Plan on the first trading day on or after January 3, February 15, May 15, August 15, and November 15 of 2022. The number of RSUs a participating employee received on each grant date equaled (x) a specified amount (if applicable) plus 105% of the portion of his or her salary for the applicable period (as noted below) that was to be paid in RSUs divided by (y) the closing price of a share of our Class A Common Stock on the grant date. For each participating employee that elected to receive all but \$135,000 of his or her 2022 base salary as fully vested RSUs, the specified amount was \$5,000 for the first RSU award (granted on January 3, 2022) only. For each participating employee that elected to receive all but \$60,000 of his or her 2022 base salary as fully vested RSUs, the specified amount was \$3,000 for each of the five RSU awards granted throughout 2022. Mr. Agarwal participated in the Non-NEO Equity Compensation Program and elected to receive all but \$135,000 of his 2022 base salary as fully vested RSUs. Our compensation committee determined that it was appropriate to have Mr. Agarwal participate in the Non-NEO Equity Compensation Program rather than the NEO Equity Compensation Program because his appointment as Chief Financial Officer was on an interim basis.

In November 2022, the compensation committee approved similar plans for 2023. Each year the compensation committee will assess whether to continue the NEO Equity Compensation Program and the Non-NEO Equity Compensation Program.

The following table sets forth the 2022 base salary for each of our named executive officers.

Name	2022 Base Salary	2021 Base Salary	Percent Increase/ (decrease)
Vladimir Shmunis	\$ 500,000 ⁽¹⁾	\$700,000	(28.6)%
Mo Katibeh	\$ 600,000 ⁽²⁾	—	—
Sonalee Parekh	\$ 500,000 ⁽³⁾	—	—
John Marlow	\$ 450,000 ⁽⁴⁾	\$375,000	20.0%
Vaibhav Agarwal	\$ 500,000 ⁽⁵⁾	\$300,000	66.7%

(1) Mr. Shmunis received (i) an award of 2,178 RSUs in lieu of payment in cash of \$695,080 of his salary for the period from April 1, 2021 through March 31, 2022, and (ii) an award of 4,769 RSUs in lieu of payment in cash of \$494,530 of his salary for the period from April 1, 2022 through March 31, 2023.

(2) Under the NEO Equity Compensation Program, Mr. Katibeh received (i) an award of 1,758 RSUs in lieu of payment in cash of \$110,000 of his salary for the period from May 16, 2022 through August 15, 2022, (ii) awards covering a total of 3,050 RSUs in lieu of payment in cash of \$160,000 of his salary for the period from August 16, 2022 through November 15, 2022, and (iii) awards covering a total of 1,620 RSUs in lieu of payment in cash of \$67,500 of his salary for the period from November 16, 2022 through December 31, 2022.

- (3) Under the NEO Equity Compensation Program, Ms. Parekh received (i) an award of 2,097 RSUs in lieu of payment in cash of \$110,000 of her salary for the period from August 16, 2022 through November 15, 2022, and (iii) an award of 1,320 RSUs in lieu of payment in cash of \$55,000 of her salary, respectively for the period from November 16, 2022 through December 31, 2022.
- (4) Under the NEO Equity Compensation Program, Mr. Marlow received (i) an award of 205 RSUs in lieu of payment in cash of \$39,375 of his salary for the period from January 1, 2022 to February 15, 2022, (ii) an award of 455 RSUs in lieu of payment in cash of \$78,750 of his salary for the period from February 16, 2022 through May 15, 2022, (iii) an award of 1,708 RSUs in lieu of payment in cash of \$106,875 of his salary for the period from May 16, 2022 through August 15, 2022, (iv) an award of 1,858 RSUs in lieu of payment in cash of \$97,500 of his salary for the period from August 16, 2022 through November 15, 2022, and (v) an award of 1,170 RSUs in lieu of payment in cash of \$48,750 of his salary for the period from November 16, 2022 through December 31, 2022.
- (5) Under the Non-NEO Equity Compensation Program, Mr. Agarwal received (i) an award of 139 RSUs in lieu of payment in cash of \$20,625 of his salary for the period from January 1, 2022 to February 15, 2022, (ii) an award of 251 RSUs in lieu of payment in cash of \$41,250 of his salary for the period from February 16, 2022 through May 15, 2022, (iii) an award of 2,091 RSUs in lieu of payment in cash of \$33,333 of his salary for the period from April 1, 2022 through May 15, 2022 (which represents the incremental salary he received for that period as a result of his salary increase in connection with his appointment as interim Chief Financial Officer) and \$91,250 of his salary for the period from May 16, 2022 through August 15, 2022, (iv) an award of 1,826 RSUs in lieu of payment in cash of \$91,250 of his salary for the period from August 16, 2022 through November 15, 2022, and (v) an award of 1,150 RSUs in lieu of payment in cash of \$45,625 of his salary for the period from November 16, 2022 through December 31, 2022.

The actual base salaries paid to our named executive officers during 2022 are set forth in the Summary Compensation Table below. As described above and in the footnotes to the Summary Compensation Table, portions of the salaries for our named executive officers were paid in the form of RSUs that are listed in the 2022 Grants of Plan-Based Awards Table below.

Annual Incentive Compensation

The compensation committee establishes annual incentive compensation opportunities under our bonus plan (the “Bonus Plan”). Consistent with our historical practices, bonuses for 2022 under the Bonus Plan were designed to motivate and reward our named executive officers, to perform to the best of their abilities and to achieve our objectives.

Target Annual Incentive Opportunities

In March 2022, the compensation committee reviewed the target annual incentive opportunities of Messrs. Shmunis, Marlow, and Agarwal, taking into consideration each named executive officer’s total annual compensation opportunity, the competitive market data with an emphasis generally on the 50th through 75th percentile of total target cash compensation opportunities, breadth of responsibilities and the other factors described in the “Compensation Setting Process-Compensation Committee” section above. Following this review, the compensation committee increased the target annual incentive opportunity for Mr. Agarwal to 75% of his base salary, in connection with his appointment as interim Chief Financial Officer. Mr. Katibeh’s and Ms. Parekh’s target annual incentive opportunities were determined through arm’s-length negotiation when they were hired.

The target annual incentive opportunities of our named executive officers for 2022 were:

Name	2022 Target Bonus Opportunity (as a % of 2022 Base Salary)	2022 Target Bonus Opportunity
Vladimir Shmunis	100 %	\$ 550,000
Mo Katibeh	100 %	\$ 575,000
Sonalee Parekh	100 %	\$ 312,500
John Marlow	100 %	\$ 450,000
Vaibhav Agarwal	75 %	\$ 324,875

2022 Bonus Plan Design and Achievement

For 2022, there are four quarterly performance periods, ending on March 31, June 30, September 30, and December 31. The bonus pool under the Bonus Plan funds based on our achievement against the quarterly target levels established by the compensation committee of the following performance metrics (weighted 50% each): (i) revenues and (ii) Non-GAAP operating margin. These metrics have the following meanings under the Bonus Plan:

- “*revenues*” means the Company’s net revenues generated from third parties, including both services revenues and other revenues, each as defined in our Form 10-K filed for the calendar year ended December 31, 2021, as amended. Net revenue is defined as gross sales less any pertinent discounts, refunds, or other contra-revenue amounts, as presented on the Company’s press release reporting the applicable quarterly financial results.
- “*Non-GAAP operating margin*” means the Company’s Non-GAAP income from operations divided by its “revenues.” Non-GAAP income from operations means the Company’s “revenues” less cost of revenues and operating expenses, excluding share-based compensation expense, amortization of acquisition related intangibles, legal settlement related charges and as adjusted for certain acquisitions, as presented on the Company’s press release reporting the applicable quarterly financial results.

For purposes of the performance periods covering the third and fourth quarters of 2022, the compensation committee determined that revenues would be adjusted for constant currency in light of significant currency fluctuations in the second half of fiscal 2022. The adjusted revenue figure was calculated from the Company’s audited financial statements by restating actual revenue using foreign exchange rates in effect as of December 31, 2021.

With respect to revenues, for 100% of the bonus pool for any particular quarter to fund, 100% to 101% of the quarterly revenues target established by the compensation committee was to be achieved. For each 0.1% of revenues that was achieved above the 101% of the quarterly revenues target established by the compensation committee, the bonus pool with respect to revenue would be increased by 1%, and for each 0.1% of revenue that was achieved below 100% of the quarterly revenues target established by the compensation committee, the bonus pool with respect to revenues would be reduced by 1%.

With respect to Non-GAAP operating margin, for 100% of the bonus pool for any particular quarter to fund, the quarterly Non-GAAP operating margin must be within 0.4 points of the 100% of the quarterly Non-GAAP operating margin target established by the compensation committee (this 0.8-point range, the “quarterly Non-GAAP operating margin target range”). For each 0.1% of the Non-GAAP operating margin that was achieved above the quarterly Non-GAAP operating margin target range, the bonus pool with respect to Non-GAAP operating margin would be increased by 1% (up to a maximum of 120%), and for each 0.1% of Non-GAAP operating margin that was below the quarterly Non-GAAP operating margin target range, the bonus pool with respect to Non-GAAP operating margin would be reduced by 1%.

For the bonus pool under the Bonus Plan to fund for any particular quarter, we had to achieve (i) quarterly revenues at least equal to revenues expected by analyst consensus estimates after we publicly disclosed our guidance for such quarter, and (ii) quarterly Non-GAAP operating margin at least equal to Non-GAAP operating margin expected by analyst consensus estimates after we publicly disclosed our guidance for such quarter.

The following chart sets forth our 2022 quarterly targets against each metric under the Bonus Plan, actual achievement against those targets, and the corresponding percentage payouts to the named executive officer each quarter:

	Revenue				Non-GAAP Operating Margin			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Target (in millions)	\$ 464.3	\$ 494.3	\$ 530.8	\$ 576.3	9.2 %	9.5 %	10.5 %	12.8 %
Achievement (% of Target)	100.7 %	98.5 %	97.0 %	94.0 %	113.0 %	118.9 %	128.6 %	116.4 %
Payout (% of Target)	100.0 %	85.0 %	70.0 %	36.0 %	108.0 %	114.5 %	120.0 %	118.0 %

Based upon our actual financial performance as measured against the approved performance metrics and the formula under the Bonus Plan, the payout percentages for each of the four quarters in 2022 were as follows: 104.0% (Q1), 100.0% (Q2), 95.0% (Q3), and 77.0% (Q4).

In November 2021, our compensation committee approved the 2022 Key Employee Equity Bonus Plan (the “Key Employee Bonus Plan”), which provided that the then-named executive officers will receive any quarterly bonus achieved and payable under the Bonus Plan for 2022 in the form of RSUs granted under the 2013 Plan. The number of RSUs each named executive officer received equaled the dollar value of the quarterly bonus (or for Mr. Agarwal, 105% of his quarterly bonus) divided by the lower of the closing price of a share of our Class A Common Stock (i) on the first trading day of the quarter for which the quarterly bonus is assessed or (ii) on the first trading day on or after May 15, August 15, November 15 or February 15 (or for the RSUs granted to Mr. Shmunis in payment of his bonuses for the first, second, third, and fourth quarters of 2022, the first trading day on or before May 19, August 19, November 19, or February 19) following the quarter for which the quarterly bonus is assessed. In the case of Mr. Agarwal’s third quarter bonus, the dollar value of the bonus was adjusted by our compensation committee to reward him for his exceptional performance. The RSUs issued to our named executive officers

were fully vested upon grant. In December 2022, the compensation committee approved a similar plan governing 2023 bonuses. Each year the compensation committee will assess whether to continue the Key Employee Bonus Plan.

The aggregate dollar values of the bonuses earned by our named executive officers under the Bonus Plan for 2022 are listed in the “Non-Equity Incentive Compensation” column of the Summary Compensation Table. As described above and in the footnotes to the Summary Compensation Table, each earned quarterly bonus was paid in the form of RSUs that are listed in the 2022 Grants of Plan-Based Awards Table below.

Equity Compensation

We use RSUs to deliver long-term incentive compensation opportunities to our named executive officers. Consistent with our compensation objectives, we believe this approach helps to ensure that the interests of the members of executive team are aligned with those of our stockholders and that we are able to attract and reward our top talent. In 2022, the compensation committee determined not to grant stock options to our named executive officers and to grant only RSUs to management in order to better identify the interests of our named executive officers and our stockholders and to reduce our corporate-wide dilution.

The compensation committee does not target equity compensation at any particular level versus the competitive market data, although it uses the range of the 50th percentile to the 75th percentile as a reference point during the course of its deliberations. RSUs serve as a retention tool as they vest based on continued service over time.

In March 2022, our compensation committee approved annual equity awards to Messrs. Shmunis, Katibeh, and Marlow to reward them for our strong corporate performance and their individual performance and to ensure that the equity awards they held were sufficient to continue to provide them with appropriate incentives to continue to grow our business, with such equity award grants becoming effective in March 2022 (or in Mr. Shmunis’s case, April 2022). Each of these annual equity awards vests as to 1/8th of the RSUs on May 20, 2022, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to the applicable named executive officer’s continued service as of each vesting date.

In determining the size of these awards, the compensation committee took into consideration each executive officer’s current vested and unvested equity holdings, competitive market data, and the other factors described in the “Compensation Setting Process-Compensation Committee” section above.

The intended values of the annual equity awards to the named executive officers approved in March 2022 are listed below, and the number of shares covered by each of these equity awards is equal to the award’s intended value divided by the average closing price of a share of our common stock during the first eleven calendar days in the month of March 2022, rounded up to the nearest whole share.

Name	Intended Value of RSUs
Vladimir Shmunis	\$ 18,000,000
Mo Katibeh	\$ 4,160,000
John Marlow	\$ 6,000,000

In March 2022, after assessing the competitive market conditions and the retention value of his unvested equity awards, our compensation committee also approved an additional award of 4,673 RSUs to Mr. Marlow. This award vests as to 1/4th of the RSUs on May 20, 2022, and every three months afterwards, in each case, subject to Mr. Marlow’s continued service as of each vesting date.

In January 2022, our compensation committee approved the grant of (i) a new hire award of 69,279 RSUs to Mr. Katibeh, effective February 1, 2022, and (ii) a \$1,000,000 signing bonus to be paid and settled in fully-vested RSUs in two equal installments in February 2022 and May 2022. The number of shares covered by the new hire award was equal to the award’s intended value of \$12,000,000 divided by the average closing price of a share of our common stock during the month of January 2022. The new hire award vests as to 1/8th of the RSUs on August 20, 2022, 1/8th of the RSUs on February 20, 2023, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to Mr. Katibeh’s continued service as of each vesting date.

In connection with his appointment as President, Mr. Katibeh was granted the following equity awards in May 2022: (i) a time-based award of 26,713 RSUs that vests as to 1/4th of the RSUs on February 20, 2023, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to Mr. Katibeh's continued service as of each vesting date; and (ii) a performance-based award of 26,713 RSUs that vests according to the same vesting schedule as the time-based award, except that if our board of directors establishes performance-based metrics on or before the date of our release of first quarter 2023 earnings, the vesting of any portion of the performance-based award scheduled to vest after February 20, 2023, will be contingent on the Company achieving such performance-based metrics.

In connection with her hire, Ms. Parekh was granted the following equity awards in May 2022: (i) a time-based new hire award of 106,850 RSUs that vests as to 1/4th of the RSUs on May 20, 2023, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to Ms. Parekh's continued service as of each vesting date; and (ii) a performance-based new hire award of 26,713 RSUs that vests according to the same vesting schedule as the time-based new hire award, except that if our board of directors establishes performance-based metrics on or before the date of our release of first quarter 2023 earnings, the vesting of any portion of the performance-based new hire award scheduled to vest after May 20, 2023, will be contingent on the Company achieving such performance-based metrics. In addition, in April 2022, our compensation committee approved the grant of a \$2,300,000 signing bonus to be paid and settled in fully-vested RSUs in two equal installments in May 2022 and November 2022.

In connection with his appointment as interim Chief Financial Officer, Mr. Agarwal received the following equity awards in March 2022: (i) an award of 69,225 RSUs that vests as to 1/8th of the RSUs on May 20, 2022, and as to 1/16th of the RSUs every three months afterwards, and (ii) an award of 1,753 RSUs that vests as to 1/4th of the RSUs on May 20, 2022, and every three months afterwards, in each case, subject to Mr. Agarwal's continued service as of each vesting date.

In July 2022, our compensation committee approved the grant of a special retention equity award of 35,175 RSUs to Mr. Agarwal. The number of shares covered by the equity award was equal to the award's intended value of \$2,000,000 divided by the average closing price of a share of our common stock during the month of June 2022, rounded up to the nearest whole share. The award was scheduled to vest as to 50% of the RSUs on May 20, 2023, and as to 1/8th of the RSUs every three months afterwards, in each case, subject to Mr. Agarwal's continued service as of each vesting date. In September 2022, our compensation committee replaced this equity award with an award of 41,984 RSUs. The number of shares covered by this equity award is equal to the award's intended value of \$2,000,000 divided by the average closing price of a share of our common stock during the month of August 2022, rounded up to the nearest whole share. The award vests as to 1/4th of the RSUs on November 20, 2022, and as to 1/8th of the RSUs every three months afterwards, in each case, subject to Mr. Agarwal's continued service as of each vesting date.

In addition, in April 2022, we granted Mr. Shmunis a special equity award of 4,769 RSUs (effective in May 2022) in lieu of payment in cash of \$494,530 of his salary for the period from April 1, 2022 through March 31, 2023, in order to conserve cash resources and to enhance the link between Mr. Shmunis's interest and those of our stockholders. These RSU awards vest 1/4th every three months and become fully vested after one year, subject to Mr. Shmunis's continued service as of each vesting date.

In 2022, Mr. Katibeh received the following RSU awards under our NEO Equity Compensation Program: (i) in May 2022, an award of 1,758 RSUs in lieu of payment in cash of \$110,000 of his salary for the period from May 16, 2022 through August 15, 2022, (ii) in August 2022, awards covering a total of 3,050 RSUs in lieu of payment in cash of \$160,000 of his salary for the period from August 16, 2022 through November 15, 2022, and (iii) in November 2022, awards covering a total of 1,620 RSUs in lieu of payment in cash of \$67,500 of his salary for the period from November 16, 2022 through December 31, 2022.

In 2022, Ms. Parekh received the following RSU awards under our NEO Equity Compensation Program: (i) in August 2022, an award of 2,097 RSUs in lieu of payment in cash of \$110,000 of her salary for the period from August 16, 2022 through November 15, 2022, and (iii) in November 2022, an award of 1,320 RSUs in lieu of payment in cash of \$55,000 of her salary, respectively for the period from November 16, 2022 through December 31, 2022.

In 2022, Mr. Marlow received the following RSU awards under our NEO Equity Compensation Program: (i) in January 2022, an award of 205 RSUs in lieu of payment in cash of \$39,375 of his salary for the period from January 1, 2022 to February 15, 2022, (ii) in February 2022, an award of 455 RSUs in lieu of payment in cash of \$78,750 of his salary for the period from February 16, 2022 through May 15, 2022, (iii) in May 2022, an award of 1,708 RSUs in lieu of payment in cash of \$106,875 of his salary for the period from May 16, 2022 through August 15, 2022, (iv) in August 2022, an award of 1,858 RSUs in lieu of payment in cash of \$97,500 of his salary for the period from August 16, 2022 through November 15, 2022, and

(v) in November 2022, an award of 1,170 RSUs in lieu of payment in cash of \$48,750 of his salary for the period from November 16, 2022 through December 31, 2022.

In 2022, Mr. Agarwal received the following RSU awards under our Non-NEO Equity Compensation Program: (i) in January 2022, an award of 139 RSUs in lieu of payment in cash of \$20,625 of his salary for the period from January 1, 2022 to February 15, 2022, (ii) in February 2022, an award of 251 RSUs in lieu of payment in cash of \$41,250 of his salary for the period from February 16, 2022 through May 15, 2022, (iii) in May 2022, an award of 2,091 RSUs in lieu of payment in cash of \$124,583 of his salary for the period from May 16, 2022 through August 15, 2022, (iv) in August 2022, an award of 1,826 RSUs in lieu of payment in cash of \$91,250 of his salary for the period from August 16, 2022 through November 15, 2022, and (v) in November 2022, an award of 1,150 RSUs in lieu of payment in cash of \$45,625 of his salary for the period from November 16, 2022 through December 31, 2022.

In addition, each named executive officer is entitled to certain vesting acceleration benefits upon a qualifying termination, as described in the “Executive Employment Arrangements” and “Other Change in Control Provisions” sections below.

The grant date fair values of these equity awards granted to our named executive officers in 2022 are listed in the “Stock Awards” column of the Summary Compensation Table and in the 2022 Grants of Plan-Based Awards Table below.

As discussed above, we also issued RSUs to our named executive officers under the Key Employee Bonus Plan in settlement of their annual incentive payments under the Bonus Plan for 2022. These RSUs are listed in the 2022 Grants of Plan-Based Awards Table below.

Welfare and Other Employee Benefits

Our named executive officers are eligible to participate in the same group insurance and employee benefit plans generally available to our other salaried employees in the U.S. These benefits include medical, dental, vision, and disability benefits and other plans and programs made available to other eligible employees. We have a qualified defined contribution plan under Code Section 401(k) covering eligible employees, including our named executive officers. All participants in the plan, including each named executive officer, are eligible to make pre-tax contributions. We provide a Company 401(k) plan matching program of 50% of the employee’s contributions up to the lesser of 6% of employee cash compensation and \$4,050 per year. All participant 401(k) contributions and earnings, as well as all matching contributions and earnings, are fully and immediately vested.

Perquisites

We do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we do not regularly provide special plans or programs for our named executive officers. However, in 2022, we made payments to Messrs. Shmunis and Marlow to cover the cost associated with filings required to be made by them under the Hart-Scott Rodino Antitrust Improvements Act of 1976 and the associated taxes. These payments were provided to Messrs. Shmunis and Marlow because, absent their status as officers, they would be exempt from such filing requirements as private investors. The total amount of these payments is set forth in the “All Other Compensation” column of the Summary Compensation Table below.

All practices with respect to perquisites or other personal benefits will be subject to review and approval by the compensation committee.

Post-Employment Compensation

Our employment arrangements with Messrs. Shmunis, Katibeh and Marlow and Ms. Parekh provide for certain payments and benefits in the event of a qualifying termination of employment, including a termination of employment in connection with a change in control of the Company. We believe that these agreements will enable our named executive officers to maintain their focus and dedication to their responsibilities to help maximize stockholder value by minimizing distractions due to the possibility of an involuntary termination of employment or a termination of employment in connection with a potential change in control of the Company. We also believe that these arrangements further our interest in encouraging retention among our named executive officers.

In addition, our named executive officers are participants in the Company’s Equity Acceleration Policy which contains provisions providing for double-trigger vesting upon certain changes in control, as described in the “Other Change in Control

Provisions” section below. We believe this policy provides important retention incentives for our key contributors through and following a change in control.

Executive Employment Arrangements

The initial terms and conditions of employment for each of our executive officers (including our named executive officers that remain with us) are set forth in a written employment agreement. Each of these agreements was approved on our behalf by our board of directors or the compensation committee, as applicable.

We develop competitive compensation packages to attract qualified candidates in a highly-competitive labor market. We believe that these arrangements will help the named executive officers maintain continued focus and dedication to their responsibilities to help maximize stockholder value if there is a potential transaction that could involve a change in control of our Company.

Vladimir Shmunis

We entered into an executive employment letter with Mr. Shmunis, our CEO, dated September 13, 2013. In 2022, Mr. Shmunis’s annual base salary was \$500,000, and he was eligible to earn an annual incentive bonus of up to 100% of his base salary. The executive employment letter with Mr. Shmunis provides for a three-year employment term and may be extended by mutual agreement at the end of the term, but either we or Mr. Shmunis may terminate the employment relationship with us at any time.

If, outside of the period beginning three months prior to and ending 12 months after a change of control of the Company (such period, the “Change of Control Period”), Mr. Shmunis’s employment is terminated without “cause” (excluding by reason of death or “disability”) or he resigns for “good reason” (as such terms are defined in the executive employment letter), he will be eligible to receive the following payments and benefits if he timely signs and does not revoke a release agreement with us:

- continued payment of base salary for a period of 12 months; and
- reimbursement of COBRA premiums to continue health insurance coverage for him and his eligible dependents for up to 12 months, or taxable monthly payments for the equivalent period in the event reimbursement of COBRA premiums would violate applicable law.

If, within the Change of Control Period, his employment is terminated without cause (excluding by reason of death or “disability”) or he resigns for good reason, he will be entitled to the following payments and benefits if he timely signs and does not revoke a release agreement with us:

- a lump sum payment equal to (i) 18 months of his annual base salary, plus (ii) 1.5x the greater of his target annual bonus for the year of the change of control or the year of his termination;
- reimbursement of COBRA premiums to continue health insurance coverage for him and his eligible dependents for up to 18 months, or taxable monthly payments for the equivalent period in the event reimbursement of COBRA premiums would violate applicable law; and
- 100% accelerated vesting of all outstanding equity awards.

In the event any of the amounts provided for under the executive employment letter or otherwise payable to Mr. Shmunis would constitute “parachute payments” within the meaning of Code Section 280G and could be subject to the related excise tax, Mr. Shmunis would be entitled to receive either full payment of benefits under the executive employment letter or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to Mr. Shmunis. The executive employment letter does not require us to provide any tax gross-up payments.

Mo Katibeh

We entered into an executive employment offer letter with Mr. Katibeh, our President and Chief Operating Officer, dated January 4, 2022. The offer letter has no specific term and provides for at-will employment. The offer letter provides for an annual base salary of \$500,000 and an annual incentive bonus of up to 100% of Mr. Katibeh’s base salary. As a member of

our executive team, the achieved portion of Mr. Katibeh's annual incentive bonus will be paid in the form of fully-vested RSUs in accordance with the Key Employee Equity Bonus Plan.

Under the offer letter, Mr. Katibeh received an initial grant of 69,279 RSUs that vests as to 1/8th of the RSUs on August 20, 2022, 1/8th of the RSUs on February 20, 2023, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to Mr. Katibeh's continued service as of each vesting date.

In addition, Mr. Katibeh also received a signing bonus in the form of fully-vested RSUs having an aggregate value of \$1,000,000, which was paid in two equal installments, each having a value of \$500,000 (with the first installment paid in February 2022 and the second installment paid in November 2022). Mr. Katibeh will be required to reimburse us for the total amount of the signing bonus if, within one year from his start date, he is terminated for "cause" (as defined in the offer letter) or he voluntarily terminates his employment without "good reason" (as defined in the Equity Acceleration Policy).

Under the offer letter, Mr. Katibeh was also entitled to payment or reimbursement by us for expenses he reasonably incurred on or before August 31, 2022, in connection with his relocation to the San Francisco Bay Area, including (i) assistance in obtaining temporary housing for him and his family, including the reasonable cost of such temporary housing through August 31, 2022, and (ii) up to \$60,000 of other relocation and moving-related expenses (but excluding any costs or other expenses related to the sale or purchase of his permanent residence). The offer letter also entitled Mr. Katibeh to reimbursement of up to \$5,000 of legal expenses related to the offer letter and affiliated documents.

If Mr. Katibeh's employment is terminated by the Company without cause (including by reason of death or "disability" (as defined in the offer letter)) or he resigns for good reason, he will be eligible to receive the following payments and benefits if he timely signs and does not revoke a release agreement with us:

- cash severance equal to his then-current base salary for a period of (i) six months if such termination is by us other than for cause, death, or disability or by him for good reason or (ii) twelve months if such termination is by us due to his death or disability;
- reimbursement of COBRA premiums through the earlier of (i) the 12-month anniversary of the date of the termination of employment or (ii) the date on which Mr. Katibeh or his eligible dependents, as applicable, cease to be eligible for COBRA continuation coverage, provided that if we determine that we cannot make these COBRA reimbursements without potentially violating applicable law, Mr. Katibeh will instead receive a taxable lump sum payment of \$30,000 in lieu of such COBRA reimbursements; and
- the following equity award vesting acceleration benefit:
 - if such termination occurs during the period beginning 90 days prior to a "change of control" (as defined in the Equity Acceleration Policy) and ending 12 months following a change of control, then under the Equity Acceleration Policy, 50% acceleration of vesting of any of his then-outstanding and unvested equity awards subject to time-based vesting conditions, subject to the terms and conditions of the Equity Acceleration Policy, or
 - if such termination occurs outside of the period described in the previous bullet, acceleration of vesting of the portion of any of his then-outstanding and unvested equity awards subject to time based vesting conditions that would have vested if he had remained employed with us through the date that is 6 months following his effective last day with us.

In connection with his appointment as President, we entered into a supplemental letter with Mr. Katibeh, dated May 9, 2022, which amended and supplemented his executive employment offer letter. The supplemental letter provides for an annual base salary of \$600,000 and an annual incentive bonus of up to 100% of Mr. Katibeh's base salary. Under the supplemental letter, Mr. Katibeh also received an award of 26,713 RSUs that vests as to 1/4th of the RSUs on February 20, 2023, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to Mr. Katibeh's continued service as of each vesting date. However, if our board of directors establishes performance-based metrics on or before the date of our release of first quarter 2023 earnings, the vesting of any portion of the award scheduled to vest after February 20, 2023, will be contingent on the Company achieving such performance-based metrics.

Mr. Katibeh is a participant in the Equity Acceleration Policy as described in the "Other Change in Control Provisions" section below.

We entered into an executive employment offer letter with Ms. Parekh, our CFO, dated April 26, 2022. The offer letter has no specific term and provides for at-will employment. The offer letter provides for an annual base salary of \$500,000 and an annual incentive bonus of up to 100% of Ms. Parekh's base salary. As a member of our executive team, the achieved portion of Ms. Parekh's annual incentive bonus will be paid in the form of fully-vested RSUs in accordance with the Key Employee Equity Bonus Plan.

Under the offer letter, Ms. Parekh received the following equity awards: (i) a time-based new hire award of 106,850 RSUs that vests as to 1/4th of the RSUs on May 20, 2023, and as to 1/16th of the RSUs every three months afterwards, in each case, subject to Ms. Parekh's continued service as of each vesting date; and (ii) a performance-based new hire award of 26,713 RSUs that vests according to the same vesting schedule as the time-based new hire award, except that if our board of directors establishes performance based metrics on or before the date of our release of first quarter 2023 earnings, the vesting of any portion of the performance-based new hire award scheduled to vest after May 20, 2023, will be contingent on the Company achieving such performance-based metrics.

In addition, Ms. Parekh also received a signing bonus in the form of fully-vested RSUs having an aggregate value of \$2,300,000, which was paid in two equal installments, each having an aggregate value of \$1,150,000 (with the first installment paid within seven days after she commenced her employment with us and the second installment paid in November 2022). The value of each installment of the signing bonus was converted into a number of RSUs based upon the average closing price of a share of our Class A Common Stock (as quoted on the New York Stock Exchange) during the first 15 consecutive calendar days of May 2022 and October 2022, respectively. Ms. Parekh will be required to reimburse us for the total amount of the signing bonus if, within two years from her start date, (i) she voluntarily terminates her employment, other than for "good reason" (as defined in the Equity Acceleration Policy), or (ii) we terminate her employment for "cause" (as defined in the offer letter), for failure to be primarily located in the San Francisco Bay Area by June 30, 2022, or for failure to relocate to the San Francisco Bay Area by August 31, 2022.

Under the offer letter, Ms. Parekh was also entitled to payment or reimbursement by us for expenses she reasonably incurred on or before November 30, 2022, in connection with her relocation to the San Francisco Bay Area, including (i) assistance in obtaining temporary housing for her and her family, including the reasonable cost of such temporary housing through November 30, 2022, and (ii) up to \$60,000 of other relocation and moving-related expenses (but excluding any costs or other expenses related to the sale or purchase of her permanent residence). The offer letter also entitled Ms. Parekh to reimbursement of up to \$5,000 of legal expenses related to the offer letter and affiliated documents.

If Ms. Parekh's employment is terminated by the Company without cause (including by reason of death or "disability" (as defined in the offer letter)) or she resigns for good reason, she will be eligible to receive the following payments and benefits if she timely signs and does not revoke a release agreement with us:

- cash severance equal to her then-current base salary for a period of (i) six months if such termination is by us other than for cause, death, or disability or by her for good reason or (ii) twelve months if such termination is by us due to her death or disability;
- reimbursement of COBRA premiums through the earlier of (i) the 12-month anniversary of the date of the termination of employment or (ii) the date on which Ms. Parekh or her eligible dependents, as applicable, cease to be eligible for COBRA continuation coverage, provided that if we determine that we cannot make these COBRA reimbursements without potentially violating applicable law, Ms. Parekh will instead receive a taxable lump sum payment of \$30,000 in lieu of such COBRA reimbursements; and
- the following equity award vesting acceleration benefit:
 - if such termination occurs during the period beginning 90 days prior to a "change of control" (as defined in the Equity Acceleration Policy) and ending 12 months following a change of control, then under the Equity Acceleration Policy, 100% acceleration of vesting of any of her then-outstanding and unvested equity awards subject to time-based vesting conditions, subject to the terms and conditions of the Equity Acceleration Policy, or
 - if such termination occurs outside of the period described in the previous bullet, acceleration of vesting of the portion of any of her then-outstanding and unvested equity awards subject to time based vesting conditions

that would have vested if she had remained employed with us through the date that is 6 months following her effective last day with us.

Ms. Parekh is a participant in the Equity Acceleration Policy as described in the “Other Change in Control Provisions” section below.

John Marlow

We entered into an executive employment offer letter with John Marlow, our current Chief Administrative Officer, Senior Vice President, Corporate Development, General Counsel and Secretary, dated September 13, 2013. The executive employment offer letter has no specific term and provides for at-will employment. In 2022, Mr. Marlow’s base salary was \$450,000, and he was eligible to earn an annual incentive bonus of up to approximately 100% of his base salary. As a member of our executive team, the achieved portion of Mr. Marlow’s annual incentive bonus will be paid in the form of fully-vested RSUs in accordance with the Key Employee Equity Bonus Plan.

In the event we terminate Mr. Marlow’s employment without “cause” (as such term is defined in his offer letter) and excluding by reason of death or disability, he is eligible to receive severance equal to three months of his base salary, payable in installments in accordance with our payroll procedures, subject to his signing and not revoking a release agreement with us.

Mr. Marlow is a participant in the Equity Acceleration Policy as described in the “Other Change in Control Provisions” section below.

Vaibhav Agarwal

We entered into an employment offer letter with Mr. Agarwal, our Chief Accounting Officer, dated June 21, 2016. The executive employment offer letter has no specific term and provides for at-will employment. In 2022, Mr. Agarwal’s base salary was \$500,000, and he was eligible to earn an annual incentive bonus of up to approximately 75% of his base salary. As a member of our executive team, the achieved portion of Mr. Agarwal’s annual incentive bonus will be paid in the form of fully-vested RSUs in accordance with the Key Employee Equity Bonus Plan. Mr. Agarwal also is a participant in the Equity Acceleration Policy, which is described in the “Other Change in Control Provisions” section below.

Other Change in Control Provisions

Our named executive officers are eligible to participate in our Equity Acceleration Policy. Pursuant to our Equity Acceleration Policy, on a termination of an eligible employee’s employment either (i) by the Company (or any of its subsidiaries) other than for “cause,” death, or “disability” or (ii) by the eligible employee for “good reason” (as such terms are defined in the Equity Acceleration Policy or individual participation agreement), in either case, during the period beginning 60 days prior to a “change of control” (as defined in the Equity Acceleration Policy) and ending 12 months following a change of control, then, subject to the eligible employee’s signing and not revoking a release, the then-unvested shares subject to each of the eligible employee’s then-outstanding equity awards will immediately vest and, in the case of equity awards that are stock options and stock appreciation rights, will become exercisable as to (A) in the cases of Mr. Shmunis, Ms. Parekh, and Mr. Marlow, 100% of his or her then-outstanding unvested equity awards (other than Ms. Parekh’s performance-based new hire award), or (B) in the cases of Messrs. Katibeh and Agarwal, 50% vesting acceleration of his then-outstanding unvested equity awards (other than the performance-based award Mr. Katibeh received in connection with his appointment as President), in each case subject to the terms and conditions of the Equity Acceleration Policy.

If any payment or benefit that an eligible employee would receive from the Company or any other party whether in connection with the Equity Acceleration Policy or otherwise would constitute a “parachute payment” within the meaning of Code Section 280G and could be subject to the related excise tax, the eligible employee would be entitled to receive either full payment of the payments and benefits under or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to the eligible employee.

The provisions of the Equity Acceleration Policy superseded any double-trigger equity acceleration provisions of any offer letter, employment agreement or equity award.

In March 2020, our compensation committee determined that for the awards of RSUs granted to Mr. Shmunis, in the event of the termination without “cause”, termination “for good reason” (as such terms are defined in the Equity Acceleration Policy) or death or disability of Mr. Shmunis, the vesting of any awards of RSUs granted to him in fiscal 2020 that would have vested had he remained employed with the Company through the date that is 12 months following his effective last day with us

will be accelerated (other than in connection with a death or disability from high-risk activities such as skydiving or free climbing).

Other Compensation Policies

Equity Award Grant Policy

Our equity award grant policy formalizes our process for granting equity-based awards. Under our equity award grant policy, our board of directors or the compensation committee may grant equity awards at any time. It is our policy to not time equity award grants in relation to the release of material non-public information. Under the policy, the compensation committee has delegated limited authority to a committee consisting of our CEO and a member of the compensation committee to grant equity awards to employees below the level of Vice President and certain other service providers other than the members of our board of directors.

Compensation Recovery Policy

Currently, we have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our named executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. We intend to adopt a general compensation recovery, or clawback, policy covering our annual and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Derivatives Trading, Hedging and Pledging Policy

Pursuant to our insider trading policy, our employees, including the members of our executive team and the members of our board of directors, are prohibited from engaging in transactions involving derivative securities or otherwise that would hedge the risk of ownership of our equity securities and from pledging our equity securities as collateral for a loan.

Tax and Accounting Considerations

Tax Considerations

We have not provided any of our named executive officers with a gross-up or other reimbursement for tax amounts the individual might pay pursuant to Code Sections 280G, 4999 or 409A. Code Sections 280G and 4999 provide that named executive officers, directors who hold significant stockholder interests and certain other service providers could be subject to significant additional taxes if they receive payments or benefits in connection with a change in control of our Company that exceeds certain limits, and that we or our successor could lose a deduction on the amounts subject to the additional tax. Code Section 409A also imposes significant taxes on the individual in the event that an executive officer, director or other service provider receives “deferred compensation” that does not meet the requirements of Code Section 409A.

Under Code Section 162(m), we are subject to limits on the deductibility of executive compensation. Deductible compensation is limited to \$1 million per year for the CEO and certain of our current and former highly compensated executive officers (collectively “covered employees”). While we cannot predict how the deductibility limit may impact our compensation program in future years, we intend to maintain an approach to executive compensation that strongly links pay to performance. In addition, although we have not adopted a formal policy regarding tax deductibility of compensation paid to our named executive officers, the compensation committee may consider tax deductibility under Code Section 162(m) as a factor in its compensation decisions.

Accounting Considerations

We take financial reporting implications into consideration in designing compensation plans and arrangements for the members of our executive team, other employees and members of our board of directors. These accounting considerations include ASC Topic 718, the standard which governs the accounting treatment of stock-based compensation awards.

Compensation-Related Risk

Our board of directors is responsible for the oversight of our risk profile, including compensation-related risks. Our compensation committee monitors our compensation policies and practices as applied to our employees to ensure that these policies and practices do not encourage excessive and unnecessary risk-taking. In cooperation with management, our compensation committee reviewed our 2022 compensation programs. Our compensation committee believes the mix and design of the elements of such programs do not encourage our employees to assume excessive risks and accordingly are not reasonably likely to have a material adverse effect on our Company. We have designed our compensation programs to be balanced so that our employees are focused on both short-term and long-term financial and operational performance. In particular, the weighting towards long-term incentive compensation discourages short-term risk taking. Goals are appropriately set with targets that encourage growth in the business.

Report of the Compensation Committee

The following Report of the compensation committee shall not be deemed to be “soliciting material” and should not be deemed “filed” and shall not be deemed to be incorporated by reference in future filings with the SEC, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis provided above. Based on its review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Respectfully submitted by the members of the compensation committee of the board of directors:

Allan Thygesen (Chair)
Tarek Robbiati
Robert Theis

Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers during fiscal 2022.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$ (1))	Non-Equity Incentive Plan Compensation (\$ (2))	All Other Compensation (\$ (3))	Total (\$)
Vladimir Shmunis Chief Executive Officer	2022	5,470 (4)	—	19,288,954	517,280 (5)	373,493	20,185,166
	2021	5,175	—	18,439,095	776,713	828	19,221,811
	2020	4,800	—	18,148,589	905,466	576	19,059,431
Mo Katibeh President and Chief Operating Officer	2022	206,250 (6)	—	20,373,657	563,000 (7)	214,322	21,357,229
	2021	—	—	—	—	—	—
	2020	—	—	—	—	—	—
Sonalee Parekh Chief Financial Officer	2022	147,500 (8)	—	10,666,699	298,609 (9)	192,348	11,305,156
	2021	—	—	—	—	—	—
	2020	—	—	—	—	—	—
John Marlow Chief Administrative Officer, Senior Vice President, Corporate Development, General Counsel and Secretary	2022	60,000 (10)	—	6,010,755	422,193 (11)	134,826	6,627,774
	2021	204,375	—	12,006,768	416,753	45,828	12,673,724
	2020	375,000	—	4,361,290	435,773	2,172,719	7,344,782
Vaibhav Agarwal Chief Accounting Officer and former interim Chief Financial Officer	2022	135,000 (12)	—	11,102,334	360,414 (13)	576	11,598,324
	2021	170,000	—	4,580,059	203,560	576	4,954,195
	2020	300,000	—	1,061,805	193,020	576	1,555,401

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- (1) The amounts in the “Stock Awards” column represent the aggregate fair market value of RSUs granted in the applicable year and calculated in accordance with ASC Topic 718. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions used to calculate the value of equity awards are set forth under Note 10 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on March 1, 2022.
 - (2) Amounts in this column represent the aggregate fair market value of RSUs granted under our Key Employee Equity Bonus Plan, in lieu of a cash bonus earned for each quarter of 2020, 2021 and 2022, which is calculated in accordance with ASC Topic 718. These RSUs were fully vested upon grant.
 - (3) This column represents (i) the dollar value of the benefit to each named executive officer for the portion of the premium payable by the Company with respect to a life insurance policy, (ii) with respect to Mr. Shmunis, a Hart-Scott-Rodino filing fee paid by the Company on Mr. Shmunis’s behalf in the amount of \$125,000 and a tax gross-up for such payment in the amount of \$247,917; (iii) with respect to Mr. Katibeh and Ms. Parekh, relocation expenses of \$213,770 and \$191,988, respectively; and (iv) with respect to Mr. Marlow, a Hart-Scott-Rodino filing fee paid by the Company on Mr. Marlow’s behalf in the amount of \$45,000 and a tax gross-up for such payment in the amount of \$89,250.
 - (4) This amount represents the \$5,470 of cash salary actually paid to Mr. Shmunis in 2022. Mr. Shmunis received (i) an award of 2,178 RSUs in lieu of payment in cash of \$695,080 of his salary for the period from April 1, 2021 through March 31, 2022, and (ii) an award of 4,769 RSUs in lieu of payment in cash of \$494,530 of his salary for the period from April 1, 2022 through March 31, 2023, and this amount does not include the portion of this \$695,080 of salary attributable to the period from January 1, 2022 through March 31, 2022 and the portion of this \$494,530 of salary attributable to the period from April 1, 2022 through December 31, 2022.
 - (5) Consists of 11,158 RSUs that were fully vested upon grant, 10,226 of which were granted in fiscal 2022 and 932 of which were granted in fiscal 2023.
 - (6) This amount represents the \$206,250 of cash salary actually paid to Mr. Katibeh in 2022. Mr. Katibeh received (i) an award of 1,758 RSUs in lieu of payment in cash of \$110,000 of his salary for the period from May 16, 2022 through August 15, 2022, (ii) awards of 2,097 RSUs and 953 RSUs in lieu of payment in cash of \$110,000 and \$50,000 of his salary respectively for the period from August 16, 2022 through November 15, 2022, and (iii) awards of 1,320 RSUs and 300 RSUs in lieu of payment in cash of \$55,000 and \$12,500 of his salary, respectively for the period from November 16, 2022 through December 31, 2022.
 - (7) Consists of 11,248 RSUs that were fully vested upon grant, 8,389 of which were granted in fiscal 2022 and 2,859 of which were granted in fiscal 2023.
 - (8) This amount represents the \$147,500 of cash salary actually paid to Ms. Parekh in 2022. Ms. Parekh received (i) an award of 2,097 RSUs in lieu of payment in cash of \$110,000 of her salary for the period from August 16, 2022 through November 15, 2022, and (iii) an award of 1,320 RSUs in lieu of payment in cash of \$55,000 of her salary, respectively for the period from November 16, 2022 through December 31, 2022.
 - (9) Consists of 6,465 RSUs that were fully vested upon grant, 4,041 of which were granted in fiscal 2022 and 2,424 of which were granted in fiscal 2023.
 - (10) This amount represents the \$60,000 of cash salary actually paid to Mr. Marlow in 2022. Mr. Marlow received (i) an award of 205 RSUs in lieu of payment in cash of \$39,375 of his salary for the period from January 1, 2022 to February 15, 2022, (ii) an award of 455 RSUs in lieu of payment in cash of \$78,750 of his salary for the period from February 16, 2022 through May 15, 2022, (iii) an award of 1,708 RSUs in lieu of payment in cash of \$106,875 of his salary for the period from May 16, 2022 through August 15, 2022, (iv) an award of 1,858 RSUs in lieu of payment in cash of \$97,500 of his salary for the period from August 16, 2022 through November 15, 2022, and (v) an award of 1,170 RSUs in lieu of payment in cash of \$48,750 of his salary for the period from November 16, 2022 through December 31, 2022.
 - (11) Consists of 8,435 RSUs that were fully vested upon grant, 6,291 of which were granted in fiscal 2022 and 2,144 of which were granted in fiscal 2023.
 - (12) This amount represents the \$135,000 of cash salary actually paid to Mr. Agarwal in 2022. Mr. Agarwal received (i) an award of 139 RSUs in lieu of payment in cash of \$20,625 of his salary for the period from January 1, 2022 to February 15, 2022, (ii) an award of 251 RSUs in lieu of payment in cash of \$41,250 of his salary for the period from February 16, 2022 through May 15, 2022, (iii) an award of 2,091 RSUs in lieu of payment in cash of \$125,583 of his salary for the period from May 16, 2022 through August 15, 2022, (iv) an award of 1,826 RSUs in lieu of payment in cash of \$91,250 of his salary for the period from August 16, 2022 through November 15, 2022, and (v) an award of 1,150 RSUs in lieu of payment in cash of \$45,625 of his salary for the period from November 16, 2022 through December 31, 2022, in each case, such awards reflected a five percent premium on the underlying cash amount.
 - (13) Consists of 7,389 RSUs that were fully vested upon grant, 5,306 of which were granted in fiscal 2022 and 2,083 of which were granted in fiscal 2023.

Grants of Plan-Based Awards in 2022

The following table sets forth information regarding grants of awards made to our named executive officers during fiscal 2022. We did not grant any cash awards under our 2013 Plan during fiscal 2022.

Name	Grant Date	Name of Plan	Equity Grants	
			Number of Securities Underlying Restricted Stock Units (#)	Grant Date Fair Value of Stock Awards \$(1)
Vladimir Shmunis	11/20/2022	2013 Plan	3,529	126,303
	8/20/2022	2013 Plan	3,842	172,659
	5/20/2022	2013 Plan	2,855	183,862
	5/2/2022	2013 Plan	4,769	416,000
	4/1/2022	2013 Plan	155,756	18,872,955
	2/20/2022	2013 Plan	1,434	211,716
Mo Katibeh	11/15/2022	2013 Plan	1,320	55,004
	11/15/2022	2013 Plan	300	12,501
	11/15/2022	2013 Plan	3,420	142,511
	8/15/2022	2013 Plan	2,097	110,051
	8/15/2022	2013 Plan	953	50,013
	8/15/2022	2013 Plan	2,859	150,040
	5/30/2022	2013 Plan	26,713	1,686,659
	5/30/2022	2013 Plan	26,713	1,686,659
	5/16/2022	2013 Plan	1,758	110,016
	5/16/2022	2013 Plan	2,110	132,044
	5/1/2022	2013 Plan	4,822	420,623
	3/14/2022	2013 Plan	35,997	3,587,101
	2/1/2022	2013 Plan	69,279	12,148,765
	2/1/2022	2013 Plan	2,887	506,264
Sonalee Parekh	11/20/2022	2013 Plan	30,697	1,098,646
	11/15/2022	2013 Plan	1,320	55,004
	11/15/2022	2013 Plan	2,850	118,760
	8/15/2022	2013 Plan	2,097	110,051
	8/15/2022	2013 Plan	1,191	62,504
	5/30/2022	2013 Plan	106,850	6,746,509
	5/30/2022	2013 Plan	26,713	1,686,659
	5/30/2022	2013 Plan	15,360	969,830
John Marlow	11/15/2022	2013 Plan	1,170	48,754
	11/15/2022	2013 Plan	2,565	106,884
	8/15/2022	2013 Plan	1,858	97,508
	8/15/2022	2013 Plan	2,144	112,517
	5/16/2022	2013 Plan	1,708	106,887
	5/16/2022	2013 Plan	1,582	99,002
	3/14/2022	2013 Plan	51,919	5,173,728
	3/14/2022	2013 Plan	4,673	465,664
	2/15/2022	2013 Plan	455	78,770
	2/15/2022	2013 Plan	652	112,874
	1/3/2022	2013 Plan	205	39,444
Vaibhav Agarwal	11/15/2022	2013 Plan	1,150	47,921

11/15/2022	2013 Plan	2,469	102,883
9/16/2022	2013 Plan	41,984	1,778,442
8/15/2022	2013 Plan	1,826	95,828
8/15/2022	2013 Plan	2,064	108,319
7/25/2022	2013 Plan	35,175 (2)	1,906,133
5/16/2022	2013 Plan	2,091	130,855
5/16/2022	2013 Plan	773	48,374
3/14/2022	2013 Plan	69,225	6,898,271
3/14/2022	2013 Plan	1,753	174,686
2/15/2022	2013 Plan	251	43,453
2/15/2022	2013 Plan	319	55,225
1/3/2022	2013 Plan	139	26,745

(1) The amounts in the “Grant Date Fair Value of Stock Awards” column represent the grant date fair market value of RSUs and PSUs granted in fiscal 2022 and calculated in accordance with ASC Topic 718. The assumptions used to calculate the value of equity awards are set forth under Note 10 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on March 1, 2022.

(2) This equity award was canceled and replaced in September 2022.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information concerning equity awards held by our named executive officers at the end of fiscal 2022.

Name	Grant Date	Option Awards			Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)		Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)(1)
Vladimir Shmunis	4/24/2019	—	—	—	—	4,476 (2)	158,450
	4/1/2020	—	—	—	—	25,878 (3)	916,081
	5/1/2021	—	—	—	—	31,723 (4)	1,122,994
	4/1/2022	—	—	—	—	116,818 (5)	4,135,357
	5/2/2022	—	—	—	—	2,385 (6)	84,429
Mo Katibeh	2/1/2022	—	—	—	—	60,620 (7)	2,145,948
	3/14/2022	—	—	—	—	26,999 (8)	955,765
	5/30/2022	—	—	—	—	26,713 (9)	945,640
	5/30/2022	—	—	—	—	26,713 (10)	945,640
Sonalee Parekh	5/30/2022	—	—	—	—	26,713 (11)	945,640
	5/30/2022	—	—	—	—	106,850 (12)	3,782,490
John Marlow	4/24/2019	—	—	—	—	1,107 (13)	39,188
	4/1/2020	—	—	—	—	6,470 (14)	229,038
	5/1/2021	—	—	—	—	21,149 (15)	748,675
	3/14/2022	—	—	—	—	38,940 (16)	1,378,476
	3/14/2022	—	—	—	—	1,169 (17)	41,383
Vaibhav Agarwal	4/2/2019	—	—	—	—	281 (18)	9,947
	4/9/2020	—	—	—	—	1,618 (19)	57,277

5/1/2021	—	—	—	—	7,931 (20)	280,757
3/14/2022	—	—	—	—	51,919 (21)	1,837,933
3/14/2022	—	—	—	—	439 (22)	15,541
9/16/2022	—	—	—	—	31,488 (23)	1,114,675

- (1) This amount reflects the closing price of our Class A Common Stock on December 30, 2022 (which was \$35.40), multiplied by the amount shown in the column for Number of Shares or Units of Stock That Have Not Vested.
- (2) The shares underlying this RSU award vest, subject to Mr. Shmunis's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2019. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (3) The shares underlying this RSU award vest, subject to Mr. Shmunis's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2020. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (4) The shares underlying this RSU award vest, subject to Mr. Shmunis's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2021. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (5) The shares underlying this RSU award vest, subject to Mr. Shmunis's continued role as a service provider to us, with 1/8 vesting on May 20, 2022 and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (6) The shares underlying this RSU award vest, subject to Mr. Shmunis's continued role as a service provider to us, in four equal quarterly installments commencing August 20, 2022. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (7) The shares underlying this RSU award vest, subject to Mr. Katibeh's continued role as a service provider to us, with 1/8 vesting on each of August 20, 2022 and February 20, 2023, and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (8) The shares underlying this RSU award vest, subject to Mr. Katibeh's continued role as a service provider to us, with 1/8 vesting on May 20, 2022 and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (9) This RSU award vests, subject to Mr. Katibeh's continued role as a service provider to us, as to 1/4 of the underlying shares on February 20, 2023 and as to 1/16 of the underlying shares each quarter thereafter; provided, however, that if our board of directors establishes performance based metrics on or before the date of our release of first quarter 2023 earnings, the vesting of any portion of the award scheduled to vest after February 20, 2023, will be contingent on the Company achieving such performance-based metrics.
- (10) The shares underlying this RSU award vest, subject to Mr. Katibeh's continued role as a service provider to us, with 1/4 vesting on February 20, 2023 and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (11) This RSU award vests, subject to Ms. Parekh's continued role as a service provider to us, as to 1/4 of the underlying shares on May 20, 2023 and as to 1/16 of the underlying shares each quarter thereafter; provided, however, that if our board of directors establishes performance based metrics on or before the date of our release of first quarter 2023 earnings, the vesting of any portion of the award scheduled to vest after May 20, 2023, will be contingent on the Company achieving such performance-based metrics.
- (12) The shares underlying this RSU award vest, subject to Ms. Parekh's continued role as a service provider to us, with 1/4 vesting on May 20, 2023 and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (13) The shares underlying this RSU award vest, subject to Mr. Marlow's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2019. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (14) The shares underlying this RSU award vest, subject to Mr. Marlow's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2020. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (15) The shares underlying this RSU award vest, subject to Mr. Marlow's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2021. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (16) The shares underlying this RSU award vest, subject to Mr. Marlow's continued role as a service provider to us, with 1/8 vesting on May 20, 2022 and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (17) The shares underlying this RSU award vest, subject to Mr. Marlow's continued role as a service provider to us, in four equal quarterly installments commencing May 20, 2022. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.

- (18) The shares underlying this RSU award vest, subject to Mr. Agarwal's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2019. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (19) The shares underlying this RSU award vest, subject to Mr. Agarwal's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2020. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (20) The shares underlying this RSU award vest, subject to Mr. Agarwal's continued role as a service provider to us, in 16 equal quarterly installments commencing May 20, 2021. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (21) The shares underlying this RSU award vest, subject to Mr. Agarwal's continued role as a service provider to us, with 1/8 vesting on May 20, 2022 and 1/16 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (22) The shares underlying this RSU award vest, subject to Mr. Agarwal's continued role as a service provider to us, in four equal quarterly installments commencing May 20, 2022. 100% of the shares underlying this RSU award are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.
- (23) The shares underlying this RSU award vest, subject to Mr. Agarwal's continued role as a service provider to us, with 1/4 vesting on November 20, 2022 and 1/8 vesting each quarter thereafter. 100% of these RSU awards are subject to accelerated vesting in the event of termination of employment under certain circumstances in connection with a change of control of the Company.

Option Exercises and Stock Vested in 2022

The following table sets forth the number of shares of common stock acquired during fiscal 2022 by our named executive officers upon the exercise of stock options and the vesting of RSU awards and the value realized upon such exercise or vesting.

Name	Option Awards		Stock Awards	
	Number of Securities Acquired on Exercise (#)(1)	Value Realized on Exercise (\$)(2)	Number of Securities Acquired on Vesting (#)(3)	Value Realized on Vesting (\$)(4)
Vladimir Shmunis	—	—	113,343	7,773,365
Mo Katibeh	—	—	40,183	2,359,423
Sonalee Parekh	—	—	53,515	2,414,794
John Marlow	10,487	1,062,632	49,430	3,280,054
Vaibhav Agarwal	—	—	46,470	2,489,119

- (1) Reflects the aggregate number of shares of Class A Common Stock underlying the stock options that were exercised during fiscal 2022.
- (2) Calculated by multiplying (i) the difference between (x) the sale price for shares of Class A Common Stock sold concurrently with the exercise of an option, and if not, the fair market value of Class A Common Stock on the option exercise date, which was determined using the closing price on the NYSE of a share of Class A Common Stock on the option exercise date, and (y) the exercise price of the option, by (ii) the number of shares of Class A Common Stock acquired upon exercise.
- (3) Reflects the aggregate number of shares of common stock underlying the RSU awards that vested in fiscal 2022.
- (4) Calculated based by multiplying (i) the fair market value of Class A Common Stock on the vesting date, which was determined using the closing price on the NYSE of a share of Class A Common Stock on vesting date, by (ii) the number of shares of Class A Common Stock acquired upon vesting.

Pension Benefits

Aside from our 401(k) plan, we do not maintain any pension plan or arrangement under which our named executive officers are entitled to participate or receive post-retirement benefits.

Non-Qualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans or arrangements under which our named executive officers are entitled to participate.

Hedging Policy

Pursuant to our Insider Trading Policy, our directors, officers (as defined in Rule 16a-1(f) of the Exchange Act) and other employees subject to blackout periods or pre-clearance requirements under such policy are prohibited from engaging in transactions in publicly-traded options, such as puts and calls, and other derivative securities with respect to the Company's securities, including hedging their ownership of Company securities or similar transactions designed to decrease the risks associated with holding Company securities. Stock options, stock appreciation rights and other securities issued pursuant to our benefit plans or other compensatory arrangements with us are not subject to this prohibition.

Potential Payments upon Termination and upon Termination in Connection with a Change of Control

Potential Payments upon Termination Apart from a Change of Control

The following table sets forth quantitative estimates of the benefits that would have accrued to each of our named executive officers pursuant to his or her employment letter, if (i) the named executive officer experiences a qualifying termination of his or her employment (as described in the "Executive Compensation—Compensation Discussion and Analysis—Post-Employment Compensation—Executive Employment Arrangements" section above), on December 31, 2022, and outside of the period beginning 60 days (or (A) in the case of Mr. Shmunis, three months, or (B) in the cases of Mr. Katibeh and Ms. Parekh, 90 days) prior to and ending 12 months following a "change of control" (as defined in our Equity Acceleration Policy) and (ii) such named executive officer signs and does not revoke a release agreement with us.

	Cash Severance \$(1)	Value of Accelerated Equity Awards \$(2)	Continuing Health Coverage \$(3)	Total (\$)
Vladimir Shmunis (4)	500,000	—	22,449	522,449
Mo Katibeh (5)	600,000	914,630	32,014	1,546,644
Sonalee Parekh (6)	500,000	945,065	29,771	1,474,836
John Marlow (7)	112,500	—	—	112,500
Vaibhav Agarwal	—	—	—	—

- (1) Represents the portion of each named executive officer's base salary to be paid to such named executive officer upon a termination apart from a change of control.
- (2) For each named executive officer, the estimated value of accelerated equity awards was calculated by multiplying (x) the amount of unvested RSUs subject to acceleration held by the applicable named executive officer and (y) the closing price of our Class A Common Stock on December 30, 2022 (which was \$35.40).
- (3) Represents the value of the COBRA premium reimbursements to be provided to such named executive officer upon a termination apart from a change of control.
- (4) Mr. Shmunis will receive (i) 12 months of his base salary and (ii) reimbursement of his COBRA premiums for up to 12 months, in accordance with his executive employment letter.
- (5) Mr. Katibeh will receive (i) his base salary for (A) six months if his termination is by us other than for cause, death, or disability or by him for good reason or (B) 12 months if such termination is by us due to his death or disability; (ii) 100% vesting of his then-outstanding and unvested time-based equity that would have vested had he remained employed with the Company through the date that is six months following his effective last day with the Company, and (iii) reimbursement of COBRA premiums for up to 12 months, in accordance with his executive employment offer letter. The amount of cash severance listed in the table above reflects Mr. Katibeh's receipt of 12 months of his base salary upon a termination by us due to his death or disability. If his termination is by us other than for cause, death, or disability or by him for good reason, such amount would be \$300,000 instead.
- (6) Ms. Parekh will receive (i) her base salary for (A) six months if her termination is by us other than for cause, death, or disability or by her for good reason or (B) 12 months if such termination is by us due to her death or disability; (ii) 100% vesting of her then-outstanding and unvested time-based equity that would have vested had she remained employed with the Company through the date that is six months following her effective last day with the Company, and (iii) reimbursement of COBRA premiums for up to 12 months, in accordance with her executive employment offer letter. The amount of cash severance listed in the table above reflects Ms. Parekh's receipt of 12 months of her base salary upon a termination by us due to her death or disability. If her termination is by us other than for cause, death, or disability or by him for good reason, such amount would be \$250,000 instead.
- (7) Mr. Marlow will receive three months of his base salary, in accordance with his offer letter.

Potential Payments upon Termination in Connection with a Change of Control

The following table sets forth quantitative estimates of the benefits that would have accrued to each of our named executive officers pursuant to his or her employment letter and Equity Acceleration Policy, if (i) the named executive officer experiences a qualifying termination of his or her employment (as described in the “Executive Employment Arrangements” and “Other Change in Control Provisions” subsections of the “Executive Compensation—Compensation Discussion and Analysis—Post-Employment Compensation” section above) on December 31, 2022, and within the period beginning 60 days (or (A) in the case of Mr. Shmunis, three months, or (B) in the cases of Mr. Katibeh and Ms. Parekh, 90 days) prior to or 12 months following a “change of control” (as defined in our Equity Acceleration Policy) and (ii) such named executive officer signs and does not revoke a release agreement with us.

	Cash Severance \$(1)	Value of Accelerated Equity Awards \$(2)	Continuing Health Coverage \$(3)	Total (\$)
Vladimir Shmunis (4)	1,500,000	6,417,312	33,674	7,950,986
Mo Katibeh (5)	600,000	2,023,676	32,014	2,655,690
Sonalee Parekh (6)	500,000	3,782,490	29,771	4,312,261
John Marlow (7)	112,500	2,436,759	—	2,549,259
Vaibhav Agarwal (8)	—	1,658,065	—	1,658,065

- (1) Represents the portion of each named executive officer’s (a) base salary and (b) 2022 target bonus, as applicable to be paid to such named executive officer upon a termination in connection with a change of control.
- (2) For each named executive officer, the estimated value of accelerated equity awards was calculated by multiplying (x) the amount of unvested RSUs subject to acceleration held by the applicable named executive officer and (y) the closing price of our Class A Common Stock on December 30, 2022 (which was \$35.40).
- (3) Represents the value of the COBRA premium reimbursements to be provided to such named executive officer upon a termination in connection with a change of control.
- (4) Mr. Shmunis will receive (i) 18 months of his base salary plus 150% his 2022 target bonus, (ii) 100% acceleration of his outstanding equity awards and (iii) reimbursement of his COBRA premiums for up to 18 months, in accordance with his executive employment letter and the Equity Acceleration Policy.
- (5) Mr. Katibeh will receive (i) his base salary for (A) six months if his termination is by us other than for cause, death, or disability or by him for good reason or (B) 12 months if such termination is by us due to his death or disability, (ii) 50% acceleration of his outstanding equity awards (other than the performance-based award he received in connection with his appointment as President) and (iii) reimbursement of COBRA premiums for up to 12 months, in accordance with his executive employment offer letter and the Equity Acceleration Policy. The amount of cash severance listed in the table above reflects Mr. Katibeh’s receipt of 12 months of his base salary upon a termination by us due to his death or disability. If his termination is by us other than for cause, death, or disability or by him for good reason, such amount would be \$300,000 instead.
- (6) Ms. Parekh will receive (i) her base salary for (A) six months if her termination is by us other than for cause, death, or disability or by her for good reason or (B) 12 months if such termination is by us due to her death or disability, (ii) 100% acceleration of her outstanding equity awards (other than her performance-based new hire award) and (iii) reimbursement of COBRA premiums for up to 12 months, in accordance with her executive employment offer letter and the Equity Acceleration Policy. The amount of cash severance listed in the table above reflects Ms. Parekh’s receipt of 12 months of her base salary upon a termination by us due to her death or disability. If her termination is by us other than for cause, death, or disability or by him for good reason, such amount would be \$250,000 instead.
- (7) Mr. Marlow will receive (i) three months of his base salary and (ii) 100% acceleration of his outstanding equity awards, in accordance with his offer letter and the Equity Acceleration Policy.
- (8) Mr. Agarwal will receive 50% acceleration of his outstanding equity awards pursuant to the Equity Acceleration Policy.

CEO Pay Ratio

Under SEC rules, we are required to provide information regarding the relationship between the total annual compensation of Mr. Shmunis, our Chief Executive Officer, and the total annual compensation of our median employee (other than Mr. Shmunis). For our last completed fiscal year, which ended December 31, 2022:

- The median of the total annual compensation of all employees (other than Mr. Shmunis) of ours (including our consolidated subsidiaries) was \$123,112.

- Mr. Shmunis's total annual compensation, as reported in the Summary Compensation Table included in this Annual Report on Form 10-K, was \$.
- Based on the above, for fiscal 2022, the ratio of Mr. Shmunis's total annual compensation to the median of the total annual compensation of all employees was 164 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Act and based upon our reasonable judgment and assumptions. The SEC rules do not specify a single methodology for identification of the median employee or calculation of the pay ratio, and other companies may use assumptions and methodologies that are different from those used by us in calculating their pay ratio. Accordingly, the pay ratio disclosed by other companies may not be comparable to our pay ratio as disclosed above.

The methodology we used to calculate the pay ratio is described below.

- We determined the median of the total annual compensation of all of our employees as of December 31, 2022. As of December 31, 2022, we (including our consolidated subsidiaries) had approximately 3,891 full-time, part-time and temporary employees, approximately 2,399 out of the 3,891 (or approximately 61.7%) are U.S. employees, and approximately 1,492 out of the 3,891 (or approximately 38.3%) are located outside of the United States.
- We then compared the sum of (i) the total annual cash compensation earned by each of these employees for fiscal 2022 as reflected in our payroll records plus (ii) the fair value of equity awards (as determined in accordance with footnote 1 of the fiscal Summary Compensation Table) granted to these employees in fiscal 2022, to determine the median employee, without annualizing the compensation of any employees who started their employment with us in fiscal 2022 but did not work for us or our consolidated subsidiaries for the entire year. Compensation paid in foreign currency was converted to U.S. dollars using currency conversion ratios in effect as of January 1, 2023. In determining the median total compensation of all of these employees, we did not make any cost of living adjustments to the wages paid to any employee outside of the U.S.

Once we identified our median employee, we estimated the median employee's total annual compensation in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, yielding the median total annual compensation disclosed above. With respect to Mr. Shmunis's total annual compensation, we used the amount reported in the "Total" column of our fiscal Summary Compensation Table included in this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information with respect to the beneficial ownership of our Class A common stock and Class B common stock as of January 31, 2023, for:

- each of our named executive officers;
- each of our directors;
- all of our directors and current executive officers as a group; and
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than five percent of any class of our voting securities.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated in the footnotes below, we believe, based on the information furnished to us, that persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable.

We have deemed shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of January 31, 2023, and shares issuable upon the vesting of RSUs within 60 days of January 31, 2023, to be outstanding and to be beneficially owned by the person holding the option or the RSUs, respectively, for the purpose of computing the percentage ownership of that person. However, we have not treated such shares as outstanding for the purpose of computing the percentage ownership of any other person. We have based percentage ownership of our common stock on 85,621,557 shares of our Class A common stock and 9,924,538 shares of our Class B common stock outstanding as of January 31, 2023. Unless

otherwise indicated, the address of each beneficial owner listed in the table below is c/o RingCentral, Inc., 20 Davis Drive, Belmont, California 94002.

	Class A		Class B		% of Total Voting
	Shares	%	Shares	%	Power †
5% Stockholders:					
Entities affiliated with Vladimir Shmunis (1)	224,667	*	5,471,618	55.1	29.7
Entities affiliated with Vlad Vendrow (2)	161,329	*	2,970,295	29.9	16.2
Capital World Investors (3)	12,964,077	15.1	—	*	7.0
Vanguard Group Inc.(4)	9,747,692	11.4	—	*	5.3
BlackRock, Inc. (5)	6,278,715	7.3	—	*	3.4
Alkeon Capital Management, LLC (6)	4,802,188	5.6	—	*	2.6
Named Executive Officers, Directors:					
Vladimir Shmunis (1)	224,667	*	5,471,618	55.1	29.7
Mohammed Katibeh (7)	31,473	*	—	*	*
Sonalee Parekh (8)	18,173	*	—	*	*
John Marlow (9)	158,621	*	273,714	2.8	1.6
Vaibhav Agarwal (10)	16,888	*	—	*	*
Mignon Clyburn (11)	1,478	*	—	*	*
Arne Duncan (12)	1,201	*	—	*	*
Kenneth Goldman (13)	11,757	*	—	*	*
Tarek Robbiati	—	—	—	—	—
Sridhar Srinivasan (14)	—	—	—	—	—
Robert Theis (15)	21,005	*	—	*	*
Allan Thygesen (16)	13,238	*	—	*	*
Neil Williams (17)	11,962	*	—	*	*
All current executive officers and directors as a group (13 persons)(18)	510,463	*	5,745,332	57.9	31.4

(†) Represents the voting power with respect to all shares of our Class A common stock and Class B common stock, voting as a single class. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to 10 votes per share. The Class A common stock and Class B common stock vote together on all matters (including the election of directors) submitted to a vote of stockholders, except as may be otherwise required by applicable law.

(*) Represents beneficial ownership of less than 1%.

(1) Consists of (i) 59,895 shares of Class A common stock held of record by Mr. Shmunis (ii) 3,457,107 shares of Class B common stock held of record by ELCA Fund I, L.P. (“ELCA I”); (iii) 5,926 shares of Class B common stock held of record by ELCA Fund II, L.P. (“ELCA II”); (iv) 5,926 shares of Class B common stock held of record by ELCA Fund III, L.P. (“ELCA III”); (v) 1,385 shares of Class B common stock held of record by ELCA, LLC (collectively, along with ELCA I, ELCA II and ELCA III, the “ELCA Funds”); (vi) 1,274 shares of Class B common stock held of record by Vladimir G. Shmunis & Sandra Shmunis TR UA June 9, 1998 Shmunis Revocable Trust (“Trust”); (vii) 1,000,000 shares of Class B common stock held of record by Sandra Shmunis TR UA 03/11/2022 Sandra Shmunis 2022 Grantor Retained Annuity Trust (“SST”); (viii) 1,000,000 shares of Class B common stock held of record by Vladimir Shmunis TR UA 03/11/2022 Vladimir Shmunis 2022 Grantor Retained Annuity Trust (“VST”); (ix) 81,668 shares of Class A common stock held of record by Vladimir G Shmunis & Sandra Shmunis TR So Inclined Philanthropic Foundation (“SIPF”); (x) 59,000 shares of Class A common stock held of record by The Shmunis Family Generations Trust under agreement, dated December 29, 2020 (“SFGT”) and (xi) 24,104 shares of Class A common stock issuable pursuant to stock awards releasable within 60 days of January 31, 2023. Vladimir Shmunis, our CEO and Chairman of the board of directors, and Sandra Shmunis, Mr. Shmunis’s wife, are the managing members of ELCA, LLC. ELCA, LLC is the general partner of ELCA I, ELCA II and ELCA III. Mr. Shmunis and Mrs. Shmunis are the trustees of Trust and SIPF, and the investment trustees of SFGT. As a result, and by virtue of the relationships described in this footnote, Mr. and Mrs. Shmunis may be deemed to share voting and dispositive power with respect to the shares held by ELCA I, Trust, SIPF and SFGT, and certain of the shares held by ELCA II and ELCA III. As sole trustee of SST, Mrs. Shmunis may be deemed to hold voting and dispositive power with respect to the shares held by SST. As sole trustee of VST, Mr. Shmunis may be deemed to hold voting and

dispositive power with respect to the shares held by VST. The address for these entities is c/o RingCentral, Inc., 20 Davis Drive, Belmont, California 94002.

- (2) Consists of (i) 125,867 shares of Class A common stock held of record by Mr. Vendrow; (ii) 26,035 shares of Class A common stock held of record by The Vlad Vendrow Trust dated February 13, 2020 (the “Vendrow 2020 Trust”); (iii) 1,040,365 shares of Class B common stock held of record by the Vendrow 2020 Trust; (iv) 1,890 shares of Class A common stock held of record by the Regina Vendrow TR UA 10/30/2015 2015 Vendrow Children’s Trust FBO David G Vendrow; (v) 1,890 shares of Class A common stock held of record by the Regina Vendrow TR UA 10/30/2015 2015 Vendrow Children’s Trust FBO Edward B Vendrow; (vi) 1,890 shares of Class A common stock held of record by the Regina Vendrow TR UA 10/30/2015 2015 Vendrow Children’s Trust FBO Joshua L Vendrow; (vii) 157,110 shares of Class B common stock held of record by the Regina Vendrow TR UA 10/30/2015 2015 Vendrow Children’s Trust FBO David G Vendrow; (viii) 157,110 shares of Class B common stock held of record by the Regina Vendrow TR UA 10/30/2015 2015 Vendrow Children’s Trust FBO Edward B Vendrow; (ix) 157,110 shares of Class B common stock held of record by the Regina Vendrow TR UA 10/30/2015 2015 Vendrow Children’s Trust FBO Joshua L Vendrow; (x) 38,600 shares of Class B common stock held of record by the Regina Vendrow TR UA 12/01/2020 Viva Children’s Trust; (xi) 420,000 shares of Class B common stock held of record by Viva Investment Capital LLC; (xii) 1,000,000 shares of Class B common stock held of record by Viva Investment Capital II LLC; and (xiii) 3,757 shares of Class A common stock issuable pursuant to stock awards releasable within 60 days of January 31, 2023. As sole trustee of the Vendrow 2020 Trust, Mr. Vendrow may be deemed to hold voting and dispositive power with respect to the shares held by the Vendrow 2020 Trust. Mr. Vendrow may be deemed to hold voting and dispositive power with respect to the shares held by him and by his children and his children’s trusts. As the sole owner of Viva Investment Capital LLC and Viva Investment Capital II LLC, Mr. Vendrow may be deemed to hold voting and dispositive power with respect to the shares held thereby. The address for these entities is c/o RingCentral, Inc., 20 Davis Drive, Belmont, California 94002.
- (3) Based on information reported by Capital World Investors (“CWI”) on its most recent Schedule 13G/A filed with the SEC on February 13, 2023. Of the shares of Class A common stock beneficially owned, CWI reported that it has sole dispositive power and sole voting power with respect to 12,964,077 shares. CWI is a division of Capital Research and Management Company (“CRMC”), as well as its investment management subsidiaries and affiliates Capital Bank and Trust Company, Capital International, Inc., Capital International Limited, Capital International Sarl, Capital International K.K., Capital Group Private Client Services, Inc., and Capital Group Investment Management Private Limited. CWI’s divisions of each of the investment management entities collectively provide investment management services under the name “Capital World Investors.” The address for CWI is 333 South Hope Street, Los Angeles, California 90071.
- (4) Based on information reported by The Vanguard Group, Inc. on its most recent Schedule 13G/A filed with the SEC on February 9, 2023. Of the shares of Class A common stock beneficially owned, The Vanguard Group, Inc. reported that it has sole dispositive power with respect to 9,625,108 shares, shared dispositive power with respect to 122,584 shares, sole voting power with respect to 0 shares, and shared voting power with respect to 43,230 shares. The address for The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (5) Based on information reported by BlackRock, Inc. on its most recent Schedule 13G/A filed with the SEC on February 7, 2023. Of the shares of Class A common stock beneficially owned, BlackRock, Inc. reported that it has sole dispositive power with respect to 6,278,715 shares and sole voting power with respect to 5,939,897 shares. The address for BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055.
- (6) Based on information reported by Alkeon Capital Management, LLC on its most recent Schedule 13G/A filed with the SEC on February 13, 2023. Of the shares of Class A common stock beneficially owned, Alkeon Capital Management, LLC and Panayotis D. Sparaggis each reported shared dispositive and voting power with respect to 4,802,188 shares. The address for each of the reporting persons is 350 Madison Avenue, 20th Floor, New York, New York 10017.
- (7) Consists of 7,207 shares of Class A common stock held of record by Mr. Katibeh and 24,266 shares of Class A common stock issuable pursuant to stock awards releasable within 60 days of January 31, 2022.
- (8) Consists of 18,173 shares of Class A common stock held of record by Ms. Parekh.
- (9) Consists of (i) 124,826 shares of Class A common stock held of record by Mr. Marlow; (ii) 6,275 shares of Class A common stock held of record by the JEM Double Happiness 2018 Trust (the “Marlow Trust I”); (iii) 6,275 shares of Class A common stock held of record by the CAM Double Happiness 2018 Trust (the “Marlow Trust II”) (iv) 12,080 shares of Class A common stock held of record by the M&M Family 2020 Irrevocable Trust (the “Marlow Trust III”) (v) 15,060 shares of Class B common stock held of record by Mr. Marlow; (vi) 216,334 shares of Class B common stock held of record by the M&M Twice as Nice Trust (the “Marlow Trust IV” and, together with the Marlow Trust I, the Marlow Trust II and the Marlow Trust III, the “Marlow Trusts”); (vii) 42,320 shares of Class B common stock held of record by the Marlow Trust III; and (viii) 9,165 shares of Class A common stock issuable pursuant to stock awards releasable within 60 days of January 31, 2023. As trustee of the Marlow Trusts, Mr. Marlow may be deemed to hold voting and dispositive power with respect to the shares held by the Marlow Trusts.
- (10) Consists of 5,389 shares of Class A common stock held of record by Mr. Agarwal.
- (11) Consists of 1,478 shares of Class A common stock held of record by Ms. Clyburn.
- (12) Consists of 1,201 shares of Class A common stock held of record by Mr. Duncan.
- (13) Consists of (i) 5,657 shares of Class A common stock held of record by Mr. Goldman and (ii) 6,100 shares of Class A common stock held of record by GSW-GV, LLC.
- (14) Mr. Srinivasan resigned from our board of directors in February 2023.
- (15) Consists of 21,005 shares of Class A common stock held of record by Mr. Theis.
- (16) Consists of 13,238 shares of Class A common stock held of record by Mr. Thygesen.

- (17) Consists of 11,962 shares of Class A common stock held of record by Mr. Williams.
- (18) Consists of (i) 441,429 shares of Class A common stock held of record by our directors and current executive officers; (ii) 69,034 shares of Class A common stock issuable pursuant to stock awards releasable within 60 days of January 31, 2023; (iii) 5,745,332 shares of Class B common stock held of record by our directors and current executive officers; and (iv) no shares of Class B common stock issuable pursuant to stock options exercisable within 60 days of January 31, 2023.

Equity Compensation Plan Information

The following table summarizes our equity compensation plan information as of December 31, 2022. Information is included for equity compensation plans approved by our stockholders. All of our equity compensation plans have been approved by our stockholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(1)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the first Column)
Equity compensation plans approved by stockholders			
2010 Equity Incentive Plan(2)	18,133	\$10.49	—
2013 Equity Incentive Plan(3)	4,105	\$19.81	19,648,499
Amended and Restated Employee Stock Purchase Plan(4)	—	\$—	6,054,525
Equity compensation plans not approved by stockholders	—	\$—	
Total	22,238	\$12.53	25,703,024

- (1) RSUs, which do not have an exercise price, are excluded in the calculation of weighted-average exercise price.
- (2) As a result of our initial public offering and the adoption of our 2013 Plan, we no longer grant awards under the 2010 Plan; however, all outstanding awards under the 2010 Plan remain subject to the terms of the 2010 Plan. To the extent outstanding awards under the 2010 Plan are forfeited or are terminated unexercised and would otherwise have been returned to the share reserve under the 2010 Plan, the shares of Class B Common Stock subject to such awards instead will be available for future issuance as Class A Common Stock under the 2013 Plan.
- (3) Our 2013 Plan provides that the number of shares of Class A Common Stock available for issuance under the 2013 Plan will automatically increase on the first day of each fiscal year beginning with the 2014 fiscal year, in an amount equal to the least of (i) 6,200,000 shares, (ii) five percent (5%) of the outstanding shares of all classes of common stock of the company on the last day of the immediately preceding fiscal year, or (iii) such other amount determined by the board of directors no later than the last day of the immediately preceding fiscal year.
- (4) Our Amended and Restated Employee Stock Purchase Plan (“ESPP”) provides that the number of shares of Class A Common Stock available for issuance under the ESPP will automatically increase on the first day of each fiscal year beginning with the 2014 fiscal year, in an amount equal to the least of (i) 1,250,000 shares, (ii) one percent (1%) of the outstanding shares of all classes of common stock of the company on the last day of the immediately preceding fiscal year, or (iii) such other amount as the board of directors may determine.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements discussed above in the sections titled “Directors, Executive Officers and Corporate Governance—Director Compensation” and “Executive Compensation,” the following is a description of each transaction since January 1, 2022 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or exceeds \$120,000; and

- any of our directors, executive officers, or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

Investor Rights Agreement

We are party to an investor rights agreement which provides, among other things, that certain holders of our common stock, including stockholders affiliated with some of our directors, have the right to request that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing.

Employment Arrangement

David Theis, who is the son of Rob Theis, a member of our board of directors and our compensation committee, is employed by us in a non-executive capacity. His compensation for 2022 was comprised of cash salary payments of \$128,873, RSUs with a grant date fair market value of \$22,643 and benefits available to full-time employees. David Theis's compensation is determined independently using Radford market data in the same manner as other employees with similar responsibilities and tenure at the Company. Rob Theis plays no personal role in determining his son's compensation or reviewing his son's performance.

Transactions with Executive Officers

In 2022, we entered into an aircraft charter arrangement with RZS, LLC ("RZS"), a California limited liability company fully controlled and owned by Mr. Shmunis, our CEO and Chairman, to reimburse RZS for the flight hours incurred for Company use of RZS's aircraft. These flight hours were related to business travel by Mr. Shmunis and other members of the executive team to business meetings and investor conferences. We paid RZS approximately \$170,433 for the year ended December 31, 2022 for the business use of the aircraft. Based on current market rates for chartering of private aircraft with industry recognized chartering companies, we believe that the terms of this arrangement are no less favorable to us than what we could have expected to obtain in an arms-length transaction.

Limitation of Officer and Director Liability and Indemnification Arrangements

Our certificate of incorporation and bylaws each provide that we will limit the liability of and indemnify our directors and indemnify our officers and may indemnify our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law, which prohibits our certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our certificate of incorporation will not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our certificate of incorporation and bylaws, we have entered into indemnification agreements with each of our current directors and executive officers. These agreements provide for the indemnification of our directors and executive officers for certain expenses and liabilities incurred in connection with any action, suit, proceeding or alternative dispute resolution mechanism, or hearing, inquiry or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that they are or were a director, officer, employee, agent or fiduciary of our Company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, agent or fiduciary, or by reason of the fact that they were serving at our request as a director, officer, employee, agent or fiduciary of another entity. Under the indemnification agreements, indemnification will only be provided in situations where the indemnified parties acted in good faith and in a manner they reasonably believed to be

in or not opposed to our best interest, and with respect to any criminal action or proceeding, to situations where they had no reasonable cause to believe the conduct was unlawful. In the case of an action or proceeding by or in the right of our Company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors or officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Other than as described above under this section titled "Certain Relationships and Related Transactions, and Director Independence," since January 1, 2022, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm's-length dealings with unrelated third parties.

Policies and Procedures for Related Party Transactions

We have adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related party transaction with us without the prior consent of our audit committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee considers the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. In addition, our board of directors has delegated to each of our CEO, our CFO and our General Counsel, as appropriate, the authority to review and approve, as applicable, any such transaction in which the aggregate amount involved is expected to be less than \$120,000, provided that such person charged with such review or approval is not the related person. In connection with each regularly scheduled meeting of our audit committee, a summary of each related party transaction approved in accordance with this paragraph shall be provided to the audit committee for its review.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Professional Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to our Company by KPMG LLP for the years ended December 31, 2022 and 2021.

	2022(1)	2021
Audit Fees (2)	\$ 2,178,127	\$ 2,597,263
Audit Related Fees (3)	\$ —	\$ 350,000
All Other Fees (4)	\$ 110,500	\$ 9,500
Total Fees	<u>\$ 2,288,627</u>	<u>\$ 2,956,763</u>

- (1) This amount excludes certain Audit Fees and Audit Related Fees for professional services rendered by KPMG in the third and fourth quarters of 2022 that have not yet been billed to the Company, and the cost of which cannot be reasonably estimated by the Company at the time of this filing.

- (2) “Audit Fees” consist of professional services rendered in connection with the audit of our annual financial statements, including audited financial statements, an audit of the effectiveness of our internal control over financial reporting, the review of our quarterly financial statements presented in our quarterly report on Form 10-Q, and services that are normally provided by the independent registered public accountants in connection with statutory and regulatory filings or engagements for those fiscal years, including statutory audits of RingCentral CH GmbH and RingCentral France SAS, our wholly owned subsidiaries in Switzerland and France, respectively.
- (3) “Audit Related Fees” consist of professional services provided in connection with the preparation of certain registration statements and related securities offering matters, and acquisitions and strategic investments made in 2021.
- (4) “All Other Fees” consist of a tax and R&D study and an annual license fee for an accounting database subscription.

Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Consistent with requirements of the SEC and the Public Company Accounting Oversight Board (the “PCAOB”) regarding auditor independence, our audit committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. In recognition of this responsibility, our audit committee has established a policy for the pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

All services were pre-approved by our audit committee, which concluded that the provision of such services by KPMG LLP, was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions. The audit committee’s pre-approval policy provides for the pre-approval of audit, audit-related and tax services specifically described by the audit committee on an annual basis, and unless a type of service is pre-approved under the policy, it will require separate pre-approval by the audit committee if it is to be provided by the independent registered public accounting firm. The policy authorizes the audit committee to delegate to one or more of its members pre-approval authority with respect to permitted services.

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *Exhibits.* The following exhibits are included herein or incorporated herein by reference:

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on June 3, 2015, and incorporated herein by reference).
3.2	Certificate of Designations of the Series A Convertible Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 9, 2021, and incorporated herein by reference).
3.3	Amended and Restated Bylaws of the Registrant (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed on November 9, 2022, and incorporated herein by reference).
4.1	Fourth Amended Investor Rights Agreement, dated November 23, 2012, by and among the Registrant and the investors listed on Exhibit A thereto (filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
4.2	Indenture, dated March 5, 2018, between RingCentral, Inc. and U.S. Bank National Association. (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).
4.3	Form of 0% Convertible Senior Note due 2023 (included in Exhibit 4.2) (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).
4.4	Indenture, dated March 3, 2020, between RingCentral, Inc. and U.S. Bank National Association. (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 4, 2020, and incorporated herein by reference).
4.5	Form of 0% Convertible Senior Notes due 2025 (included in Exhibit 4.4). (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 4, 2020, and incorporated herein by reference).
4.6	Indenture, dated September 15, 2020, between RingCentral, Inc. and U.S. Bank National Association. (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on September 16, 2020, and incorporated herein by reference).
4.7	Form of 0% Convertible Senior Note due 2026 (included in Exhibit 4.6). (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on September 16, 2020, and incorporated herein by reference).
4.8	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934. (filed as Exhibit 4.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 1, 2022, and incorporated herein by reference).
10.1+	2003 Equity Incentive Plan, as amended, and forms of stock option agreements thereunder (filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.2+	2010 Equity Incentive Plan, as amended, and forms of stock option agreements thereunder (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.3+	2013 Equity Incentive Plan and forms of stock option agreements thereunder (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.4+	Amended and Restated 2013 Equity Incentive Plan and related forms of agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 20, 2022, and incorporated herein by reference).
10.5+	Amended and Restated Employee Stock Purchase Plan (filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 26, 2021, and incorporated herein by reference).
10.6+	Form of Global Restricted Stock Unit Agreement Under the 2013 Equity Incentive Plan (filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 26, 2021, and incorporated herein by reference).
10.7+	Equity Acceleration Policy (filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 27, 2019, and incorporated herein by reference).

Exhibit Number	Description
10.8+	Form of Director and Executive Officer Indemnification Agreement (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on August 7, 2017, and incorporated herein by reference).
10.9+	Employment Letter by and between the Registrant and Vladimir Shmunis, dated September 13, 2013 (filed as Exhibit 10.19 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.10+	Offer Letter by and between the Registrant and Mohammed Katibeh, dated January 4, 2022 (filed as Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 1, 2022, and incorporated herein by reference).
10.11+	Amended and Restated Offer Letter by and between the Registrant and Mo Katibeh, dated January 4, 2022 (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed on August 8, 2022, and incorporated herein by reference).
10.12+	Supplemental Offer Letter by and between the Registrant and Mo Katibeh, dated May 9, 2022. (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed on August 8, 2022, and incorporated herein by reference).
10.13+	Offer Letter by and between the Registrant and Sonalee Parekh, dated April 26, 2022 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed on August 8, 2022, and incorporated herein by reference).
10.14+	Offer Letter by and between the Registrant and Vaibhav Agarwal, dated July 21, 2016. (filed as Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 1, 2022, and incorporated herein by reference).
10.15+	Revised Employment Offer Letter by and between the Registrant and John Marlow, dated September 13, 2013 (filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.16+	2021 Bonus Plan, Appendix A 2021. (filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 1, 2022, and incorporated herein by reference).
10.17+	2022 Bonus Plan, Appendix A-Q1 2022 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed on November 9, 2022, and incorporated herein by reference).
10.18+	2022 Bonus Plan, Appendix A-Q2 2022 (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed on November 9, 2022, and incorporated herein by reference).
10.19+	2022 Bonus Plan, Appendix A-Q3-4 2022 (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed on November 9, 2022, and incorporated herein by reference).
10.20+	2022 NEO Equity Compensation Program Questions and Answers (filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 1, 2022, and incorporated herein by reference).
10.21+	2023 NEO Equity Compensation Program Questions and Answers.
10.22	Office Lease, dated September 25, 2014, by and between the Registrant and Helen M. Raiser, Trustee of the JHR Marital Trust under Trust Agreement dated October 2, 1969, as amended, Helen M. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 3, 2014, and incorporated herein by reference).
10.23	Commercial Lease Agreement, dated May 17, 2017, by and between the Registrant and TG Brothers, LLC. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on August 7, 2017, and incorporated herein by reference).
10.24	First Amendment to Lease, dated May 7, 2018, by and between the Registrant and TG Brothers, LLC. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 7, 2018, and incorporated herein by reference).

Exhibit Number	Description
10.25	Second Amendment to Lease, dated September 20, 2019, by and between the Registrant and TG Brothers, LLC. (filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 26, 2020, and incorporated herein by reference).
10.26	Second Amendment to Lease, dated August 6, 2020 by and between the Registrant and Phillip H. Raiser, Trustee of the JHR Marital Trust under Trust Agreement dated October 2, 1969, as amended, Phillip H. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, filed on November 9, 2020, and incorporated herein by reference).
10.27	Purchase Agreement, dated February 28, 2018, by and among the Registrant and Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC, as representatives of the initial purchasers named therein. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).
10.28	Form of Capped Call Confirmation. (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).
10.29	Form of Capped Call Confirmation. (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 4, 2020, and incorporated herein by reference).
10.30	Form of Capped Call Confirmation. (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 16, 2020, and incorporated herein by reference).
10.31	Registration Rights Agreement, effective as of November 9, 2021, by and between RingCentral, Inc. and Searchlight II MLN, L.P. (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 9, 2021, and incorporated herein by reference).
10.32	Registration Rights Agreement, effective as of November 9, 2021, by and between RingCentral, Inc. and Mitel US Holdings, Inc. (filed as Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on November 9, 2021, and incorporated herein by reference).
10.33*	Credit Agreement, dated as of February 14, 2023, among RingCentral, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and as collateral agent.
21.1	List of subsidiaries of the Registrant.
23.1	Consent of KPMG LLP, independent registered public accounting firm.
24.1	Power of Attorney (included in signature page).
31.1	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

+ Indicates a management or compensatory plan

* In accordance with Item 601(a)(5) of Regulation S-K, the exhibits and schedules to Exhibit 10.33 are not filed herewith. The agreement identifies such exhibits and schedules, including the subject matter of their content. We undertake to provide copies of such exhibits and schedules to the SEC upon request.

- (b) *Financial Statements.* Our consolidated financial statements are included under Part II, Item 8 in this Annual Report on Form 10-K.
- (c) *Financial Statement Schedules.* All financial statement schedules are omitted because they are not applicable or the information is included in the Registrant's consolidated financial statements or related notes.

**PART IV.
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, in the City of Belmont, State of California, on this 23rd day of February 2023.

RINGCENTRAL, INC.

Date: February 23, 2023

/s/ Vladimir Shmunis

Vladimir Shmunis

Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 23, 2023

/s/ Sonalee Parekh

Sonalee Parekh

Chief Financial Officer
(Principal Financial Officer)

Date: February 23, 2023

/s/ Vaibhav Agarwal

Vaibhav Agarwal

Deputy Chief Financial Officer and Chief Accounting Officer
(Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Vladimir Shmunis, Sonalee Parekh, and Vaibhav Agarwal, and each of them, his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him and in his 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 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, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

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 Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Vladimir Shmunis</u> Vladimir Shmunis	Chairman and Chief Executive Officer <i>(Principal Executive Officer)</i>	February 23, 2023
<u>/s/ Sonalee Parekh</u> Sonalee Parekh	Chief Financial Officer <i>(Principal Financial Officer)</i>	February 23, 2023
<u>/s/ Vaibhav Agarwal</u> Vaibhav Agarwal	Deputy Chief Financial Officer and Chief Accounting Officer <i>(Principal Accounting Officer)</i>	February 23, 2023
<u>/s/ Robert Theis</u> Robert Theis	Director	February 23, 2023
<u>/s/ Allan Thygesen</u> Allan Thygesen	Director	February 23, 2023
<u>/s/ R. Neil Williams</u> R. Neil Williams	Director	February 23, 2023
<u>/s/ Kenneth A. Goldman</u> Kenneth A. Goldman	Director	February 23, 2023
<u>/s/ Mignon L. Clyburn</u> Mignon L. Clyburn	Director	February 23, 2023
<u>/s/ Arne Duncan</u> Arne Duncan	Director	February 23, 2023
<u>/s/ Tarek Robbiati</u> Tarek Robbiati	Director	February 23, 2023

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