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 January 31, 2019

OR

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

For the transition period from to

Commission File Number 001-37901

COUPA SOFTWARE INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-4429448** (I.R.S. Employer Identification No.)
1855 S. Grant Street **San Mateo, CA** (Address of principal executive offices)	**94402** (Zip Code)

Registrant's telephone number, including area code: (650) 931-3200

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

Title of each class	-	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	-	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definition 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 Ex-change Act. ☐

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

Based on the closing price of the Registrant's Common Stock on the last business day of the Registrant's most recently completed second fiscal quarter, which was July 31, 2018, the aggregate market value of its shares (based on a closing price of $61.31 per share) held by non-affiliates was approximately $3.5 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.

The number of shares of Registrant's common stock outstanding as of March 22, 2019 was 61,043,546.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to the 2019 Annual Meeting of Stockholders, scheduled to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended January 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K.

COUPA SOFTWARE INCORPORATED

Form 10-K for the Fiscal Year Ended January 31, 2019

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial position, customer lifetime value, strategy and plans, market size and opportunity, competitive position, industry environment, potential growth opportunities product capabilities, expectations for future operations and our convertible notes, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would" or the negative version of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short- and long-term business operations and objectives, and financial needs. The forward-looking statements are contained principally in "Management's Discussion and Analysis of Financial Condition and Result of Operations" and "Risk Factors."

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report on Form 10-K to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Business.

Overview

We are a leading provider of business spend management ("BSM") solutions. We offer a comprehensive, cloud-based BSM platform that has connected hundreds of organizations with more than four million suppliers globally. Our platform provides greater visibility into and control over how companies spend money. Using our platform, businesses are able to achieve real, measurable value and savings that drive their profitability.

Our cloud-based BSM platform has been designed for the modern global workforce that is mobile and expects real-time results, flexibility and agility from software solutions. We empower employees to acquire the goods and services they need to do their jobs by applying a distinctive user-centric approach that provides a consumer Internet-like experience, drives widespread adoption of our platform and, therefore, significantly increases an organization's spend under management. We refer to the process companies use to purchase goods and services as business spend management and to the money that they manage with this process as spend under management. Increased user adoption and spend under management drive better visibility and control of a company's spend, resulting in greater savings and increased compliance.

Economic conditions, intense competition and the global regulatory environment are forcing businesses to find new ways to drive operational efficiencies, track processes, reduce costs, fund business growth and innovation, and enhance profitability and cash flow. Therefore, managing business spend has increasingly become a major strategic imperative to help businesses achieve cost savings. Indirect spend, which refers to goods and services that support a company's operations as opposed to direct spend that flows into the products a company manufactures, is particularly difficult to manage due to inefficient employee spending behavior and disparate systems that obstruct spend visibility.

We offer a comprehensive cloud-based BSM platform that delivers a broad range of capabilities that would typically require the purchase and use of multiple disparate point applications. The core of our platform consists of procurement, invoicing, expense management and payments modules that form the transactional engine for managing a company's business spend. In addition, our platform offers supporting modules to help companies further manage their spend, including strategic sourcing, spend analysis, contract management, supplier management, and contingent workforce management. Our Coupa Community Intelligence solutions provide benchmarking and insights on our BSM platform. Additionally, we provide a purchasing program, Coupa Advantage, that leverages the collective buying power of Coupa customers to provide advantageous, pre-negotiated discounts from various suppliers. Moreover, through our Coupa Open Business Network, suppliers of all sizes can easily interact with buyers electronically, thus significantly reducing paper, improving operating efficiencies and reducing costs.

Our company culture and our interactions with customers are driven by three guiding principles (which we refer to as our core values): (1) ensuring customer success, (2) focusing on results and (3) striving for excellence. In particular, this strong focus on customer success, which includes delivering quantifiable business value to our customers by helping them maximize their spend under management, serves as the foundation for the successful execution of our strategy, and, as a result, is critical to our growth. With a rapid time-to-deployment, typically ranging from a few weeks to several months, and an easy-to-use interface that shields users from unnecessary complexity, our customers can achieve widespread user adoption quickly and generate value within a short timeframe, thus benefitting from a rapid return on investment.

We benefit from powerful network effects. As more businesses subscribe to our BSM platform, the collective spend under management on our platform grows. Greater aggregate spend under management on our platform attracts more suppliers, which in turn attracts more businesses that want to take advantage of the goods and services available through our platform. In addition, as more businesses and employees use our platform, the amount of spend under management continues to increase. This leads to increasingly more powerful prescriptive spend management and risk management recommendations from our Coupa Community Intelligence solutions, helping to create more value for customers and improving our ability to attract more businesses. The resulting increase in sales

enables us to further invest in our platform and to improve our functionality and user interface to continue to attract more businesses and suppliers to our platform, which enhances the network effects that benefit all parties.

We have developed a rich partner ecosystem of systems integrators, implementation partners, resellers and technology partners. We work closely with several global systems integrators, including Accenture, Deloitte, KPMG and others that help us scale our business, extend our global reach and drive increased market penetration. We expect the number of our partner-led implementations and sales referrals from our partners to continue to increase over time.

We have achieved rapid growth in customer adoption, cumulative spend under management and transactions conducted through our platform which is currently subscribed to by nearly 1,000 customers. Our cumulative spend under management is highlighted below:

As of January 31, 2019, 2018, and 2017, our cumulative spend under management was $1,079 billion, $680 billion and $365 billion, respectively. Cumulative spend under management does not directly correlate to our revenue or results of operations because we do not generally charge our customers based on actual usage of our BSM platform. However, we believe that cumulative spend under management illustrates the adoption, scale and value of our platform, which we believe enhances our ability to maintain existing customers and attract new customers.

For our fiscal years ended January 31, 2019, 2018, and 2017, our revenues were $260.4 million, $186.8 million and $133.8 million, respectively, and our net losses were $55.5 million, $43.8 million and $37.6 million, respectively, as we focused on growing our business.

The Coupa BSM Platform

We offer a comprehensive cloud-based BSM platform that delivers a broad range of capabilities that would otherwise require the purchase and use of multiple disparate point applications. The core of our platform consists of procurement, invoicing, expense management and payments modules that form our transactional engine and capture a company's business spend. In addition, our platform offers supporting modules to help companies further manage their spend, including strategic sourcing, spend analysis, contract management, supplier management, and contingent workforce management.

Our comprehensive BSM platform provides businesses with real-time visibility and control of spending. The platform's modern, user-centric interface enables businesses to drive adoption of the platform and capture, analyze and control this spend, achieve real measurable value and savings, and directly improve their profitability:

- ***Drive Adoption.*** Our platform applies a distinctive user-centric approach that shields users from complexity and provides a mobile-enabled consumer Internet-like experience, thus enabling widespread adoption of our platform by users across the entire organization, and across the customer's supplier base, as well.
- ***Capture.*** At the core of our platform is our transactional engine that is comprised of our procurement, invoicing, expense management and payment management modules, which comprehensively help capture and manage spend within an organization. Given purchase orders, invoices, expense reports and payments flow through our platform and the data is stored centrally in a clean and organized fashion, businesses are able to observe their spending activities in real time.
- ***Analyze.*** Our spending analytics capabilities provide intuitive spend analysis dashboards and reports that deliver real-time analytical insights that help businesses identify problems and make better spending decisions. Real-time analytical and prescriptive insights are critical to helping identify savings opportunities and risks, isolating problem areas in the spending process, and providing recommendations to target improvement efforts.
- ***Control.*** We help our customers control and streamline their spending activity, realize efficiencies that result in real savings, and reduce supplier risk. Our platform has extensive functionality that enables managers to prevent excessive spend, reduce spend through efficiencies and cost savings associated with strategic sourcing and contract compliance, and identify and manage risky suppliers across numerous levels of the supply base.
- ***Value.*** Within a short timeframe, we help our customers realize measurable value by taking advantage of pre-negotiated supplier discounts, achieving contract compliance, improving process efficiencies and reducing redundant and wasteful spending, as well as enable strategic sourcing via reverse auctions in which suppliers bid down prices at which they are willing to sell their goods and services to businesses.

Our BSM Platform's Capabilities

Our comprehensive, cloud-based BSM platform includes the following capabilities:

Coupa's Transactional Engine

The core of our platform is our transactional engine, which is comprised of the following modules:

- ***Procure:*** Our procurement module enables customers to strategically establish spend policies and approval rules to govern company spending. The application provides a consumerized e-commerce shopping experience so that employees can easily and quickly find the goods and services they need to do their jobs. For example, employees searching for goods can see inventory on-hand balances in the search results, which eliminates redundant spending. Our procurement module streamlines purchasing requisition and purchase order processes, allowing businesses to track and manage purchases in real time, thus reducing time and cost. Upon approval of an employee request, purchase orders are automatically sent to suppliers for fulfillment and invoicing. Benchmark data allows customers to spot process inefficiencies, while configuration ease enables businesses to effortlessly adjust business processes to meet continually changing business requirements.
- ***Invoice:*** Our invoicing module enables customers to improve cash management through the effective management of supplier invoices via embedded dashboards and work queues that prioritize invoices with early payment discount opportunities. Customers may quickly configure invoice approval and matching rules so invoices can be routed without accounts payable team member effort and cost. Easy, no-cost means for suppliers to create electronic invoices that comply with government regulations allow businesses to eliminate paper and further reduce their invoice processing costs, all while reducing invoice payment fraud risk.
- ***Expense:*** Our expense management module enables customers to gain control of the expenses incurred by employees. Innovative mobile capabilities such as GPS and geo-location make it easy for travelers to

create expense reports on-the-go so businesses gain real-time expense visibility. Frugal meter capabilities automatically assess the appropriateness of employee charges based on the customer's configured business processes. Seamless connectivity to credit card providers feed charges into our expense management module for added visibility and reporting ease.

- ***Pay:*** We recently introduced a new component of our Coupa transactional engine that we call Coupa Pay. This new component represents a set of solutions that will help customers consolidate and optimize their business-to-business payment processing. For example, with Coupa Pay, customers can take advantage of early payment discounts and pay authorized suppliers with one-time-use credit cards, known as virtual cards. With payments management as a core capability within a unified BSM platform, payment transactions can be directly tied to backing documentation for better visibility and control of business spend.

Supporting Modules

Our platform offers the following supporting modules that help companies further manage their spend:

Strategic Sourcing. Our strategic sourcing module enables customers to find the best suppliers for the goods or services they need to run their businesses. It also offers advanced capabilities for the sourcing of complex sourcing categories such as direct raw materials and logistics. Customers easily create sourcing events containing the specifics of their business needs and invite suppliers to participate. Suppliers are able to review and bid effortlessly and without any fees to participate. Collaboration capabilities enable employees to review bids and provide feedback that is automatically compiled and scored. For the sourcing of complex categories, Coupa applies advanced mathematical optimization techniques, allowing customers to analyze price and non-price elements to find the combination of suppliers and goods and services that meet the constraints they specify.

Contract Management. Our contracts module enables customers to operationalize contracts and make them easily available for purchasing by employees across the organization. Contract compliance increases savings as employees make purchases using negotiated rates. Real-time contract enforcement and spend visibility is provided through embedded dashboards at both the contract and summary level. Full text search capabilities and automatic alerts remind employees to review contracts prior to expiration or auto-renewal dates.

Contingent Workforce. Our contingent workforce module enables customers to gain better visibility, control and optimization of services spend, as part of their holistic business spend management program. Customers can easily initiate requests for temporary work or advanced SOW-based projects as well as source and collect bids. Having better visibility to preferred suppliers helps customers optimize costs by selecting appropriate vendors with competitive rates. Onboarding and offboarding contingent workers is fast and secure, while tracking worker performance and ensuring compliance with company policies is simplified for both customers and contingent workers.

Supplier Management. Our supplier management module enables customers to collect supplier information required to manage and pay suppliers and provides data about potential risks associated with a given supplier. Customers can also this module to help ensure compliance and mitigate third-party risk by extensively evaluating their supplier base on critical risk domains, including information security, anti-bribery and anti-corruption and GDPR compliance, while also staying informed on potential supplier risk by leveraging credit ratings and other searches of publicly available databases.

Spend Analysis. Our spend analysis module provides managers a large set of built-in reports and dashboards that allow users to see spending activity, find bottlenecks in workflows, analyze granular data by commodity, supplier, location and cost center, and drill-down into the spend transactions. Customers can also leverage our artificial intelligence capabilities to automate complex business spend data classification. We have created more than one hundred out-of-the-box reports covering some of the most important business metrics, such as unified spend for purchase orders, invoices or expense reports, spend trends over time, spend by commodity, supplier and contract; however, users can also create new metrics, reports and dashboards with our intuitive user interface, as well as include external data like corporate and travel expenses or integrate with third-party systems, to get a holistic view of their spend patterns.

Coupa Open Business Network

Our Coupa Open Business Network instantly connects businesses and suppliers providing businesses with a platform that is accessible to suppliers of all sizes—even those typically ignored by fee-based closed networks—to drive success. Suppliers have a variety of options to connect with businesses including:

- ***Coupa Supplier Portal.*** This portal is a tool for suppliers to easily do business with our customers. The Supplier Portal lets suppliers manage content and settings on a customer-by-customer basis, including managing company information, setting up purchase order transmission preferences, creating and managing online catalogs, managing procurement orders and invoices across multiple customers and gaining visibility to the status of invoices.
- ***Coupa Supplier Actionable Notifications.*** These notifications enable suppliers to receive HTML purchaser orders and convert these purchase orders into invoices right from the procurement order e-mail, which represents the easiest way to submit electronic invoices through our platform.
- ***Direct Connection via cXML and EDI.*** Our platform supports various communication formats such as cXML or EDI for suppliers that want to automate their invoicing through a tighter integration with our platform.
- ***Direct E-mail.*** Suppliers can choose to send PDF invoices simply through e-mail.

By using our Coupa Open Business Network, companies can become compliant with government mandates, increase profitability and reduce costs by driving electronic transactions away from paper-based transactions. Our Coupa Open Business Network user interface is easy to navigate and requires little to no training for suppliers to instantly manage transactions. Businesses are able to interact with thousands of suppliers already using our Coupa Supplier Portal, quickly onboard new suppliers, integrate directly or simply use our smart e-mail tools. Businesses can also use the Coupa Open Business Network to layer on top of their existing technology, including third-party systems such as Oracle iProcurement, SAP SRM and others. Suppliers of all sizes benefit, as they are able to join the networked economy without changing their technology or spending money on transaction fees.

Coupa Advantage

Our Coupa Advantage program offers customers the opportunity to leverage pre-negotiated discounts from select suppliers in several business categories such as office supplies, branded promotional products, background checks, employee perquisites and more. The program leverages the collective buying power of Coupa customers to offer potential savings opportunities.

Coupa Community Intelligence

Our Community Intelligence capability, which extends across our BSM platform, provides information to Coupa customers by applying artificial intelligence-powered analysis to the structured, normalized data collected from the comprehensive set of business spend transactions that have occurred on the Coupa platform. This innovative analysis provides Coupa customers with prescriptive recommendations to optimize their spend decisions and reduce risk. Participating customers are able to contribute to and benefit from Community Intelligence, with use cases spanning various areas of spend management, including Supplier Insights and Risk Aware which help companies evaluate and reduce the risk levels of suppliers, operational insights which helps businesses measure their own performance on key operational metrics against other Coupa customers, and Spend Guard, which surfaces potential errors and fraud across business spend, including invoices and employee expense reports.

Key Benefits to Businesses

- Rapid time to value through fast deployment cycles and low cost of ownership of cloud-based model.
- Opportunity to achieve significant and sustainable savings that can translate into improved profitability.

- High employee adoption of our easy-to-use BSM platform, which enables better visibility into spend, allowing both procurement and sourcing professionals to better manage their time.
- Strong supplier adoption as suppliers are motivated to join our network due to ease of enablement, flexibility and lack of supplier fees.
- Access to extensive spending data in real time, which leads to superior decision-making that can result in significant cost savings.
- Ability to stay agile and adapt to changes in operating and regulatory environments with our easily configurable platform.
- Process efficiency improvements that allow businesses to free up valuable resources and staff who can be deployed effectively elsewhere in the organization.
- Enhanced compliance with governmental regulations through greater auditability, documentation and control of spending activity.

Key Benefits to Employees

- Intuitive and simple user experience that shields users from complexity and enables adoption of our platform with minimal training.
- Efficiency improvements as employees are more rapidly able to procure the goods and services they need to fulfill their job responsibilities.
- Mobile access from anywhere in the world.
- Convenience to employees, as our platform gathers data on historical activity and leverages the insights to help populate requests and minimize data entry.
- Faster reimbursement to employees due to more efficient expense management processes.

Key Benefits to Suppliers

- Participating in our Coupa Open Business Network.
- Fast registration process and flexibility to interact with customers through the Coupa Supplier Portal, direct integration or simply by use of direct email.
- Elimination of manual processes and efficiency improvements through electronic invoicing and streamlined procurement and payment processes.
- Real-time visibility into invoice status, often through direct push notifications without having to log in to a portal.
- Seamless audit, documentation and archiving of electronic purchase orders and invoices that helps suppliers comply with changing government regulations, as well as avoid risks.
- Opportunity to display supplier information and catalog of products and services on the Coupa Open Business Network for existing and prospective customers.

Our Competitive Strengths

- ***Comprehensive Platform With Powerful Functionality.*** We offer a comprehensive BSM platform that is tightly integrated and delivers a broad range of capabilities to manage different types of spend that would otherwise require the purchase and use of multiple disparate point applications. By offering a platform with powerful functionality that integrates different modules, we deliver a comprehensive solution for customers to drive adoption, and capture, analyze and control spend across their entire company, thus significantly enhancing savings potential.

- ***Independence and Interoperability.*** We are agnostic as to the enterprise resource planning (ERP) system and other back-end systems used by our customers and our open architecture enables interoperability with numerous software applications, back-end systems and other third-party offerings. Customers can use our application programming interfaces (APIs), flat files, commerce eXtensible Markup Language (cXML) and electronic data interchange (EDI) data formats or custom code to make seamless connections between our platform and their ERP platform, supplier or other third-party system.
- ***Easy and Intuitive User Interface that Enables Widespread Employee Adoption.*** Our focus on an intuitive and simple user experience shields our users from complexity and results in superior employee adoption.
- ***Powerful Network Effects.*** As more businesses subscribe to our platform, the collective spend under management on our platform grows. Greater aggregate spend under management on our platform attracts more suppliers, which in turn attracts more businesses that want to take advantage of the goods and services available through our platform, thereby creating powerful network effects. In addition, as more businesses and employees use our platform, the amount of spend under management continues to increase. By harnessing the collective insights from our platform's transactional spend data, Coupa Community Intelligence delivers prescriptive spend and risk management insights and performance benchmarking to customers. This leads to more value for customers and improves our ability to attract more businesses. The resulting increase in sales enables us to further invest in our platform and to improve our functionality and user interface to continue to attract more businesses and suppliers to our platform, which enhances the network effects that benefit all parties.
- ***Fast Time-to-Value.*** We are built from the ground up as a SaaS application delivered via the cloud. As a result, our total cost of ownership is low, our deployment times are short and we can seamlessly deploy the latest updates and upgrades to all our customers via our cloud-based platform.
- ***Rich Partner Ecosystem.*** We have developed strong strategic relationships with a number of leading partners including global systems integrators, implementation partners, resellers and technology partners. While implementation partners such as Accenture, Deloitte and KPMG help us scale our business by extending our global reach and driving increased market penetration, our various technology partners help extend and enhance the capabilities of our platform by facilitating integrations that can deliver a higher level of value to customers.
- ***Results-Driven Culture.*** We have a relentless focus on real measurable customer success and work extensively with customers to achieve significantly improved business value in the form of savings through the use of our platform.
- ***Higher Supplier Adoption.*** We do not charge suppliers any upfront or ongoing fees to participate in our Coupa Open Business Network and offer suppliers an easy and flexible way to interact with customers with minimal friction. As a result, suppliers are motivated to join our network and adopt our platform, which represents a significant competitive advantage over legacy vendors that often struggle with supplier adoption.
- ***Community Intelligence Enables Superior Insights.*** Our platform presents spend activity data that managers can easily analyze using powerful built-in reports and dashboards. Using our platform's data, we are able to provide benchmarking analytics and evaluate supplier performance, which can help decision makers at our customers identify areas of improvement and realize cost savings. As the amount of spend through our platform grows, we acquire more data that enables us to provide unique insights to our customers, thus strengthening our powerful value proposition.

Growth Strategy

Key elements of our strategy include:

- driving enterprise and mid-market customer expansion and global sales capability;
- expanding global brand awareness, acquisition and advocacy for our solutions;

- developing and expanding our partner ecosystem;
- acquiring key assets to broaden our value proposition;
- launching innovations to drive a greater share of an organization's spending; and
- cultivating a winning culture and community.

Sales and Marketing

We sell our software applications through our direct sales organization and our partner program, Coupa Partner Connect. Our direct sales team is global and comprised of inside sales and field sales personnel who are organized by geography, account size and application type.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs, including such programs with our strategic relationships. For example, we have joint marketing programs and sponsorship agreements with KPMG, Deloitte and Accenture.

Our principal marketing programs include:

- our annual INSPIRE user conference, which is held over multiple days to connect customers, disseminate best practices, and reinforce our brand among existing and new customers.
- field marketing events for customers and prospective customers;
- programmatic account-based marketing efforts in close partnership with sales to target the ICP accounts in our respective sales segments;
- territory development representatives who respond to incoming leads to convert them into new sales opportunities;
- participation in, and sponsorship of, user conferences, executive events, trade shows and industry events;
- focused cross-channel campaigns with existing customers to drive expansion;
- public relations, analyst relations and social media initiatives;
- integrated marketing campaigns, including direct e-mail, online web advertising, blogs and webinars;
- cooperative marketing efforts with partners, including joint press announcements, joint trade show activities, channel marketing campaigns and joint seminars;
- development of our ideal customer profile (ICP), which are the accounts with the highest propensity to buy, for each of our sales segments;
- customer programs, including regional user group meetings; and
- use of our website to provide application and company information, as well as learning opportunities for potential customers;

Partnerships and Strategic Relationships

As a core part of our strategy, we have developed an ecosystem of partners to extend our sales capabilities and coverage, to broaden and complement our application offerings and to provide a broad array of services that lie outside of our primary areas of focus.

Our partnerships increase our ability to grow and scale quickly and efficiently and allow us to maintain greater focus on executing against our strategy.

- ***Referral Partners.*** Our referral partners provide global, national and regional expertise in business spend management, procurement and expense management. They help organizations through

operational transformation by leveraging process, best practices and new technology. These partners may refer customer prospects to us and assist us in selling to them. In return, we typically pay these partners a percentage of the first-year subscription revenue generated by the customers they refer.

- ***Implementation Partners.*** In order to offer the full breadth of implementation services, change management, and strategic consulting services to our customers, we work with leading global systems integrators such as Accenture, Deloitte and KPMG, as well as boutique and regional consulting firms. Our strategy is to enable the majority of our projects to be led by implementation partners with additional specialized support from us. Our implementation partners are highly skilled and trained by our team. When working with implementation partners, we are typically in a "co-sell" arrangement where we will sell our subscription directly to the customer and our partner will sell its implementation services directly to the customer.
- ***Reseller Partners.*** Our reseller partners enhance our customer impact and extend our global presence with integrated technologies, applications, business process outsourcing (BPO) services and region-specific offerings. All of our reseller partners have been trained to demonstrate and promote our applications suites.
- ***Technology Partners.*** Our technology partners provide market-leading technology, complementary products and infrastructure-related services that power and extend our suite of cloud-based business spend management applications. Our technology partners span a wide range of solutions providers including Dell Boomi, Sabre and Thomson Reuters that enhance the capabilities of our platform by facilitating integrations that can deliver a higher level of value to customers.

Technology Infrastructure and Operations

The technologies used to build our platform and modules are native cloud and designed to scale to millions of users. We utilize a modern technology stack to take advantage of advancements in web-design, open source technologies, scalability and security. We have implemented industry-standard security practices to help us protect our customers' critical information.

We have partnered with leading hosting and infrastructure companies to provide the hardware and infrastructure to support our BSM platform. With these partnerships, we are able to easily scale the service during peak load periods, allowing us to continuously add users and customers without significant downtime or lead-time to procure new capacity. We also have the ability to offer our solutions globally across various different physical locations, such as the U.S., Europe and Asia-Pacific.

Research and Development

Our ability to compete depends in large part on our continuous commitment to research and development and our ability to rapidly introduce new applications, technologies, features and functionality. Our research and development organization is responsible for the design, development, testing and certification of our applications. We focus our efforts on developing new applications and core technologies and further enhancing the usability, functionality, reliability, performance and flexibility of existing applications.

Competition

We believe the overall market for BSM software is highly competitive, marked by rapid consolidation, fragmented and rapidly evolving due to technological innovations. We have been recognized, however, as a technology and market leader.

Our competitors fall into the following categories:

- Large enterprise software vendors such as Oracle Corporation and SAP AG that predominantly focus on database and ERP software solutions. SAP acquired both Ariba, Inc., Fieldglass, Inc. and Concur Technologies, Inc. in 2012, 2014, and 2015, respectively, to form the core of their cloud offerings that compete with us.

- Niche software vendors that either address only a portion of the capabilities we provide or predominantly focus on narrow industry verticals.

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

- focus on customer success;
- ability to deliver measurable value and savings;
- ability to offer a comprehensive BSM platform;
- ease of use;
- widespread adoption by users;
- time to deployment;
- cloud-based architecture;
- total cost of ownership;
- configurability and agility;
- rich reporting capabilities;
- product extensibility and ability to integrate with other technology infrastructures;
- independence; and
- adoption by suppliers.

We believe that we compare favorably on the basis of these factors. However, many of our competitors have greater financial, technical and other resources, greater brand recognition and larger sales and marketing budgets; therefore, we may not compare favorably with respect to some or all of the factors above.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. While we have obtained or applied for patent protection for some of our intellectual property, we do not believe that we are materially dependent on any one or more of our patents. We require our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information.

We pursue the registration of domain names, trademarks and service marks in the United States and in various jurisdictions outside the United States. We also actively seek patent protection covering inventions originating from our company.

We control access to and use of our proprietary technology and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers, and partners, and our software is protected by U.S. and international intellectual property laws. Our policy is to require employees and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf and agreeing to protect our confidential information. In addition, we generally enter into confidentiality agreements with our vendors and customers. We also control and monitor access to, and distribution of our software, documentation and other proprietary information.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our applications. Policing unauthorized use of our technology and intellectual property rights is difficult. In addition, we intend to expand our international operations, and effective protection of our technology and intellectual property rights may not be available to us in every country in which our software or services are available.

We and others in our industry have been, and we expect that we will continue to be, subject to third-party infringement claims as the number of competitors grows and the functionality of applications in different industry segments overlaps. Moreover, many of our competitors and other industry participants have been issued patents and/or have filed patent applications, and have asserted claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties, including certain of these companies, have asserted patent, copyright, trademark, trade secret and other intellectual property rights within the industry. Any of these third parties might make a claim of infringement against us at any time.

Our Customers

As of January 31, 2019, we have 988 customers that are doing business in more than 100 countries and our platform is offered in more than 20 languages. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large corporation that has an active contract with us or our partner to access our platform. Our customers include leading businesses in a diverse set of industries, including healthcare and pharmaceuticals, retail, financial services, manufacturing, and technology.

Employees

As of January 31, 2019, we had 1,202 full-time employees globally, of which 728 work in the U.S. None of our U.S. employees are represented by a labor union or are the subject of a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Corporate Information

We were incorporated in February 2006 in Delaware. Our principal executive offices are located at 1855 S. Grant Street, San Mateo, CA 94402, and our telephone number is (650) 931-3200. Our website address is www.coupa.com. The information on, or that can be accessed through, our website is not part of this report. We have included our website address as an inactive textual reference only.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investor Relations section of our website at www.coupa.com as soon as reasonably practicable after we file such material with the Securities and Exchange Commission ("SEC"). The SEC also maintains an Internet website that contains reports and other information regarding issuers, such as Coupa, that file electronically with the SEC. The SEC's Internet website is located at http://www.sec.gov.

Item 1A. Risk Factors.

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks described below, as well as the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," particularly before deciding whether to invest in our securities. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. The risks described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Business and Industry

We have a limited operating history, which makes it difficult to predict our future operating results.

We were incorporated in 2006 and introduced our first software module shortly thereafter and over time have invested in building our integrated platform. As a result of our limited operating history, our ability to forecast our

future operating results is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

Any success that we may experience in the future will depend, in large part, on our ability to manage the risks discussed herein and to, among other things:

- retain and expand our customer base on a cost-effective basis;
- successfully compete in our markets;
- continue to add features and functionality to our platform to meet customer demand;
- increase revenues from existing customers as they add users or purchase additional modules;
- continue to invest in research and development;
- scale our internal business operations in an efficient and cost-effective manner;
- scale our global customer success organization to make our customers successful in their business spend management deployments;
- help our partners to be successful in deployments of our platform;
- successfully expand our business domestically and internationally;
- successfully protect our intellectual property and defend against intellectual property infringement claims;
- hire, integrate and retain professional and technical talent; and
- successfully integrate companies and technologies that we acquire.

If we are unable to attract new customers, the growth of our revenues will be adversely affected.

To increase our revenues, we must add new customers, increase the number of users at existing customers and sell additional modules to current customers. As our industry matures or if competitors introduce lower cost and/or differentiated products or services that are perceived to compete with ours, our ability to sell based on factors such as pricing, technology and functionality could be impaired. As a result, we may be unable to attract new customers at rates or on terms that would be favorable or comparable to prior periods, which could have an adverse effect on the growth of our revenues.

Because our platform is sold to large enterprises with complex operating environments, we encounter long and unpredictable sales cycles, which could adversely affect our operating results in a given period.

Our ability to increase revenues and achieve profitability depends, in large part, on widespread acceptance of our platform by large enterprises. As we target our sales efforts at these customers, we face greater costs, longer sales cycles and less predictability in completing some of our sales. As a result of the variability and length of the sales cycle, we have only a limited ability to forecast the timing of sales. A delay in or failure to complete sales could harm our business and financial results, and could cause our financial results to vary significantly from period to period. Our sales cycle varies widely, reflecting differences in potential customers' decision-making processes, procurement requirements and budget cycles, and is subject to significant risks over which we have little or no control, including:

- customers' budgetary constraints and priorities;
- the timing of customers' budget cycles;

- the need by some customers for lengthy evaluations; and
- the length and timing of customers' approval processes.

In the large enterprise market, the customer's decision to use our platform may be an enterprise-wide decision; therefore, these types of sales require us to provide greater levels of education regarding the use and benefits of our platform, which causes us to expend substantial time, effort and money educating them as to the value of our platform. In addition, because we are a relatively new company with a limited operating history, our target customers may prefer to purchase software that is critical to their business from one of our larger, more established competitors. Our typical sales cycle can range from three to nine months, and it's possible that sales cycles may continue to be lengthy or increase. Longer sales cycles could cause our operating and financial results to suffer in a given period.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our platform may be perceived as not being secure, customers may reduce the use of or stop using our platform and we may incur significant liabilities.

Our platform involves the storage and transmission of our customers' sensitive proprietary information, including their spending and other related data. As a result, unauthorized access or security breaches could result in the loss of information, litigation, indemnity obligations and other liability. While we have security measures in place that are designed to protect customer information and prevent data loss and other security breaches, if these measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and someone obtains unauthorized access to our customers' data, we could face loss of business, regulatory investigations or orders, our reputation could be severely damaged, we could be required to expend significant capital and other resources to alleviate the problem, as well as incur significant costs and liabilities, including due to litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, and costs for remediation and other incentives offered to customers or other business partners in an effort to maintain business relationships after a breach.

We cannot assure you that any limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security lapse or breach. We also cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims related to a security breach, or that the 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.

Cyber-attacks and other malicious Internet-based activities continue to increase generally. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, third parties may attempt to fraudulently induce employees or users to disclose information to gain access to our data or our customers' data. While it did not involve any customer data, we have previously suffered the loss of certain employee information related to an employee error. If any of these events occur, our or our customers' information could be accessed or disclosed improperly. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our operating results.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, as well as our key metrics discussed elsewhere in this annual report, including the levels of our revenues, gross margin, cash flow and deferred revenue, may vary significantly in the future and period-to-period comparisons of our operating results and key metrics may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results and metrics may fluctuate as a result of a variety of factors, many of which are outside of our control, as a result they may not fully reflect the underlying performance of our business. These quarterly fluctuations may negatively affect the value of our common stock. Factors that may cause these fluctuations include, without limitation:

- our ability to attract new customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- the timing of recognition of revenues;
- the amount and timing of operating expenses;
- general economic, industry and market conditions, both domestically and internationally;
- the timing of our billing and collections;
- customer renewal and expansion rates;
- significant security breaches of, technical difficulties with, or interruptions to the delivery and use of our products on our platform;
- the amount and timing of completion of professional services engagements;
- increases or decreases in the number of users for our platform, increases or decreases in the modules purchased for our platform or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- seasonal variations in sales of our software subscriptions, which have historically been highest in the fourth quarter of a calendar year but may vary in future quarters;
- the timing and success of new module introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners;
- changes in foreign currency exchange rates;
- extraordinary expenses such as litigation or other dispute-related expenses or settlement payments;
- sales tax and other tax determinations by authorities in the jurisdiction in which we conduct business;
- the impact of new accounting pronouncements and the adoption thereof;
- fluctuations in stock-based compensation expense;

- expenses in connection with mergers, acquisitions or other strategic transactions; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill or intangibles from acquired companies.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The market for business spend management software is highly competitive, with relatively low barriers to entry for some software or service organizations. Our competitors include Oracle Corporation ("Oracle") and SAP AG ("SAP"), well-established providers of business spend management software that have long-standing relationships with many customers. Some customers may be hesitant to switch vendors or to adopt cloud-based software such as ours and prefer to maintain their existing relationships with their legacy software vendors. Oracle and SAP are larger and have greater name recognition, much longer operating histories, larger marketing budgets and significantly greater resources than we do. These vendors, as well as other competitors, may offer business spend management software on a standalone basis at a low price or bundled as part of a larger product sale. In order to take advantage of customer demand for cloud-based software, legacy vendors are expanding their cloud-based software through acquisitions and organic development. For example, SAP acquired Ariba, Inc. and Concur Technologies, Inc. Legacy vendors may also seek to partner with other leading cloud providers. We also face competition from custom-built software vendors and from vendors of specific applications, some of which offer cloud-based solutions. We may also face competition from a variety of vendors of cloud-based and on-premise software products that address only a portion of our platform. In addition, other companies that provide cloud-based software in different target markets may develop software or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal software. With the introduction of new technologies and market entrants, we expect this competition to intensify in the future.

Many of our competitors are able to devote greater resources to the development, promotion and sale of their products and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. In addition, many of our competitors have established marketing relationships, access to larger customer bases and major distribution agreements with consultants, system integrators and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our platform does not become more accepted relative to our competitors', or if our competitors are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels, our operating results will be negatively affected. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

Our business depends substantially on our customers renewing their subscriptions and purchasing additional subscriptions from us. Any decline in our customer renewals would harm our future operating results.

In order for us to maintain or improve our operating results, it is important that our customers renew their subscriptions when the initial contract term expires and add additional authorized users and additional business spend management modules to their subscriptions. Our customers have no obligation to renew their subscriptions, and we cannot assure you that our customers will renew subscriptions with a similar contract period or with the same or a greater number of authorized users and modules. Some of our customers have elected not to renew their agreements with us, and we may not be able to accurately predict renewal rates.

Our renewal rates may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our subscription service, our professional services, our customer support, our prices and contract length, the prices of competing solutions, mergers and acquisitions affecting our customer base, the effects of global economic conditions or reductions in our customers' spending levels. Our future success also depends in part on our ability to add additional authorized users and modules to the subscriptions of our current customers. If our customers do not renew their subscriptions, renew on less favorable terms or fail to add more authorized users or additional

business spend management modules, our revenues may decline, and we may not realize improved operating results from our customer base.

We have experienced rapid growth and expect our growth to continue and if we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.

We have experienced a rapid growth in our business, headcount and operations since inception. We have also significantly increased the size of our customer base. We anticipate that we will continue to expand our operations and headcount, including internationally. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features and/or other operational difficulties, any of which could adversely affect our business performance and results of operations.

Acquisitions could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our operating results and financial condition.

We have in the past acquired and may in the future seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our platform, enhance our technical capabilities or otherwise offer growth opportunities. For example, we acquired Hiperos LLC in December 2018, acquired Vinimaya, Inc. (d/b/a Aquiire) in October 2018 and acquired certain assets from DCR Workforce in August 2018. Acquisitions may disrupt our business, divert our resources and require significant management attention that would otherwise be available for development of our existing business.

In addition, we have limited experience in acquiring other businesses and we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs, accounting charges or other liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the accounting systems, internal controls, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business, including due to language, geographical or cultural differences;
- difficulty converting the customers of the acquired business onto our platform and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets. Goodwill must be assessed for impairment at least annually, and other intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. In addition, our exposure to risks associated with various claims, including the use of intellectual property, may be increased as a result of acquisitions of other companies. For example, we may have a lower level of visibility into the development process with respect to intellectual property or the care taken to safeguard against infringement risks with respect to the acquired company or technology. In addition, third parties may make infringement and similar or related claims after we have acquired technology that has not been asserted prior to our acquisition. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

Because we recognize subscription revenues over the term of the contract, fluctuations in new sales and renewals may not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription revenues from customers ratably over the terms of their contracts, which are typically three years, although some customers commit for longer or shorter periods. As a result, most of the subscription revenues we report on each quarter are derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter would likely have only a small impact on our revenues for that quarter. However, such a decline would negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our pricing policies or rate of renewals, may not be fully apparent from our reported results of operations until future periods.

We may be unable to adjust our cost structure to reflect the changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while subscription revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as revenues from new customers must be recognized over the applicable subscription term.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our platform and attracting new customers. For example, widespread awareness of our brand is critical to ensuring that we are invited to participate in requests for proposals from prospective customers. Our success in this area will depend on a wide range of factors, some of which are beyond our control, including the following:

- the efficacy of our marketing efforts;
- our ability to offer high-quality, innovative and error- and bug-free modules;
- our ability to retain existing customers and obtain new customers;
- the ability of our customers to achieve successful results by using our platform;
- the quality and perceived value of our platform;
- our ability to successfully differentiate our offerings from those of our competitors;
- actions of competitors and other third parties;
- our ability to provide customer support and professional services;
- any misuse or perceived misuse of our platform and modules;

- positive or negative publicity;
- interruptions, delays or attacks on our platform or modules; and
- litigation, legislative or regulatory-related developments.

Brand promotion activities may not generate customer awareness or increase revenues, and, even if they do, any increase in revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts or to achieve the widespread brand awareness that is critical for broad customer adoption of our platform.

Furthermore, negative publicity (whether or not justified) relating to events or activities attributed to us, our employees, our partners or others associated with any of these parties, may tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity could reduce demand for our platform and have an adverse effect on our business, operating results and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brands may be costly and time consuming, and such efforts may not ultimately be successful.

Changes in privacy laws, regulations, and standards may cause our business to suffer.

Our customers can use our platform to collect, use and store certain types of personal or identifying information regarding their employees and suppliers. Federal, state and foreign government bodies and agencies have adopted, are considering adopting or may adopt laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from consumers and individuals, such as compliance with the Health Insurance Portability and Accountability Act and the recently created EU-U.S. Privacy Shield. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our platform and reduce overall demand or lead to significant fines, penalties or liabilities for any noncompliance with such privacy laws. Furthermore, privacy concerns may cause our customers' employees to resist providing the personal data necessary to allow our customers to use our platform effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our platform in certain industries.

All of these domestic and international legislative and regulatory initiatives may adversely affect our customers' ability to process, handle, store, use and transmit demographic and personal information from their employees, customers and suppliers, which could reduce demand for our platform. The European Union ("EU") and many countries in Europe have stringent privacy laws and regulations, which may affect our ability to operate cost effectively in certain European countries. In particular, the EU has adopted the General Data Protection Regulation ("GDPR") which went into effect on May 25, 2018 and contains numerous requirements and changes, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. Specifically, the GDPR introduced numerous privacy-related changes for companies operating in the EU, including greater control for data subjects (e.g., the "right to be forgotten"), increased data portability for EU consumers, data breach notification requirements, and increased fines. In particular, under the GDPR, fines of up to 20 million Euros or up to 4% of the annual global revenue of the noncompliant company, whichever is greater, could be imposed for violations of certain of the GDPR's requirements. Complying with the GDPR may cause us to incur substantial operational costs or require us to change our business practices. Despite our efforts to bring practices into compliance with the GDPR, we may not be successful either due to internal or external factors such as resource allocation limitations or a lack of vendor cooperation. Non-compliance could result in proceedings against us by governmental entities, customers, data subjects or others. We may also experience difficulty retaining or obtaining new European or multi-national customers due to the compliance cost, potential risk exposure, and uncertainty for these entities, and we may experience significantly increased liability with respect to these customers pursuant to the terms set forth in our engagements with them. We may find it necessary to establish systems to maintain personal data originating from the EU in the European Economic Area, which may involve substantial expense and distraction from other aspects of our business. In the meantime, there could be uncertainty as to how to comply with EU privacy law.

In addition, California enacted the California Consumer Privacy Act of 2018 which takes effect on January 1, 2020 and will broadly define personal information, give California residents expanded privacy rights and protections and provide for civil penalties for violations. The effects of this legislation are potentially far-reaching and may require us to modify our data management practices and to incur substantial expense in an effort to comply.

Because the interpretation and application of many privacy and data protection laws along with contractually imposed industry standards are uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products and platform capabilities. If so, in addition to the possibility of fines, lawsuits, and other claims and penalties, we could be required to fundamentally change our business activities and practices or modify our products and platform capabilities, which could have an adverse effect on our business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy and data security laws, regulations, and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our products. Privacy and data security concerns, whether valid or not valid, may inhibit market adoption of our products, particularly in certain industries and foreign countries. If we are not able to adjust to changing laws, regulations, and standards related to the Internet, our business may be harmed.

We may be sued by third parties for various claims including alleged infringement of their proprietary rights.

We are involved in various legal matters arising from normal course of business activities. These may include claims, suits, and other proceedings involving alleged infringement of third-party patents and other intellectual property rights, as well as commercial, corporate and securities, labor and employment, wage and hour, and other matters. In particular, there has been considerable activity in our industry to develop and enforce intellectual property rights. Our success depends upon our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. In the past third parties have claimed and in the future third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. For example, between March 2012 and August 2014 and between May 2014 and September 2015, we and Ariba, Inc. were involved in patent and trade secret litigation cases, each of which eventually resulted in a settlement agreement that requires us to maintain certain ongoing compliance measures that if challenged, could be costly, time-consuming and divert the attention of our management and key personnel from our business operations.

We may experience future claims that our platform and underlying technology infringe or violate others' intellectual property rights, and we may be found to be infringing upon such rights. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers and business partners or to pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify our platform or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly, distracting and time-consuming and could harm our brand, business, results of operations and financial condition.

The profitability of our customer relationships may fluctuate.

Our business model focuses on maximizing the lifetime value of our customer relationships and we need to make significant investments in order to add new customers to grow our customer base. The profitability of a customer relationship in any particular period depends in part on how long the customer has been a subscriber on our platform. In general, the upfront costs associated with new customers are higher in the first year than the aggregate revenues we recognize from those new customers in the first year.

We review the lifetime value and associated acquisition costs of our customers, as discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report. The lifetime value of our customers and customer acquisition costs has and will continue to fluctuate from one period to another depending upon the amount of our net new subscription revenues (which depends on the number of new customers in a period, upsells of additional modules to existing customers and changes in subscription fees charged to existing customers), gross margins (which depends on investments in and other changes to our cost of customer support and allocated overhead), sales and marketing expenses and renewal rates (which depend on our ability to maintain or grow subscription fees from customers). These amounts have fluctuated from quarter to quarter and will continue to fluctuate in the future. We may not experience lifetime value to customer acquisition cost ratios in future years or periods similar to those we have achieved to date. Other companies may calculate lifetime value and customer acquisition costs differently than our chosen method and, therefore, may not be directly comparable.

We depend on our senior management team and the loss of our chief executive officer or one or more key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our key executive officers. In particular, our chief executive officer, Robert Bernshteyn, is critical to our vision, strategic direction, culture and overall business success. We also rely on our leadership team in the areas of research and development, marketing, sales, services and general and administrative functions, and on mission-critical individual contributors in research and development. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. We do not maintain key-man insurance for Mr. Bernshteyn or any other member of our senior management team. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers or key employees could have a serious adverse effect on our business.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software for Internet-related services. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or our company have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees in the San Francisco Bay Area often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock declines, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

If we cannot maintain our company culture as we grow, we could lose the innovation, teamwork, passion and focus on execution that we believe contribute to our success and our business may be harmed.

We believe that a critical component of our success has been our company culture, which is based on our core values of ensuring customer success, focusing on results and striving for excellence. We have invested substantial time and resources in building our team within this company culture. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our company culture. If we fail to preserve our culture, our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives could be compromised, potentially harming our business.

We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.

We have incurred significant losses in each period since our inception in 2006. We incurred net losses of $55.5 million, $43.8 million, and $37.6 million in the fiscal years ended January 31, 2019, 2018, and 2017, respectively. We had an accumulated deficit of $254.9 million at January 31, 2019. Our losses and accumulated deficit reflect the substantial investments we made to acquire new customers and develop our platform. We expect our operating expenses to increase in the future due to anticipated increases in sales and marketing expenses, research and development expenses, operations costs and general and administrative costs, and, therefore, we expect our losses to continue for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses because costs associated with acquiring customers are generally incurred up front, while subscription revenues are generally recognized ratably over the terms of the agreements (typically three years, although some customers commit for longer or shorter periods). You should not consider our recent growth in revenues as indicative of our future performance. Accordingly, we cannot assure you that we will achieve profitability in the future, or that, if we do become profitable, we will sustain profitability or achieve our target margins on a midterm or long-term basis.

We do not have a long history with our subscription or pricing models and changes could adversely affect our operating results.

We have limited experience with respect to determining the optimal prices and contract length for our platform. As the markets for our software subscriptions grow, as new competitors introduce new products or services that compete with ours or as we enter into new international markets, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. For example, customers may demand pricing models that include price adjustments that are correlated to the savings they realize using our products and services. While this is not and has not been our pricing model, we have discussed it with some customers in the past and may choose to implement it in the future. Moreover, regardless of pricing model used, large customers, which are the focus of our sales efforts, may demand higher price discounts than in the past. As a result, in the future we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our revenues, gross margin, profitability, financial position and cash flow.

If we are not able to provide successful and timely enhancements, new features and modifications for our platform and modules, we may lose existing customers or fail to attract new customers and our revenues and financial performance may suffer.

If we are unable to provide enhancements and new features for our existing modules or new modules that achieve market acceptance or to integrate technology, products and services that we acquire into our platform, our business could be adversely affected. The success of enhancements, new features and modules depends on several factors, including the timely completion, introduction and market acceptance of the enhancements or new features or modules. Failure in this regard may significantly impair the growth of our revenues. We have experienced, and may in the future experience, delays in the planned release dates of enhancements to our platform, and we have discovered, and may in the future discover, errors in new releases after their introduction. Either situation could result in adverse publicity, loss of sales, delay in market acceptance of our platform or customer claims, including, among other things, warranty claims against us, any of which could cause us to lose existing customers or affect our ability to attract new customers.

We rely heavily on Amazon Web Services to deliver our platform and modules to our customers, and any disruption in service from Amazon Web Services or material change to our arrangement with Amazon Web Services could adversely affect our business.

We rely heavily upon Amazon Web Services ("AWS") to operate certain aspects of our platform and any disruption of or interference with our use of AWS could impair our ability to deliver our platform and modules to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers and harm to our business. We have architected our software and computer systems to use data processing, storage capabilities and

other services provided by AWS. Currently, most of our cloud service infrastructure is run on AWS. Given this, we cannot easily switch our AWS operations to another cloud provider, so any disruption of or interference with our use of AWS would adversely affect our operations and potentially our business.

AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement for cause with 30 days' prior written notice, including any material default or breach of the agreement by us that we do not cure within the 30 day period. Additionally, AWS has the right to terminate the agreement immediately with notice to us in certain scenarios such as if AWS believes providing the services could create a substantial economic or technical burden or material security risk for AWS, or in order to comply with the law or requests of governmental entities. The agreement requires AWS to provide us their standard computing and storage capacity and related support in exchange for timely payment by us. If any of our arrangements with AWS were terminated, we could experience interruptions in our software as well as delays and additional expenses in arranging new facilities and services.

We utilize third-party data center hosting facilities operated by AWS, located in various facilities around the world. Our operations depend, in part, on AWS's abilities to protect these facilities against damage or interruption due to a variety of factors, including infrastructure changes, human or software errors, natural disasters, power or telecommunications failures, criminal acts, capacity constraints and similar events. For instance, in February 2017, AWS suffered a significant outage in the United States that had a widespread impact on the ability of certain of our customers to fully use our modules for a small period of time. Despite precautions taken at these data centers, the occurrence of spikes in usage volume, a natural disaster, an act of terrorism, vandalism or sabotage, a decision to close a facility without adequate notice or other unanticipated problems at a facility could result in lengthy interruptions in the availability of our platform. Even with current and planned disaster recovery arrangements, our business could be harmed. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenues, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could harm our business.

If we are unable to maintain effective internal controls over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm. In accordance with guidance issued by the Securities and Exchange Commission ("SEC"), companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. After that time, however, the internal controls of companies that we have acquired must be included in our management report on internal controls over financial reporting and the attestation of our independent registered public accounting firm. If we have a material weakness in our internal controls over financial reporting (including in the control environment of our acquired companies), we may not detect errors on a timely basis and our financial statements may be materially misstated. While we were able to determine the effectiveness of our internal controls over financial reporting in our management's report as of January 31, 2019, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, in the future, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion, or otherwise assert that our internal controls are effective, and additionally, our independent registered public accounting firm may not be able to formally attest to the effectiveness of our internal controls over financial reporting.

If in the future we identify material weaknesses in our internal controls over financial reporting (including in the control environment of our acquired companies), if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become

subject to investigations by the SEC, stock exchange or other regulatory authorities, which could require additional financial and management resources to address.

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

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. The combined revenues from non-U.S. regions, as determined based on the billing address of our customers, constituted 38%, 35%, and 32% of our total revenues for the fiscal years ended January 31, 2019, 2018, and 2017, respectively. 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 United States. Because of our limited experience with international operations, our international expansion efforts may not be successful in creating additional demand for our platform outside of the United States or in effectively selling subscriptions to our platform in all of the international markets we enter. There can be no assurance that we will be able to continue to grow our combined revenues from non-U.S. regions as a percentage of our total revenues. In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our platform for specific countries, including translation into foreign languages and associated expenses;
- data privacy laws that require customer data to be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations and working with foreign partners;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- fluctuations in currency exchange rates, which could increase the price of our products outside of the United States, increase the expenses of our international operations and expose us to foreign currency exchange rate risk;
- adverse tax consequences;
- unstable regional and economic political conditions; and
- the fragmentation of longstanding regulatory frameworks caused by Brexit.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international sales and operations. Our failure to manage any of these risks successfully, or to comply with these laws and regulations, could harm our operations, reduce our sales and harm our business, operating results and financial condition. For example, in certain foreign countries, particularly those with developing economies, certain business practices that are prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act, may be more commonplace. Although we have policies and procedures designed to ensure compliance with these laws and regulations, our employees, contractors and agents, as well as channel partners involved in our international sales, may take actions in violation of our policies. Any such violation could have an adverse effect on our business and reputation.

Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

If we fail to manage our technical operations infrastructure, our existing customers may experience service outages and our new customers may experience delays in the implementation of our platform.

We have experienced significant growth in the number of users, transactions and data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers, as well as to facilitate the rapid provision of new customer implementations and the expansion of existing customer implementations. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our platform. However, the provision of new hosting infrastructure requires significant lead time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, our customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our revenue as well as our reputation.

Our business could be adversely affected if our customers are not satisfied with the implementation services provided by us or our partners.

Our business depends on our ability to satisfy our customers, both with respect to our platform and modules and the professional services that are performed to help our customers use features and functions that address their business needs. Professional services may be performed by our own staff, by a third-party partner or by a combination of the two. Our strategy is to work with partners to increase the breadth of capability and depth of capacity for delivery of these services to our customers, and we expect the number of our partner-led implementations to continue to increase over time. If a customer is not satisfied with the quality of work performed by us or a partner or with the type of professional services or modules delivered, we may incur additional costs to in addressing the situation, the profitability of that work might be impaired and the customer’s dissatisfaction with our services could damage our ability to expand the number of modules subscribed to by that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

We typically provide service level commitments under our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our revenues.

Our customer agreements typically provide service level commitments on a monthly basis. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our platform, we may be contractually obligated to provide these customers with service credits, typically 10% of the customer's subscription fees for the month in which the service level was not met, and we could face contract terminations, in which case we would be subject to refunds for prepaid amounts related to unused subscription services. Our revenues could be significantly affected if we suffer unexcused downtime under our agreements with our customers. Any extended service outages could adversely affect our reputation, revenues and operating results.

If we fail to integrate our platform with a variety of third-party technologies, our platform may become less marketable and less competitive or obsolete and our operating results may be harmed.

Our platform must integrate with a variety of third-party technologies, and we need to continuously modify and enhance our platform to adapt to changes in cloud-enabled hardware, software, networking, browser and database technologies. Any failure of our platform to operate effectively with future technologies could reduce the demand for our platform, resulting in customer dissatisfaction and harm to our business. If we are unable to respond to these changes in a cost-effective manner, our platform may become less marketable and less competitive or obsolete and our operating results may be negatively affected. In addition, an increasing number of individuals within the enterprise are utilizing mobile devices to access the Internet and corporate resources and to conduct business. If we cannot continue to effectively make our platform available on these mobile devices and offer the information, services and functionality required by enterprises that widely use mobile devices, we may experience difficulty attracting and retaining customers.

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

Once our modules are implemented, our customers depend on our support organization to resolve technical issues relating to our modules. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our platform and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell subscriptions to our modules to existing and prospective customers and our business, operating results and financial position.

Failure to adequately expand our direct sales force will impede our growth.

We will need to continue to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to continue to expand our direct sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them in the use of our software requires significant time, expense and attention. It often takes six months or longer before our sales representatives are fully-trained and productive. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

The loss of one or more of our key customers could negatively affect our ability to market our platform.

We rely on our reputation and recommendations from key customers in order to promote subscriptions to our platform. The loss of any of our key customers could have a significant impact on our revenues, reputation and our ability to obtain new customers. In addition, acquisitions of our customers could lead to cancellation of our contracts

with those customers or by the acquiring companies, thereby reducing the number of our existing and potential customers.

Weakened global economic conditions may harm our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us or the enterprise software industry may harm us. The United States and other key international economies have been affected from time to time by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, and overall uncertainty with respect to the economy, including with respect to tariff and trade issues. In particular, the economies of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector and uncertainty over the future of the Euro zone, including instability surrounding "Brexit," the United Kingdom's decision to exit the European Union. We have operations, as well as current and potential new customers, throughout most of Europe. If economic conditions in Europe and other key markets for our platform continue to remain uncertain or deteriorate further, many customers may delay or reduce their information technology spending.

The growth of our revenues and potential profitability of our business depends on demand for platform and modules generally, and business spend management specifically. In addition, our revenues are dependent on the number of users of our modules. Historically, during economic downturns there have been reductions in spending on enterprise software as well as pressure for extended billing terms or pricing discounts, which would limit our ability to grow our business and negatively affect our operating results. These conditions affect the rate of enterprise software spending and could adversely affect our customers' ability or willingness to subscribe to our platform, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, all of which could harm our operating results.

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

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results for periods prior and subsequent to such change. For example, recent new standards issued by the FASB that could materially impact our financial statements include revenue from contracts with customers, accounting for leases, and implementation costs incurred in a hosting arrangement that is a service contract. We may adopt one or more of these standards retrospectively to prior periods and the adoption may result in an adverse change to previously reported results. Additionally, the adoption of these standards may potentially require enhancements or changes in our systems and will require significant time and cost on behalf of our financial management.

We adopted the new revenue recognition standard on February 1, 2018 using a modified retrospective approach. One of the impacts of the new standard on us is the removal of the previous limitation on contingent revenue. In addition, commissions accounting under the new standard is significantly different than our previous capitalization policy. The new standard results in additional types of costs that are capitalized and amounts that are amortized over a period longer than our previous policy of amortizing the deferred amounts over the specific revenue contract-terms. Specifically, incremental contract costs will be deferred and amortized over an estimated customer life of five years, which is calculated based on quantitative and qualitative factors. The new standard also requires incremental disclosures including information about the remaining performance obligations. We have implemented control activities related to the new standard, particularly related to evaluating the impact of the standard on our revenue recognition policies, the determination of average customer life, and the new disclosure requirements, and did not require the implementation of new information technology systems.

The prescribed periods of adoption of these standards and other pending changes in accounting principles generally accepted in the United States, are further discussed in Note 2 "Significant Accounting Policies—Recent Accounting Guidance" in the notes to our consolidated financial statements.

We may face exposure to foreign currency exchange rate fluctuations, which could adversely affect our business, results of operations and financial condition.

As our international operations expand, our exposure to the effects of fluctuations in currency exchange rates grows because our international contracts are sometimes denominated in local currencies, in particular with respect to the Euro, British Pound Sterling, Swedish Krona, Swiss Franc, and Australian Dollar. Over time, an increasing portion of our international contracts may be denominated in local currencies. Therefore, as exchange rates vary, revenue, cost of revenue, operating expenses and other operating results, when re-measured, may differ materially from expectations. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Additionally, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments. Moreover, we anticipate growing our business further outside of the United States, and the effects of movements in currency exchange rates will increase as our transaction volume outside of the United States increases.

If we cannot continue to expand the use of our platform, our ability to grow our business may be harmed and the growth rate of our revenues may decline.

Our ability to grow our business depends in part on our ability to compete in the market for the additional modules on our platform, including strategic sourcing, inventory, contracts, supplier management and spend analysis. Our efforts to market these other modules is relatively new, and it is uncertain whether these other modules will ever result in significant revenues for us. While we have recently acquired businesses related to certain of these modules, there can be no assurance that these acquisitions will facilitate our efforts to market and sell these other modules. Further, the introduction of new modules beyond these markets may not be successful.

Large customers often demand more configuration and integration services, or customized features and functions that we do not offer, which could adversely affect our business and operating results.

Large customers may demand more configuration and integration services, which increase our upfront investment in sales and deployment efforts, with no guarantee that these customers will increase the scope of their subscription. As a result of these factors, we must devote a significant amount of sales support and professional services resources to individual customers, increasing the cost and time required to complete sales. Additionally, our platform does not currently permit customers to modify our code. If prospective customers require customized features or functions that we do not offer and that would be difficult for them to deploy themselves, then the market for our platform will be more limited and our business could suffer.

If our platform fails to perform properly, our reputation could be adversely affected, our market share could decline and we could be subject to liability claims.

Our platform is inherently complex and may contain material defects or errors. Any defects in functionality or that cause interruptions in the availability of our platform could result in:

- loss or delayed market acceptance and sales;
- breach of warranty claims;
- sales credits or refunds for prepaid amounts related to unused subscription services;
- loss of customers;
- diversion of development and customer service resources; and
- injury to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results.

Because of the large amount of data that we collect and manage, it is possible that hardware failures or errors in our systems could result in data loss or corruption or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Furthermore, the availability or performance of our platform could be adversely affected by a number of factors, including customers' inability to access the Internet, failure of our network or software systems, security breaches or variability in user traffic for our platform. We may be required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they incur resulting from certain of these events. For example, our customers access our modules through their Internet service providers. If a service provider fails to provide sufficient capacity to support our modules or otherwise experiences service outages, such failure could interrupt our customers' access to our modules and adversely affect their perception of our modules' reliability. In addition to potential liability, if we experience interruptions in the availability of our platform, our reputation could be adversely affected and we could lose customers.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

Our growth depends in part on the success of our strategic relationships with third parties.

We have established strategic relationships with a number of other companies. In order to grow our business, we anticipate that we will continue to establish and maintain relationships with third parties, such as implementation partners, system integrator partners and technology providers. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our platform by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results could suffer. Even if we are successful in our strategic relationships, we cannot assure you that these relationships will result in increased customer usage of our platform or increased revenues.

Our estimates of market opportunity and forecasts of market growth that we have publicly disclosed may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our estimates and forecasts relating to the size and expected growth of our market that we have publicly disclosed may prove to be inaccurate. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates.

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

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

In order to protect our intellectual property rights, we may be required to expend significant resources to monitor and protect such rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could seriously adversely affect our brand and our business.

We have incurred and will continue to incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC and the Nasdaq Global Select Market, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements has increased our legal and financial compliance costs and made some activities more time consuming and costly. In addition, our management and other personnel need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we are incurring significant expenses and devoting substantial management effort toward ensuring ongoing compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which have increased now that we are no longer an emerging growth company, as defined by the JOBS Act. We have hired and may need to continue to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and maintain an internal audit function. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We have funded our operations since inception primarily through equity and debt financings and prepayments by customers. We do not know when or if our operations will generate sufficient cash to fund our ongoing operations. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, a decline in the level of customer prepayments or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons, and we may not be able to timely secure additional debt or equity financing on favorable terms, or at all. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock or our outstanding noteholders. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

Our customers may fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.

We typically enter into multiple year, non-cancelable arrangements with our customers. If customers fail to pay us under the terms of our agreements, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. The risk of such negative effects increases with the term length of our customer arrangements. Furthermore, some of our customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position and cash flow.

Contractual disputes with our customers could be costly, time-consuming and harm our reputation.

Our business is contract intensive and we are party to contracts with our customers all over the world. Our contracts can contain a variety of terms, including service levels, security obligations, indemnification and regulatory requirements. Contract terms may not always be standardized across our customers and can be subject to differing interpretations, which could result in disputes with our customers from time to time. If our customers notify us of a contract breach or otherwise dispute our contract, the resolution of such disputes in a manner adverse to our interests could negatively affect our operating results.

Pursuant to agreements with certain of our customers, we have placed, and in the future may be required to place in escrow the source code of some of our modules. Under these escrow arrangements, the source code pertaining to the modules may, in specified circumstances, be made available to our customers. This factor may increase the likelihood of misappropriation or other misuse of our modules.

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and to interruption by man-made problems such as power disruptions, computer viruses, data security breaches or terrorism.

Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire or flood, occurring at our headquarters, at one of our other facilities or where a business partner is located could adversely affect our business, results of operations and financial condition. Further, if a natural disaster or man-made problem were to affect Internet service providers, this could adversely affect the ability of our customers to use our products and platform. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations and financial condition.

We are subject to the tax laws of various jurisdictions, which are subject to unanticipated changes and to interpretation, which could harm our future results.

We are subject to income taxes in the United States and foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses as a result of acquisitions, the valuation of deferred tax assets and liabilities, and changes in federal, state, or international tax laws and accounting principles.

Further, each jurisdiction has different rules and regulations governing sales and use, value added, and similar taxes, and these rules and regulations are subject to varying interpretations that change over time. Certain jurisdictions in which we did not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. In addition, we may be subject to income tax audits by many tax jurisdictions throughout the world, many of which have not established clear guidance on the tax treatment of cloud-based companies. Any tax assessments, penalties, and interest, or future requirements may adversely affect our results of operations. Moreover, imposition of such taxes on us going forward would effectively increase the cost of our products to our customers and might adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed.

In addition, the application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure. As we operate in numerous taxing jurisdictions, the application of tax laws can also be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions.

On December 22, 2017, the U.S. government enacted comprehensive federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. These changes could have a material adverse impact on the value of our U.S. deferred tax assets, result in significant one-time charges in the current or future taxable years and increase our future U.S. tax expense. For example, while the Tax Act allows for federal net operating losses incurred in tax years beginning after December 31, 2017 to be carried forward indefinitely, the Tax Act also imposes an 80% limitation on the use of net operating losses that are generated in tax years beginning after December 31, 2017. We are continuing to evaluate the Tax Act and its requirements, as well as its application to our business and its impact on our effective tax rate. At this stage, it is unclear how many U.S. states will incorporate these federal law changes, or portions thereof, into their tax codes. The implementation by us of new practices and processes designed to comply with, and benefit from, the Tax Act and its rules and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, which could negatively affect our business, results of operations and financial condition.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our potential profitability.

We have federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in 2026 and 2029 for federal and state purposes, respectively. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our potential profitability.

In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." Such an "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their 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. As of our initial public offering and our subsequent follow-on offering we have not had an ownership change that has triggered any material limitation on the use of our tax attributes for purposes of Section 382 of the Code. Subsequent changes in our stock ownership, however, could cause an "ownership change." It is possible that an ownership change, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our potential profitability.

We have incurred substantial indebtedness that may decrease our business flexibility, access to capital, and/or increase our borrowing costs, and we may still incur substantially more debt, which may adversely affect our operations and financial results.

In January 2018, we issued $230 million aggregate principal amount of 0.375% convertible senior notes due 2023, or the Convertible Notes. Our indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Further, the indenture governing the Convertible Notes does not restrict our ability to incur additional indebtedness and we and our subsidiaries may incur substantial additional indebtedness in the future, subject to the restrictions contained in any future debt instruments existing at the time, some of which may be secured indebtedness.

Servicing our debt will require a significant amount of cash. We may not have sufficient cash flow from our business to pay our substantial debt, and we may not have the ability to raise the funds necessary to settle conversions of the Convertible Notes in cash or to repurchase the Convertible Notes upon a fundamental change, which could adversely affect our business and results of operations.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the amounts payable under the Convertible Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our indebtedness and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Further, holders of the Convertible Notes have the right to require us to repurchase all or a portion of their Convertible Notes upon the occurrence of a "fundamental change" (as defined in the indenture governing the Convertible Notes (the "indenture")) before the maturity date at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the Convertible Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Convertible Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes surrendered therefor or pay cash with respect to Convertible Notes being converted.

The conditional conversion feature of the Convertible Notes, when triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of the Convertible Notes will be entitled to convert their Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. As disclosed in Note 9 of notes to our consolidated financial statements, the conditional conversion feature was triggered as of January 31, 2019, and the Convertible Notes are currently convertible at the option of the holders as of January 31, 2019 through April 30, 2019.

In addition, even if holders of Convertible Notes do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. As disclosed in Note 9 of notes to our consolidated financial statements, because the conditional conversion feature was triggered as of January 31, 2019, the Convertible Notes have remained classified as current liabilities on the consolidated balance sheet as of January 31, 2019.

The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Convertible Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at the issuance date and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the Convertible Notes. As a result, we will be required to record a greater amount of non-cash interest expense as a result of the amortization of the discounted carrying value of the Convertible Notes to their face amount over the term of the Convertible Notes. We will report larger net losses (or lower net income) in our financial results because ASC 470-20 will require interest to include both the amortization of the debt discount and the instrument's non-convertible coupon interest rate, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Convertible Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partly in cash may be accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of such Convertible Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of such Convertible Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the Convertible Notes, then our diluted earnings per share could be adversely affected.

The capped call transactions may affect the value of the Convertible Notes and our common stock.

In connection with the pricing of the Convertible Notes, we entered into capped call transactions with certain financial institutions. The capped call transactions are expected generally to reduce or offset the potential dilution upon conversion of the Convertible Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, these financial institutions or their respective affiliates likely purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Convertible Notes. These financial institutions or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the Convertible Notes and prior to the maturity of the Convertible Notes (and are likely to do so during any observation period related to a conversion of Convertible Notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Convertible Notes.

The potential effect, if any, of these transactions and activities on the price of our common stock or the Convertible Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

Conversion of the Convertible Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Convertible Notes, or may otherwise depress the price of our common stock.

The conversion of some or all of the Convertible Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Convertible Notes. The Convertible Notes are currently convertible and may from time to time in the future be convertible at the option of their holders prior to their scheduled terms under certain circumstances. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could be used to satisfy short positions, or anticipated conversion of the Convertible Notes into shares of our common stock could depress the price of our common stock.

Risks Related to Ownership of Our Common Stock

Our stock price has been subject to fluctuations, and will likely continue to be subject to fluctuations and decline, due to factors beyond our control and you may lose all or part of your investment.

The market price of our common stock is subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors, as well as the volatility of our common stock, could affect the price at which our convertible noteholders could sell the common stock received upon conversion of the Convertible Notes and could also impact the trading price of the Convertible Notes. Since shares of our common stock were sold in our initial public offering in October 2016 at a price of $18.00 per share, the reported high and low sales prices of our common stock has ranged from $22.50 to $87.00 through January 31, 2019. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- the overall performance of the equity markets;
- our operating performance and the performance of other similar companies;
- changes in our projected operating results and key metrics that we provide to the public, our failure to meet or exceed these projections or changes in recommendations by securities analysts that elect to follow our common stock;

- announcements of technological innovations, pricing changes, new software or enhancements to services, acquisitions, strategic alliances or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software or network problems;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, market conditions in our industry and the industries of our customers;
- extraordinary expenses such as litigation or other dispute-related expenses or settlement payments;
- the size of our market float; and
- any other factors discussed in this annual report.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

Sales of a substantial number of shares of our common stock in the public market, or the perception that they might occur, could cause the price of our common stock to decline.

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers, and significant stockholders. The shares held by these persons may be sold in the public market in the United States, subject to prior registration in the United States, if required, or reliance upon an exemption from United States registration, including, in the case of shares held by affiliates or control persons, compliance with the volume restrictions of Rule 144. In addition, some of our executive officers have entered into Rule 10b5-1 trading plans under which they have contracted with a broker to sell shares of our common stock on a periodic basis.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, for whatever reason, could cause the market price of our common stock and the trading price of the Convertible Notes to decline or make it more difficult for our stockholders to sell their common stock at a time and price that they deem appropriate and could impair our ability to raise capital through the sale of additional equity or equity linked securities. In addition, we have filed a registration statement to register shares reserved for future issuance under our equity compensation plans. Subject to the satisfaction of applicable exercise periods and, in the case of shares held by affiliates or control persons, compliance with the volume restrictions of Rule 144, the shares issued upon exercise of outstanding stock options, settlement of outstanding restricted stock units, or conversion of the Convertible Notes into common stock will be available for immediate resale in the United States in the open market.

We have also reserved a substantial amount of shares of our common stock in connection with awards issued under our equity incentive plans and upon conversion of the Convertible Notes, the issuance of which will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such issuance or conversion could adversely affect prevailing market prices of our common stock.

We are unable to predict the effect that sales, or the perception that our shares may be available for sale, will have on the prevailing market price of our common stock and the trading price of the Convertible Notes.

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

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

In addition, independent industry analysts, such as Gartner and Forrester, often provide reviews of our products and platform capabilities, as well as those of our competitors, and perception of our offerings in the marketplace may be significantly influenced by these reviews. We have no control over what these industry analysts report, and because industry analysts may influence current and potential customers, our brand could be harmed if they do not provide a positive review of our products and platform capabilities or view us as a market leader.

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

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders, including holders of our Convertible Notes who receive shares of our common stock upon conversion of the Convertible Notes, must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Delaware law, provisions in our amended and restated certificate of incorporation ("Restated Certificate") and amended and restated bylaws ("Restated Bylaws"), and provisions in the indenture for our Convertible Notes could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock and Convertible Notes.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our Restated Certificate and Restated Bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- the requirement of a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including to remove directors;

- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our Restated Certificate relating to the management of our business or our Restated Bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision.

In addition, if a fundamental change occurs prior to the maturity date of the Convertible Notes, holders of the Convertible Notes will have the right, at their option, to require us to repurchase all or a portion of their Convertible Notes. If a "make-whole fundamental change" (as defined in the indenture) occurs prior the maturity date, we will in some cases be required to increase the conversion rate of the Convertible Notes for a holder that elects to convert its Convertible Notes in connection with such make-whole fundamental change. Furthermore, the indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Convertible Notes.

These and other provisions in our Restated Certificate, Restated Bylaws, Convertible Notes, indenture and in Delaware law could deter or prevent a third party from acquiring us or could make it more difficult for stockholders or potential acquirors to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including to delay or impede a merger, tender offer, or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and the trading price of the Convertible Notes and limit opportunities for you to realize value in a corporate transaction.

Our Restated Certificate provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Restated Certificate provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our Restated Certificate or our Restated Bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may discourage these types of lawsuits. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we might incur additional costs associated with resolving such action in other jurisdictions.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease approximately 69,220 square feet of space for our corporate headquarters in San Mateo, California pursuant to a master lease that expires in April 2024.

We have additional domestic offices in New York, Cincinnati, Pittsburgh, Boca Raton, San Diego, and Reno. We also have international offices in Australia, Canada, Germany, India, Ireland, Italy, Mexico, the Netherlands, Singapore, Sweden, Switzerland, the United Kingdom, and Japan. We may further expand our facilities capacity as our employee base grows. We believe that we will be able to obtain additional space on commercially reasonable terms.

Item 3. Legal Proceedings.

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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 common stock is traded on the Nasdaq Global Select Market under the symbol "COUP."

Holders

As of January 31, 2019 there were 109 registered stockholders of record of our common stock and we believe a substantially greater number of beneficial owners who hold shares through brokers, banks or other nominees.

Dividends

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends will be made at the discretion of our board of directors subject to applicable laws and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on our capital stock may also be limited by the terms of any future debt or preferred securities or future credit facility.

Unregistered Sales of Equity Securities

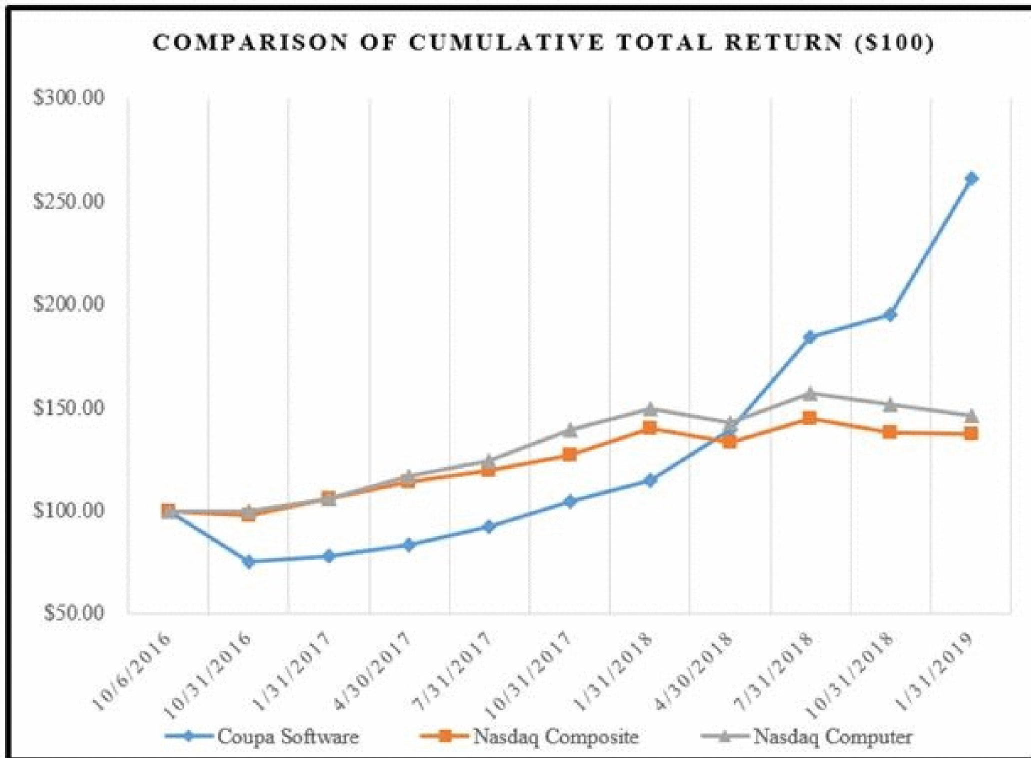
On August 1, 2018, the Company completed the acquisition of the technology assets of DCR Workforce Inc. ("DCR") for aggregate cash consideration of $25.0 million paid at closing (of which $3.8 million is being held back by the Company until the second anniversary after closing of the acquisition) and certain contingent stock consideration that may be earned and issued in the future. The maximum contingent stock consideration that may be earned and issued is up to 668,740 shares of the Company's common stock. The payout of the contingent stock consideration will be determined based on the achievement of distinct revenue performance targets for each of three separate measurement periods that continue through December 31, 2022. During the year ended January 31, 2019, the revenue performance target for the first measurement period ending October 31, 2019 has been fully met, and therefore the Company issued 291,602 shares of the Company's common stock to the shareholders of DCR in the fourth quarter ending January 31, 2019. This transaction was exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act.

Performance Graph

The following shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any of our other filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the Nasdaq Composite Index and the Nasdaq Computer Index. The graph assumes $100 was invested at the market close on October 6, 2016, which was our initial trading day, in our common stock. Data for the Nasdaq Composite Index and the Nasdaq Computer Index assume reinvestment of dividends. Our offering price of our common stock in our IPO, which had a closing stock price of $33.28 on October 6, 2016, was $18.00 per share.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.



Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included within this Annual Report on Form 10-K. The consolidated statements of operations data for the fiscal years ended January 31, 2019, 2018 and 2017, and the consolidated balance sheet data as of January 31, 2019 and 2018 are derived from our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for the fiscal years ended January 31, 2016 and 2015, and the consolidated balance sheet data as of January 31, 2017, 2016 and 2015 are derived from audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our future results. The selected consolidated financial data in this section are not intended to replace our consolidated financial statements and the related notes, and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Since we adopted the new revenue standard effective on February 1, 2018 using the modified retrospective method, the financial data for fiscal 2019 were prepared under the new revenue standard, and the financial data for the years from fiscal 2015 to 2018 were prepared prior to the adoption of the new revenue standard. See Note 2 "Significant Accounting Policies—Recent Accounting Guidance—Recently Adopted Accounting Pronouncements."

	For the year ended January 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Subscription services	$ 233,428	$ 164,865	$ 117,788	$ 75,667	$ 43,051
Professional services and other	26,938	21,915	15,987	8,011	7,794
Total revenues	260,366	186,780	133,775	83,678	50,845
Cost of revenues:					
Subscription services(1)	53,153	36,481	25,055	16,804	8,813
Professional services and other(1)	30,301	23,425	21,214	15,107	9,911
Total cost of revenues	83,454	59,906	46,269	31,911	18,724
Gross profit	176,912	126,874	87,506	51,767	32,121
Operating expenses:					
Research and development(1)	61,608	44,536	30,262	22,767	11,887
Sales and marketing(1)	105,659	88,722	68,562	54,713	33,724
General and administrative(1)	57,005	38,578	24,106	19,540	13,146
Total operating expenses	224,272	171,836	122,930	97,020	58,757
Loss from operations	(47,360)	(44,962)	(35,424)	(45,253)	(26,636)
Interest expense	(12,518)	(502)	(14)	—	—
Interest income and other, net	3,817	3,307	(1,321)	(568)	(563)
Loss before provision for (benefit from) income taxes	(56,061)	(42,157)	(36,759)	(45,821)	(27,199)
Provision for (benefit from) income taxes	(537)	1,648	848	335	101
Net loss	$ (55,524)	$ (43,805)	$ (37,607)	$ (46,156)	$ (27,300)
Net loss per share attributable to common stockholders, basic and diluted(2)	$ (0.96)	$ (0.83)	$ (1.88)	$ (9.81)	$ 9.10
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted(2)	57,716	52,999	19,988	4,704	2,999
Other Financial Data:					
Non-GAAP operating profit (loss)	$ 12,466	$ (11,833)	$ (24,869)	$ (32,355)	$ (17,818)
Non-GAAP net profit (loss)	$ 11,583	$ (11,319)	$ (27,125)	$ (33,258)	$ (18,482)
Free cash flows	$ 29,908	$ 15,138	$ (25,446)	$ (25,937)	$ (14,299)

(1) Includes stock-based compensation expense as follows:

	For the year ended January 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Cost of revenues:					
Subscription services	$ 4,285	$ 2,105	$ 715	$ 235	$ 109
Professional services and other	4,269	2,722	772	1,014	110
Research and development	11,841	6,928	1,766	1,236	337
Sales and marketing	14,786	8,476	3,130	1,347	433
General and administrative	17,765	9,464	3,069	6,736	818
Total stock-based compensation	$ 52,946	$ 29,695	$ 9,452	$ 10,568	$ 1,807

(2) See Note 13 to our consolidated financial statements for an explanation of the method used to calculate basic and diluted net loss per share attributable to common stockholders.

	As of January 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 141,250	$ 412,903	$ 201,721	$ 92,348	$ 41,974
Marketable securities	180,169	—	—	—	—
Working capital	32,051	335,278	153,039	48,601	13,278
Total assets	740,064	572,450	283,864	139,926	69,606
Deferred revenue, current and non-current	182,587	128,030	90,840	64,926	40,739
Convertible senior notes, net	174,615	163,010	—	—	—
Convertible preferred stock	—	—	—	164,950	88,444
Total stockholders' equity (deficit)	313,281	240,545	173,892	(106,239)	(72,569)

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We regularly review the measures set forth below as we evaluate our business.

	For the year ended January 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Non-GAAP operating profit (loss)	$ 12,466	$ (11,833)	$ (24,869)	$ (32,355)	$ (17,818)
Non-GAAP net profit (loss)	11,583	(11,319)	(27,125)	(33,258)	(18,482)
Free cash flows	29,908	15,138	(25,446)	(25,937)	(14,299)

We define non-GAAP operating profit (loss) as operating profit (loss) before stock-based compensation, litigation-related costs, and amortization of acquired intangible assets. We define non-GAAP net profit (loss) as net profit (loss) before stock-based compensation, litigation-related costs and amortization of acquired intangible assets, amortization of debt discount and issuance costs, and related tax effects including non-recurring income tax adjustments. We define free cash flows as operating cash flows less purchases of property and equipment.

We believe non-GAAP operating profit (loss) and non-GAAP net profit (loss) provide investors and other users of our financial information consistency and comparability with our past financial performance and facilitate period to period comparisons of operations. We believe non-GAAP operating profit (loss) and non-GAAP net profit (loss) are useful in evaluating our operating performance compared to that of other companies in our industry, as these metrics generally eliminate the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance. We believe information regarding free cash flows provides useful information to investors because it is an indicator of the strength and performance of our business operations.

We use non-GAAP operating profit (loss), non-GAAP net profit (loss) and free cash flows in conjunction with traditional GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. Our definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP operating profit (loss), non-GAAP net profit (loss) and free cash flows should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with GAAP.

We compensate for these limitations by providing investors and other users of our financial information a reconciliation of non-GAAP operating profit (loss) to loss from operations, non-GAAP net profit (loss) to net loss, and free cash flows, to the related GAAP financial measure. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view non-GAAP operating profit (loss), non-GAAP net profit (loss), and free cash flows in conjunction with loss from operations, net loss, and the consolidated statements of cash flows. The following tables provide a reconciliation of loss from operations to non-GAAP operating profit (loss), from net loss to non-GAAP net profit (loss), and from net cash provided by (used in) operating activities to free cash flows:

	For the year ended January 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Loss from operations	$ (47,360)	$ (44,962)	$ (35,424)	$ (45,253)	$ (26,636)
Stock-based compensation	52,946	29,695	9,452	10,568	1,807
Litigation-related costs	—	—	151	1,943	6,958
Amortization of acquired intangible assets	6,880	3,434	952	387	53
Non-GAAP operating profit (loss)	$ 12,466	$ (11,833)	$ (24,869)	$ (32,355)	$ (17,818)

	For the year ended January 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Net loss	$ (55,524)	$ (43,805)	$ (37,607)	$ (46,156)	$ (27,300)
Stock-based compensation	52,946	29,695	9,452	10,568	1,807
Litigation-related costs	—	—	151	1,943	6,958
Amortization of acquired intangible assets	6,880	3,434	952	387	53
Amortization of debt discount and issuance costs	11,605	459	—	—	—
Aggregate adjustment for income taxes	(4,324)	(1,102)	(73)	—	—
Non-GAAP net profit (loss)	$ 11,583	$ (11,319)	$ (27,125)	$ (33,258)	$ (18,482)

	For the year ended January 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Net cash provided by (used in) operating activities	$ 37,436	$ 19,626	$ (20,955)	$ (22,069)	$ (11,929)
Less: purchases of property and equipment	(7,528)	(4,488)	(4,491)	(3,868)	(2,370)
Free cash flows	$ 29,908	$ 15,138	$ (25,446)	$ (25,937)	$ (14,299)

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. As discussed in the section titled "Note About 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 materially 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 identified below, those discussed in "Note About Forward-Looking Statements" and those discussed in the section titled "Risk Factors" under Part I, Item 1A in this Annual Report on Form 10-K.

Overview

We are a leading provider of business spend management ("BSM") solutions, with a comprehensive, cloud-based platform that connects our customers with more than four million suppliers globally.

Our platform provides greater visibility into and control over how companies spend money. Using our platform, businesses are able to achieve real, measurable value and savings that drive their profitability; we call this "Value as a Service." We refer to the process companies use to purchase goods and services as business spend management and to the money that they manage with this process as spend under management. We offer a comprehensive, cloud-based BSM platform that is tightly integrated and delivers a broad range of capabilities that would otherwise require the purchase and use of multiple disparate point applications. The core of our platform consists of procurement, invoicing and expense management modules that form our transactional engine and capture a company's spend. In addition, our platform offers supporting modules to help companies further manage their spend, including strategic sourcing, spend analysis, contract management, supplier management, contingent workforce and inventory management. We also offer a purchasing program, Coupa Advantage, that leverages the collective buying power of Coupa customers, and we provide benchmarking and insights to customers on our BSM platform through a solution we refer to as Community Intelligence. Moreover, through our Coupa Open Business Network, suppliers of all sizes can easily interact with buyers electronically, thus significantly reducing paper, improving operating efficiencies and reducing costs.

We offer access to our platform under a Software-as-a-Service ("SaaS") business model. At the time of initial deployment, our customers often make a set of common functions available to the majority of their licensed employees, as well as incremental modules for select employees and procurement specialists, who we refer to as power users. Therefore, we are typically able to capture a majority of the expected annual recurring revenue opportunity at the inception of our customer relationships, rather than targeting specific power users at the outset of the customer relationship with the intention of expanding and getting more annual recurring revenue at later stages of the customer relationship. Customers can rapidly implement our platform, with implementation periods typically ranging from a few weeks to several months. Customers also benefit from software updates that typically require little downtime.

We market and sell our solutions to a broad range of enterprises worldwide. We have a diverse, multi-national customer base spanning various sizes and industries and no significant customer concentration. No customer accounted for more than 10% of our total revenues for the years ended January 31, 2019, 2018 and 2017, respectively.

We market our platform primarily through a direct sales force and also benefit from leads driven by our partner ecosystem. Our initial contract terms are typically three years, although some customers commit for longer or shorter periods. Substantially all of our customers pay annually, one year in advance. We provide a scaled pricing model based on the number of users per module—as the number of users increases, the subscription price per user decreases. Our subscription fee includes access to our service, technical support and management of the hosting infrastructure. We generally recognize revenues from our subscription fees ratably over the contractual term of the arrangement. We do not charge suppliers who are on our platform to transact with our customers. We believe this approach helps attract more suppliers to our platform and increases the value of our platform to customers.

We have continued to make significant expenditures and investments for long-term growth, including investment in our platform and infrastructure to deliver new functionality and modules to meet the evolving needs of our customers and to take advantage of our market opportunity. We intend to continue to increase our investment in sales and marketing, as we further expand our sales teams, increase our marketing activities, and grow our international operations. Internationally, we currently offer our platform in Europe, the Middle East and Africa ("EMEA"), Latin America ("LATAM") and Asia-Pacific ("APAC"), including Japan. The combined revenues from non-U.S. regions, as determined based on the billing address of our customers, constituted 38%, 35% and 32%, respectively, of our total revenues for the years ended January 31, 2019, 2018 and 2017. We believe there is further opportunity to increase our international revenues in absolute dollars and as a percentage of our total revenues. As a result, we are increasingly investing in our international operations and we intend to expand our footprint in international markets.

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 United States. Because of our limited experience with international operations, our international expansion efforts may not be successful in creating additional demand for our platform outside of the United States or in effectively selling subscriptions to our platform in any or all of the international markets we enter.

Recent Business Developments

In August 2018, we completed the acquisition of the technology assets of DCR Workforce Inc. ("DCR"), a provider of contingent workforce management and services procurement software, for aggregate cash consideration of $25.0 million paid at closing (of which $3.8 million is being held back until the second anniversary of the closing of the acquisition) and contingent stock consideration that may be earned and issued in the future. The maximum contingent stock consideration that may be earned and issued is up to 668,740 shares of Coupa's common stock. The payout of the contingent stock consideration is determined based on the achievement of distinct revenue performance targets for each of three separate measurement periods that continue through December 31, 2022. The fair value of the contingent stock consideration was determined to be $27.2 million, resulting in a total purchase consideration of $52.2 million. During the year ended January 31, 2019, the revenue performance target for the first measurement period ending October 31, 2019 was fully met, and therefore we issued 291,602 shares of our common stock to the shareholders of DCR in the fourth quarter ending January 31, 2019.

In October 2018, we completed the acquisition of Vinimaya, Inc., a real-time supplier catalog search company, which conducted business as Aquiire. We paid aggregate consideration of approximately $49.5 million, comprised of $30.5 million in cash (of which $3.8 million is being held in escrow for 18 months after the transaction closing date) and 300,560 shares of Coupa's common stock with fair value of approximately $19.0 million (of which 37,570 shares are being held back by Coupa for 18 months after closing of the acquisition).

In December 2018, we completed the acquisition of Hiperos, LLC, a leading third-party risk management provider. We paid aggregate consideration of approximately $94.8 million in cash (of which $8.6 million is being held in escrow for 18 months after the transaction closing date). The Hiperos acquisition extended Coupa's capability to manage third-party risk and compliance including advanced risks such as information security, bribery and corruption, and demanding new data privacy regulations like the General Data Protection Regulation.

Our Business Model

Our business model focuses on maximizing the lifetime value of a customer relationship, and we continue to make significant investments in order to grow our customer base. Due to our subscription model, we recognize subscription revenues ratably over the term of the subscription period. As a result, the profitability of a customer to our business in any particular period depends in part upon how long a customer has been a subscriber on our platform. In general, the associated upfront costs with respect to new customers are higher in the first year than the aggregate revenues we recognize from those new customers in the first year. We believe that, over time, as our customer base grows and a relatively higher percentage of our subscription revenues are attributable to renewals versus new customers or upsells to existing customers, associated sales and marketing expenses and other allocated upfront costs as a percentage of revenues will decrease, subject to investments we plan to make in our business. Over the lifetime of the customer relationship, we also incur sales and marketing costs to manage the account, renew or upsell the customer to more modules and more users. However, these costs are significantly less than the costs

initially incurred to acquire the customer. We calculate the lifetime value of our customers and associated customer acquisition costs for a particular year by comparing (i) gross profit from net new subscription revenues for the year multiplied by the inverse of the estimated subscription renewal rate to (ii) total sales and marketing expense incurred in the preceding year. On this basis, we estimate that for each of fiscal 2019, 2018 and 2017, the calculated lifetime value of our customers has exceeded six times the associated cost of acquiring them.

Key Metrics

We review the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions:

	As of January 31,		
	2019	2018	2017
Cumulative spend under management ($ billions)	$ 1,079.2	$ 680.2	$ 364.6
Backlog ($ millions)	$ 349.0	$ 230.8	$ 168.2
Deferred revenue ($ millions)	$ 182.6	$ 128.0	$ 90.8
Total customers	988	717	535

Cumulative Spend Under Management

Cumulative spend under management represents the aggregate amount of money that has been transacted through our core Coupa platform for all of our customers collectively since we launched our core platform. We calculate this metric by aggregating the actual transaction data for purchase orders, invoices and expenses from customers on our core Coupa platform. Cumulative spend under management does not include spending data associated with modules from acquired companies. The cumulative spend under management metrics presented above do not directly correlate to our revenue or results of operations because we do not generally charge our customers based on actual usage of our core platform. However, we believe the cumulative spend under management metrics do illustrate the adoption, scale and value of our platform, which we believe enhances our ability to maintain existing customers and attract new customers.

Backlog and Deferred Revenue

Backlog represents future non-cancellable amounts to be invoiced under our agreements. We generally sign multiple-year subscription contracts and invoice an initial annual amount at contract signing followed by subsequent annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in our consolidated financial statements, and are considered by us to be backlog. We expect backlog to fluctuate up or down from period to period for several reasons, including the timing and duration of customer contracts, varying billing cycles and the timing and duration of customer renewals.

In addition, our deferred revenue consists of amounts that have been invoiced but that have not yet been recognized as revenues as of the end of a reporting period. We generally sign multiple year subscription contracts for our platform and invoice an initial amount at contract signing followed by subsequent annual invoices. The majority of our deferred revenue balance consists of subscription revenues that are recognized ratably over the contractual period. Together, the sum of deferred revenue and backlog represents the total billed and unbilled contract value and provides visibility into future revenue streams.

Total Customers

We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large corporation that has an active contract with us or our partner to access our services. We believe the number of total customers is a key indicator of our market penetration, growth and future revenues. Our ability to attract new customers is primarily affected by the effectiveness of our marketing programs and our direct sales force. Accordingly, we have aggressively invested in and intend to continue to invest in our direct sales force. In addition, we are continuing to pursue additional partnerships with global systems integrators and other strategic partners.

Components of Results of Operations

Revenues

We offer subscriptions to our cloud-based BSM platform, including procurement, invoicing and expense management. We derive our revenues primarily from subscription fees and professional services fees. Subscription revenues consist primarily of fees to provide our customers access to our cloud-based platform, which includes routine customer support at no additional cost. Professional services fees include deployment services, optimization services, and training. Subscription revenues are a function of renewal rates, the number of customers, the number of users at each customer, the number of modules subscribed to by each customer, and the price of our modules.

Generally, subscription fees are recognized ratably as revenues over the contract term beginning on the date the application is made available to the customer. Our new business subscriptions typically have a term of three years, although some customers commit for longer or shorter periods. We generally invoice our customers in annual installments at the beginning of each year in the subscription period. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably over the subscription period. Amounts that will be invoiced and recognized as revenue in future periods are reflected as remaining performance obligations within our notes to our consolidated financial statements.

Professional services revenues consist primarily of fees associated with the implementation and configuration of our subscription service. Professional services are generally sold on a time-and-materials or fixed-fee basis. Revenue for both time-and-material and fixed-fee arrangements are recognized over-time as the services are performed. We have the ability to reasonably measure progress toward complete satisfaction of the professional services arrangement. For fixed-fee arrangements, we recognize revenue on the basis of performed hours relative to the total estimated hours to complete satisfaction of the professional service arrangement.

Our professional services engagements typically span from a few weeks to several months. For this reason, our professional services revenues may fluctuate significantly from period to period. The terms of our typical professional services arrangements provide that our customers pay us within 30 days from the invoice date. Fixed-fee services arrangements are generally invoiced in advance. We have made significant investments in our professional services business that are designed to ensure customer success and adoption of our platform. We are continuing to invest in expanding our professional services partner ecosystem to further support our customers. As the professional services practices of our partner firms continue to develop, we expect them to increasingly contract directly with our subscription customers and we incentivize our sales force to further this objective.

Cost of Revenues

Subscription Services

Cost of subscription services consists primarily of expenses related to hosting our service and providing customer support. Significant expenses are comprised of data center capacity costs; personnel and related costs directly associated with our cloud infrastructure and customer support, including salaries, benefits, bonuses and stock-based compensation; allocated overhead; amortization of developed technology and capitalized software development costs.

Professional Services and Other Cost of Revenues

Cost of professional services and other cost of revenues consist primarily of personnel and related costs directly associated with our professional services and training departments, including salaries, benefits, bonuses and stock-based compensation; the costs of contracted third-party vendors; and allocated overhead. These costs are generally expensed in the period incurred.

Professional services associated with the implementation and configuration of our subscription platform are performed directly by our services team, as well as by contracted third-party vendors. In cases in which third party vendors invoice us for services performed for our customers, those fees are accrued over the requisite service period.

Operating Expenses

Research and Development

Research and development expenses consist primarily of personnel costs of our development team, including salaries, benefits, bonuses, stock-based compensation expense and allocated overhead costs. Our cycle of frequent updates has facilitated rapid innovation and the introduction of new modules throughout our history. We have aggressively invested, and intend to continue to invest, in developing technology to support our growth. We capitalize certain software development costs that are attributable to developing new modules and features and adding incremental functionality to our platform, and we amortize such costs as costs of subscription revenues over the estimated life of the new application or incremental functionality, which is either two years or three years.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel and related costs directly associated with our sales and marketing staff, including salaries, benefits, bonuses, commissions and stock-based compensation. Commissions earned by our sales force that are considered incremental costs for obtaining a noncancellable subscription contract are deferred and amortized over a period of benefit that we have determined to be five years. Other sales and marketing costs include promotional events to promote our brand, including our INSPIRE conferences, advertising, allocated overhead and amortization of customer relationships and trademark.

General and Administrative

General and administrative expenses consist of personnel costs and related expenses for executive, finance, legal, human resources, recruiting, and administrative personnel, including salaries, benefits, bonuses and stock-based compensation expense; professional fees for external legal, accounting, recruiting and other consulting services; allocated overhead costs; and legal settlements.

Interest Expense

Interest expense consists primarily of interest expense associated with our convertible senior notes issued in January 2018.

Interest Income and Other, Net

Interest income and Other, net consists primarily of interest income earned on our investments in marketable securities and cash and cash equivalents, in addition to the effects of exchange rates on our foreign currency-denominated asset and liability balances. All translation adjustments are recorded as foreign currency gains (losses) in the consolidated statements of operations.

Provision for (Benefit from) Income Taxes

Provision for income taxes consists primarily of income taxes related to foreign and state jurisdictions in which we conduct business. Benefit from income taxes is primarily related to the release of a valuation allowance for deferred tax assets for the year ended January 31, 2019, partially offset by income taxes related to foreign and state jurisdictions. We maintain a full valuation allowance on net deferred tax assets of our U.S. and the majority of our international entities as we have concluded that it is not more likely than not that the deferred assets will be utilized.

On December 22, 2017, the Tax Act was enacted into law, which significantly changes existing U.S. tax law and includes numerous provisions that affect our business, such as imposing a one-time transition tax on deemed repatriation of deferred foreign income, reducing the U.S. federal statutory tax rate, and adopting a modified territorial tax system.

Results of Operations

The following tables set forth selected consolidated statements of operations data and such data as a percentage of total revenues for each of the periods indicated:

	For the year ended January 31,		
	2019	2018	2017
		(in thousands)	
Revenues:			
Subscription services	$ 233,428	$ 164,865	$ 117,788
Professional services and other	26,938	21,915	15,987
Total revenues	260,366	186,780	133,775
Cost of revenues:			
Subscription services	53,153	36,481	25,055
Professional services and other	30,301	23,425	21,214
Total cost of revenues	83,454	59,906	46,269
Gross profit	176,912	126,874	87,506
Operating expenses:			
Research and development	61,608	44,536	30,262
Sales and marketing	105,659	88,722	68,562
General and administrative	57,005	38,578	24,106
Total operating expenses	224,272	171,836	122,930
Loss from operations	(47,360)	(44,962)	(35,424)
Interest expense	(12,518)	(502)	(14)
Interest income and other, net	3,817	3,307	(1,321)
Loss before provision for (benefit from) income taxes	(56,061)	(42,157)	(36,759)
Provision for (benefit from) income taxes	(537)	1,648	848
Net loss	$ (55,524)	$ (43,805)	$ (37,607)

	For the year ended January 31,		
	2019	2018	2017
Revenues:			
Subscription services	90 %	88 %	88 %
Professional services and other	10	12	12
Total revenues	100	100	100
Cost of revenues:			
Subscription services	20	20	19
Professional services and other	12	13	16
Total cost of revenues	32	33	35
Gross profit	68	67	65
Operating expenses:			
Research and development	24	24	23
Sales and marketing	41	48	51
General and administrative	22	21	18
Total operating expenses	87	93	92
Loss from operations	(19)	(26)	(27)
Interest expense	(5)	—	—
Interest income and other, net	1	2	(1)
Loss before provision for (benefit from) income taxes	(23)	(24)	(28)
Provision for (benefit from) income taxes	—	1	1
Net loss	(23)%	(25)%	(29)%

Fiscal Years Ended January 31, 2019, 2018 and 2017

Revenues

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
Subscription services	$ 233,428	$ 164,865	$ 117,788	42%	40%
Professional services and other	26,938	21,915	15,987	23%	37%
Total revenues	$ 260,366	$ 186,780	$ 133,775	39%	40%

Total revenues were $260.4 million for the fiscal year ended January 31, 2019, compared to $186.8 million for the fiscal year ended January 31, 2018, an increase of $73.6 million, or 39%. Subscription services revenues were $233.4 million, or 90% of total revenues, for the fiscal year ended January 31, 2019, compared to $164.9 million, or 88% of total revenues, for the fiscal year ended January 31, 2018. This increase in absolute dollars was primarily due to the acquisition of new customers, the sale of additional users or modules to existing customers, and to a lesser extent, new revenues generated by the acquisitions completed during the fourth quarter ended January 31, 2018 and the fiscal year ended January 31, 2019. Professional services revenues were $26.9 million for the fiscal year ended January 31, 2019, compared to $21.9 million for the fiscal year ended January 31, 2018. This increase of $5.0 million, or 23%, was primarily due to new revenues generated from acquisitions completed during the fiscal year ended January 31, 2019 and increase in training services.

Total revenues were $186.8 million for the fiscal year ended January 31, 2018, compared to $133.8 million for the fiscal year ended January 31, 2017, an increase of $53.0 million, or 40%. Subscription services revenues were $164.9 million, or 88% of total revenues, for the fiscal year ended January 31, 2018, compared to $117.8 million, or 88% of total revenues, for the fiscal year ended January 31, 2017. This increase in absolute dollars was primarily due to the acquisition of new customers, the sale of additional users or modules to existing customers, and to a lesser extent, new revenues generated by the acquisitions completed during the fiscal year ended January 31, 2018. Professional services revenues were $21.9 million for the fiscal year ended January 31, 2018, compared to $16.0 million for the fiscal year ended January 31, 2017. This increase of $5.9 million, or 37%, was primarily due to an increase in customers and a favorable impact from the timing of completion of various projects for which revenue was recognized under the completed performance method of accounting.

Cost of Revenues

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
Subscription services	$ 53,153	$ 36,481	$ 25,055	46%	46%
Professional services and other	30,301	23,425	21,214	29%	10%
Total cost of revenues	$ 83,454	$ 59,906	$ 46,269	39%	29%

Cost of subscription services was $53.2 million for the fiscal year ended January 31, 2019, compared to $36.5 million for the fiscal year ended January 31, 2018, an increase of $16.7 million, or 46%. The increase in cost of subscription services was primarily due to an increase of $6.8 million in hosting fees to accommodate our increased customer footprint and increased consumption by our recent acquisitions, an increase of $6.0 million in employee compensation costs related to higher headcount, including stock-based compensation costs, an increase of $2.6 million in amortization of intangible assets due to acquisitions completed during the fourth quarter ended January 31, 2018 and the fiscal year ended January 31, 2019, and an increase of $2.4 million related to allocated facilities and other costs driven by our overall growth. These increases were offset by a $1.1 million decrease in amortization of capitalized software development costs during the year.

Cost of subscription services was $36.5 million for the fiscal year ended January 31, 2018, compared to $25.1 million for the fiscal year ended January 31, 2017, an increase of $11.4 million, or 46%. The increase in cost of subscription services was primarily due to an increase of $4.0 million in employee related expenses largely due to higher stock-based compensation costs, an increase of $2.4 million in hosting fees to accommodate customer growth, an increase of $2.3 million in amortization of capitalized software development costs and intangible assets due to acquisitions completed during the year, an increase of $2.7 million related to allocated facilities and other costs driven by our overall growth.

Cost of professional services was $30.3 million for the fiscal year ended January 31, 2019, compared to $23.4 million for the fiscal year ended January 31, 2018, an increase of $6.9 million, or 29%. The increase in cost of professional services was primarily due to an increase of $5.7 million in employee related expenses related to higher headcount, including stock-based compensation costs, and an increase of $1.2 million related to allocated facilities and travel costs driven by our overall growth.

Cost of professional services was $23.4 million for the fiscal year ended January 31, 2018, compared to $21.2 million for the fiscal year ended January 31, 2017, an increase of $2.2 million, or 10%. The increase in cost of professional services was primarily due to an increase of $5.0 million in employee related expenses largely due to higher stock-based compensation costs, and an increase of $1.1 million related to allocated facilities and travel costs driven by our overall growth. These increases were offset by a $3.9 million decrease in costs associated with work performed by subcontractors for engagements where we or our partner firms had contracted directly with the customer to perform the professional services.

Gross Profit

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
Gross profit	$ 176,912	$ 126,874	$ 87,506	39%	45%

Gross profit was $176.9 million for the fiscal year ended January 31, 2019, compared to $126.9 million for the fiscal year ended January 31, 2018, an increase of $50.0 million, or 39%. The increase in gross profit was primarily due to the acquisition of new customers, and the sale of new additional users or modules to existing customers, in addition and to a lesser extent, new revenues generated by the acquisitions completed during the fourth quarter ended January 31, 2018 and the fiscal year ended January 31, 2019. Gross margin percentage, defined as gross profit divided by total revenues, was 68% for the fiscal year ended January 31, 2019, compared to 67% for the fiscal year ended January 31, 2018.

Gross profit was $126.9 million for the fiscal year ended January 31, 2018, compared to $87.5 million for the fiscal year ended January 31, 2017, an increase of $39.4 million, or 45%. The increase in gross profit was primarily due to the acquisition of new customers, and the sale of new additional users or modules to existing customers, in addition and to a lesser extent, new revenues generated by the acquisitions completed during the fiscal year ended January 31, 2018. In addition, professional services gross profit improved, driven by a favorable impact from the timing of completion of various projects for which revenue was recognized under the completed performance method of accounting. Gross margin percentage, defined as gross profit divided by total revenues, was 67% for the fiscal year ended January 31, 2018, compared to 65% for the fiscal year ended January 31, 2017.

Operating Expenses

Research and Development

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
Research and development	$ 61,608	$ 44,536	$ 30,262	38%	47%

Research and development expenses were $61.6 million for the fiscal year ended January 31, 2019, compared to $44.5 million for the fiscal year ended January 31, 2018, an increase of $17.1 million, or 38%. The increase was primarily due to an increase of $13.0 million in employee related expenses largely due to higher headcount and stock-based compensation costs, an increase of approximately $2.0 million primarily related to contracted consultant costs of acquired entities, and an increase of $2.1 million related to allocated facilities, travel and other costs driven by our overall growth. We expect research and development expenses will continue to increase in absolute dollars in fiscal 2020 as we continue to invest in research and development activities.

Research and development expenses were $44.5 million for the fiscal year ended January 31, 2018, compared to $30.3 million for the fiscal year ended January 31, 2017, an increase of $14.2 million, or 47%. The increase was primarily due to an increase of $12.4 million in employee related expenses largely due to higher headcount and stock-based compensation costs, and an increase of $1.8 million related to allocated facilities, travel and other costs driven by our overall growth.

Sales and Marketing

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
Sales and marketing	$ 105,659	$ 88,722	$ 68,562	19%	29%

Sales and marketing expenses were $105.7 million for the fiscal year ended January 31, 2019, compared to $88.7 million for the fiscal year ended January 31, 2018, an increase of $17.0 million, or 19%. The increase was primarily due to an increase of $10.4 million in employee related expenses largely due to higher headcount and stock-based compensation costs, an increase of $3.1 million in marketing, travel and event costs, an increase of $2.3 million related to allocated facilities costs and other costs driven by our overall growth, and an increase of $1.2 million for the amortization of customer relationships arising from acquisitions. We expect sales and marketing expenses will continue to increase in absolute dollars and as a percentage of revenue in fiscal 2020 as we continue to expand our operations.

Sales and marketing expenses were $88.7 million for the fiscal year ended January 31, 2018, compared to $68.6 million for the fiscal year ended January 31, 2017, an increase of $20.1 million, or 29%. The increase was primarily due to an increase of $15.4 million in employee related expenses largely due to higher headcount and stock-based compensation costs, an increase of $2.8 million in marketing, travel and event costs, an increase of $1.9 million related to allocated facilities costs and other costs driven by our overall growth.

General and Administrative

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
General and administrative	$ 57,005	$ 38,578	$ 24,106	48%	60%

General and administrative expenses were $57.0 million for the fiscal year ended January 31, 2019, compared to $38.6 million for the fiscal year ended January 31, 2018, an increase of $18.4 million, or 48%. The increase was primarily due to an increase of $14.3 million in employee related expenses largely due to higher headcount and stock-based compensation costs, $2.5 million for professional and outside services primarily related to acquisition cost for the completed acquisitions during the year and recruiting expenses, and an increase of $1.6 million related to allocated facilities costs, travel and other costs driven by our overall growth. We expect general and administrative expenses will continue to increase in absolute dollars in fiscal 2020 due to the growth of our company.

General and administrative expenses were $38.6 million for the fiscal year ended January 31, 2018, compared to $24.1 million for the fiscal year ended January 31, 2017, an increase of $14.5 million, or 60%. The increase was primarily due to an increase of $10.5 million in employee related expenses largely due to higher headcount and stock-based compensation costs, $3.4 million for professional and outside services due to the continued transition to being a public company, and an increase of $0.6 million related to allocated facilities costs, travel and other costs driven by our overall growth.

Interest Expense

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
		(in thousands)			
Interest expense	$ 12,518	$ 502	$ 14	NM	NM

Interest expense was $12.5 million for the fiscal year ended January 31, 2019, compared to an interest expense of $0.5 million for the fiscal year ended January 31, 2018, an increase of $12.0 million. The increase in interest expense was primarily due to the interest accrued on the convertible notes and amortization of the debt discount and issuance costs on our convertible senior notes issued in the fourth quarter of fiscal 2018.

Interest expense was $0.5 million for the fiscal year ended January 31, 2018, compared to an interest expense of $14,000 for the fiscal year ended January 31, 2017, an increase of $488,000. The increase in interest expense was primarily due to the interest accrued on the convertible notes and amortization of the debt discount and issuance costs on our convertible senior notes issued in the fourth quarter of fiscal 2018.

Interest Income and Other, Net

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
	(in thousands)				
Interest income and other, net	$ 3,817	$ 3,307	$ (1,321)	15%	NM

Interest income and other, net was $3.8 million for the fiscal year ended January 31, 2019, compared to an interest income and others of $3.3 million for the fiscal year ended January 31, 2018, an increase of $0.5 million. The increase in interest income and other net was due to a $4.6 million increase in interest income and accretion income earned from our greater investment in marketable securities and money market funds, offset by a $4.1 million unfavorable change in foreign currency exchange impact, primarily driven by the weakened British Pound and Euro during the fiscal year.

Interest income and other, net was $3.3 million for the fiscal year ended January 31, 2018, compared to a net loss of $1.3 million for the fiscal year ended January 31, 2017, an increase of $4.6 million. The increase was due to $3.1 million of favorable foreign currency impact, primarily driven by the strengthened British Pound and Euro during the period, $0.9 million increase in interest income, and $0.6 million mark-to-market expense related to an outstanding warrant that was recorded in fiscal year 2017.

Provision for (Benefit From) Income Taxes

	For the year ended January 31,			2018 to 2019	2017 to 2018
	2019	2018	2017	% Change	% Change
	(in thousands)				
Provision for (benefit from) income taxes	$ (537)	$ 1,648	$ 848	-133%	94%

The benefit from income taxes was $0.5 million for the year ended January 31, 2019, compared to an income tax provision of $1.6 million for income taxes for the year ended January 31, 2018. The $2.1 million decrease primarily relates to an income tax benefit of $3.1 million due to the release of valuation allowance which resulted from the recording of deferred income tax liabilities associated with the Aquiire acquisition during the year ended January 31, 2019. This decrease was partially offset by increased tax expense primarily in foreign jurisdictions.

Provision for income taxes was $1.6 million for the fiscal year ended January 31, 2018, compared to $0.8 million for the year ended January 31, 2017, an increase of $0.8 million. This increase is driven by our increased tax expense primarily in foreign jurisdictions.

Liquidity and Capital Resources

As of January 31, 2019, our principal sources of liquidity were cash, cash equivalents and marketable securities of approximately $321.4 million. We had an outstanding debt in the form of convertible senior notes with a $230 million principal amount as of January 31, 2019. For more than twenty trading days during the thirty consecutive trading days ended January 31, 2019, the last reported sale price of our common stock exceeded 130% of the conversion price of the convertible senior notes. As a result, the convertible senior notes were convertible at the option of the holders and the $174.6 million carrying amount of the convertible senior notes was classified as a short-term liability which reduced the net working capital compared to the prior year.

In conjunction with the issuance of the convertible senior notes, we entered into a capped call transaction that reduces our exposure to additional cash payments above the $230 million principal balance in the event of a cash conversion of the senior convertible notes. We may owe additional cash to the note holders upon early conversion if our stock price exceeds $63.821 per share. Although our incremental exposure to the additional cash payment above the principal amount of the senior convertible notes is reduced by the capped call, we may experience dilution to the ownership interests of existing stockholders.

Our cash equivalents are comprised primarily of bank deposits and money market funds. We believe our existing cash and cash equivalents will be sufficient to meet our projected operating requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including our pace of growth, subscription renewal activity, the timing and extent of spend to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced services offerings and the continuing market acceptance of our services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

Operating Activities

For the year ended January 31, 2019, cash provided by operating activities was $37.4 million, compared to $19.6 million for the year ended January 31, 2018. This increase was driven by growth in customer billings and collections on accounts receivable, partially offset by increased payments for operating expenses which were higher compared to the previous year due to increased headcount and overall growth.

Cash provided by operating activities of $19.6 million for the fiscal year ended January 31, 2018, was primarily due to stock-based compensation of $29.7 million, depreciation and amortization, including deferred commissions, of $11.6 million, and a change in the working capital of $21.7 million, offset by a net loss of $43.8 million. The net change in operating assets and liabilities was primarily due to a favorable change from the deferred revenue balance of $36.1 million and accrued expenses and other liabilities of $7.1 million partially offset by the unfavorable change in accounts receivable of $10.7 million, deferred commissions of $5.7 million, accounts payable of $4.0 million and prepaid and other assets of $1.1 million.

Cash used in operating activities of $21.0 million for the fiscal year ended January 31, 2017, was primarily due to a net loss of $37.6 million, partially offset by stock-based compensation of $9.5 million, and depreciation and amortization, including deferred commissions, of $8.6 million. The net change in operating assets and liabilities was primarily due to an unfavorable change from increases in accounts receivable of $20.0 million, deferred commissions of $4.5 million and prepaid and other assets of $5.7 million, partially offset by the favorable change in the deferred revenue balance of $25.9 million and accrued expenses, accounts payable and other liabilities of $2.0 million.

Investing Activities

Cash used in investing activities for the fiscal year ended January 31, 2019 of $330.2 million was primarily related to the net purchase of marketable securities of $178.8 million, $143.9 million spent on business acquisitions, net of cash acquired, and purchases of property and equipment of $7.5 million.

Cash used in investing activities for the fiscal year ended January 31, 2018, of $50.6 million was primarily related to the acquisitions of Trade Extensions and Simeno for $46.1 million and purchases of property and equipment of $4.5 million.

Cash used in investing activities for the fiscal year ended January 31, 2017, of $11.2 million was primarily related to the acquisition of Spend360 for $6.8 million and purchases of property and equipment of $4.5 million.

Financing Activities

Cash provided by financing activities for the fiscal year ended January 31, 2019 of $21.1 million, was primarily due to proceeds from the exercise of stock options and issuance of our common stock under the stock purchase and stock option plans, offset by the payment of $0.6 million in issuance costs related to the issuance of our convertible notes.

Cash provided by financing activities for the fiscal year ended January 31, 2018, of $241.9 million, was primarily due to the net proceeds obtained from the issuance of the convertible notes net of issuance costs incurred and costs to purchase the capped call for approximately $200.4 million, cash raised in our follow-on common stock offering net of underwriting discount, commissions and offering costs for $22.3 million and $19.3 million in proceeds from the exercise of stock options and issuance of our common stock under the stock purchase and stock option plans.

Cash provided by financing activities for the fiscal year ended January 31, 2017, of $141.6 million, was primarily due to the net proceeds raised in our IPO for $137.2 million and $4.3 million in proceeds from the exercise of stock options.

Off-Balance Sheet Arrangements

Through January 31, 2019, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Commitments and Contractual Obligations

Our principal commitments and contractual obligations consist of our senior notes due in 2023, obligations under operating leases for office facilities and contractual purchase obligations for hosting services that support our business operations. The following table summarizes our non-cancelable contractual obligations as of January 31, 2019.

		Payments due by period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Convertible senior notes(1)	$ 230,000	$ —	$ —	$ 230,000	$ —
Aggregate interest obligation(1)(2)	3,451	863	1,725	863	—
Operating lease obligations	33,694	7,349	13,791	11,323	1,231
Purchase obligations	24,500	12,500	12,000	—	—
Total contractual obligations	$ 291,645	$ 20,712	$ 27,516	$ 242,186	$ 1,231

(1) The conversion period for the Convertible Notes was open as of January 31, 2019, and as such the net carrying value of the Convertible Notes is included within current liabilities on our Consolidated Balance Sheet. The principal balances of the Convertible Notes are reflected in the payment period in the table above based on the contractual maturity assuming no conversion.

(2) Represents estimated aggregate interest obligations for our outstanding Convertible Notes that are payable in cash.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. 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 primarily from subscription services fees and professional services fees. Revenues are recognized when control of these services are transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Revenues are recognized net of applicable taxes imposed on the related transaction. Our revenue recognition policy follows guidance from Accounting Standards Codification 606, *Revenue from Contracts with Customers (Topic 606)*.

We determine revenue recognition through the following five-step framework:

- 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.

Subscription Services Revenues

We offer subscriptions to our cloud-based business spend management platform, including procurement, invoicing and expense management. Subscription services revenues consist primarily of fees to provide our customers access to our cloud-based platform, which includes routine customer support. Subscription service contracts do not provide customers with the right to take possession of the software, are non-cancelable, and do not contain general rights of return. Generally subscription revenues are recognized ratably over the contractual term of the arrangement, beginning on the date that the service is made available to the customer. Subscription contracts typically have a term of three years with invoicing occurring in annual installments at the beginning of each year in the subscription period.

Professional Services Revenues

We offer professional services which include deployment services, optimization services, and training. Professional services are generally sold on a time-and-materials basis or fixed-fee basis. For services billed on a time-and-materials basis, revenue is recognized over time as services are performed. For services billed on a fixed-fee basis, invoicing typically occurs in advance, and revenue is recognized over time based on the proportion performed.

Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. For these contracts, we account for individual performance obligations separately if they are distinct. Subscription services and professional services are both distinct performance obligations that are accounted for separately. In contracts with multiple performance obligations, the transaction price is allocated to each separate performance obligations on a relative standalone selling price basis.

The determination of standalone selling price ("SSP") for each distinct performance obligations requires judgment. We determine SSP for performance obligations based on overall pricing objectives, which take into consideration market conditions and entity-specific factors. This includes a review of historical sales data related to the size of arrangements, the cloud applications being sold, customer demographics and the numbers and types of users within the arrangements. We use a range of amounts to estimate SSP for performance obligations. There is typically more than one SSP for individual products and services due to the stratification of those products and services by certain considerations such as size and type of customer.

Deferred Commissions

Commissions are earned by sales personnel upon the execution of the sales contract by the customer, and commission payments are made shortly after they are earned. Commission costs can be associated specifically with subscription and professional services arrangements. Commissions earned by our sales personnel are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit of five years. We determined the period of benefit by taking into consideration our past experience with customers, future cash flows expected from customers, industry peers and other available information.

We capitalized commission costs of $15.3 million, $5.7 million and $4.5 million and amortized $5.8 million, $4.0 million and $4.0 million to sales and marketing expense in the accompanying consolidated statements of operations during the years ended January 31, 2019, 2018 and 2017, respectively. This increase of capitalized commissions costs during the fiscal year ended January 31, 2019, was primarily due to our adoption of ASC 606 on February 1, 2018.

Capitalized Software Development Costs

We capitalize certain development costs incurred in connection with software development for our cloud-based platform. Costs incurred in the preliminary stages of development are expensed as incurred.

Once software has reached the application development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. These software development costs are recorded as part of property and equipment. Capitalized software development costs are amortized on a straight-line basis over the technology's estimated useful life, which is generally two to three years. During the fiscal year ended January 31, 2019 we capitalized $5.6 million in software development costs. Amortization expense related to software development costs was approximately $3.1 million for the fiscal year ended January 31, 2019. We capitalized software development costs of $4.2 million and amortized $3.9 million to expense during the fiscal year ended January 31, 2018. We capitalized software development costs of $4.3 million and amortized $3.3 million to expense during the fiscal year ended January 31, 2017.

Costs incurred in the maintenance and minor upgrade and enhancement of Company's software platform without adding additional functionality are expensed as incurred.

Stock-Based Compensation

Stock-based compensation expense is measured and recognized in the financial statements based on the fair value of the awards granted. The fair value of stock options and shares issued from our employee share purchase plan are estimated on the grant date using the Black-Scholes option-pricing model. The fair value of an RSU is

measured using the fair value of our common stock on the date of the grant. The fair value of market-based awards is determined using a Monte Carlo simulation approach. Stock-based compensation expense is recognized over the requisite service periods of the awards, which is generally four years.

Our use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including the fair value of our underlying common stock, expected term of the option, expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock*. Prior to our initial public offering in October 2016, our stock was not publicly traded and we estimated the fair value of common stock using various methodologies, including valuation analyses performed by third-party valuation firms. After the initial public offering, we used the publicly quoted price as the fair value of our common stock.
- *Expected Term*. The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. To determine the expected term, we generally apply the simplified approach in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award as we do not have sufficient historical exercise data to provide a reasonable basis for an estimate of expected term.
- *Risk-Free Interest Rate*. We base the risk-free interest rate on the yields of U.S. Treasury securities with maturities approximately equal to the term of employee stock option awards.
- *Expected Volatility*. As we do not have an extensive trading history for our common stock, the expected volatility for our common stock has been estimated by taking the historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option awards. Industry peers consist of several public companies in our industry.
- *Dividend Rate*. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. As a result, we use a dividend rate of zero.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets and Assumed Liabilities

We account for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. For acquired businesses, we record tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition dates. The excess of the purchase price over those fair values is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Accounting for business combinations requires our management to make significant estimates and assumptions at the acquisition date, including estimated fair value of acquired intangible assets, and related amortization period. The estimates of fair value require management to also make estimates of, among other things, future expected cash flows, discount rates or expected costs to reproduce an asset. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, these estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain.

We review goodwill for impairment annually during the fourth quarter or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. As of January 31, 2019, no impairment of goodwill has been identified.

Acquired finite-lived intangible assets are amortized over their estimated useful lives. We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. We have not recorded any significant impairment charges during the years presented.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of our finite-lived intangible assets. If we modify the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized over the revised estimated useful life.

Convertible Notes

We account for the issued Convertible Notes as separate liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated conversion feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Convertible Notes as a whole. This difference represents a debt discount that is amortized to interest expense over the term of the Convertible Notes using the effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. We allocated issuance costs incurred to the liability and equity components. Issuance costs attributable to the liability component are being amortized to expense over the respective term of the Convertible Notes, and issuance costs attributable to the equity component were netted with the respective equity component in Additional paid-in capital.

Income Taxes

We account for income taxes under the asset and liability method. We record deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect to recover or settle those temporary differences. We recognize the effect of a change in tax rates on deferred tax assets and liabilities in the results of operations in the period that includes the enactment date. We assess the likelihood that deferred tax assets will be realized, and we recognize a valuation allowance if it is more likely than not that some portion of the deferred tax assets will not be realized. This assessment requires judgment as to the likelihood and amounts of future taxable income by tax jurisdiction.

We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more likely than not that the position will be sustained upon examination. We recognize potential accrued interest and penalties associated with unrecognized tax positions within our global operations in income tax expense.

The Tax Cuts and Jobs Act, or the Tax Act, was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate tax rate from 35% to 21%, requiring companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. In connection with the initial analysis of the impact of the Tax Act during the fiscal year ended January 31, 2018, we remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The remeasurement of our deferred tax balance was offset by application of our valuation allowance. As of January 31, 2019, there are no specific impacts of Tax Reform that could not be reasonably estimated which the Company accounted for under prior tax law.

The SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As a result, we previously provided a provisional estimate of the effect of the Tax Act in our financial statements. In the fourth quarter of fiscal 2019, we completed our analysis to determine the effect of the Tax Act and recorded immaterial adjustments as of January 31, 2019.

Recent Accounting Pronouncements

Refer to Note 2, "Significant Accounting Policies" in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report for analysis of recent accounting pronouncements that are applicable to our business.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro and British Pound Sterling. Due to the relative size of our international operations to date, our foreign currency exposure has been limited and thus we have not instituted a hedging program. We performed a sensitivity analysis as of January 31, 2019 and determined that a 10% change in the value of the U.S. dollar would result in an approximate $3.3 million impact on our current year net loss. We performed a sensitivity analysis as of January 31, 2018 and determined that a 10% change in the value of the U.S. dollar would result in an approximate $3.1 million impact on our prior year net loss. We expect our international operations to continue to grow in the near term and we are continually monitoring the foreign currency exposure to determine when we should begin a hedging program. Most of our agreements have been, and we expect will continue to be, denominated in U.S. dollars.

Market Risk and Market Interest Risk

In January 2018, we issued $230 million aggregate principal amount of 0.375% convertible senior notes due 2023. Our Convertible Notes have fixed annual interest rates at 0.375% and, therefore, we do not have economic interest rate exposure on our Convertible Notes. However, the values of the Convertible Notes are exposed to interest rate risk. Generally, the fair market value of our fixed interest rate Convertible Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair values of the Convertible Notes are affected by our stock price. The fair value of the convertible senior notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. Additionally, we carry the convertible senior notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only.

Our exposure to interest rate risk also is related to our interest-bearing assets, primarily our cash, cash equivalents and marketable securities. Fluctuations in interest rates impact the yield of the investment. A hypothetical 100 basis points increase in interest rates would have impacted interest income by $2.8 million for the year ended January 31, 2019 and $2.0 million for the year ended January 31, 2018.

Item 8. Financial Statements and Supplementary Data.

The financial statements and supplementary financial information required by this Item 8 are included in our consolidated financial statements and notes and are set forth in the pages indicated in Part IV, Item 15(a) of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the

SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of January 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

b) Management's Report on Internal Control 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 Rule 13a-15(f). Our internal control over financial reporting is 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.

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). In accordance with guidance issued by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. We have excluded from our evaluation of the internal control over financial reporting current year acquisitions, all of which are included in the January 31, 2019 consolidated financial statements and constituted collectively less than 3% of total assets and 3% of total revenues as of and for the year ended January 31, 2019. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of January 31, 2019.

The effectiveness of our internal control over financial reporting as of January 31, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

c) Changes in Internal Control Over Financial Reporting.

There was no change in our internal control over financial reporting that occurred during the quarter ended January 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

d) Inherent Limitations on Effectiveness of Controls.

Our management, including our principal executive officer and principal 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, 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.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information called for by this item will be set forth in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended January 31, 2019 (Proxy Statement) and is incorporated herein by reference.

Item 11. Executive Compensation.

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents Filed with Report

(1) *Financial Statements.*

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(2) *Financial Statement Schedules.*

Schedule II – Valuation and Qualifying Accounts
(in thousands)

	Balance as of beginning of year	Additions	Deductions	Balance as of end of year
Year ended January 31, 2019				
Allowance for doubtful accounts	$ 9	$ 94	$ (33)	$ 70
Year ended January 31, 2018				
Allowance for doubtful accounts	$ 672	$ 105	$ (768)	$ 9
Year ended January 31, 2017				
Allowance for doubtful accounts	$ 115	$ 562	$ (5)	$ 672

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

(3) *Exhibits.*

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Share purchase agreement dated April 7, 2017.	8-K	001-37901	2.1	4/7/2017	
2.2	Purchase Agreement, dated December 4, 2018, by and among Coupa Software Incorporated, Hiperos, LLC, GTCR/Opus Blocker Corp., GTCR Fund X/C LP, GTCR/Opus Splitter LP, and Opus Global Holdings, LLC.	8-K	001-37901	2.1	12/10/2018	
3.1	Amended and Restated Certificate of Incorporation of Registrant.	10-Q	001-37901	3.1	12/9/2016	
3.2	Amended and Restated Bylaws of Registrant.	10-Q	001-37901	3.2	12/9/2016	
4.1	Amended and Restated Investors' Rights Agreement, dated May 26, 2015, by and among the Registrant and the parties thereto.	S-1	333-213546	4.1	9/8/2016	
4.2	Waiver of Notice and Registration Rights and Amendment to Amended and Restated Investors Rights Agreement.	S-1/A	333-217105	4.1.2	4/10/2017	
4.3	Indenture dated as of January 17, 2018, between the Company and Wilmington Trust, National Association, as trustee.	8-K	001-37901	4.1	1/18/2018	
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-213546	10.1	9/23/2016	
10.2*	2006 Stock Plan, as amended, and forms of agreements thereunder.	S-1/A	333-213546	10.2	9/23/2016	
10.3*	Registrant's 2016 Equity Incentive Plan and forms of agreements thereunder.	S-1/A	333-213546	10.3	9/23/2016	
10.4*	Registrant's 2016 Employee Stock Purchase Plan and form of Participation Agreement thereunder.	S-1/A	333-213546	10.4	10/4/2016	
10.5*	Incentive Bonus Plan.	S-1	333-213546	10.5	9/8/2016	
10.6*	Offer Letter, dated May 19, 2016, and Severance and Change in Control Agreement, between the Registrant and Robert Bernshteyn.	S-1	333-213546	10.6	9/8/2016	

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.7*	Offer Letter, dated May 19, 2016, and Severance and Change in Control Agreement, between the Registrant and Todd Ford.	S-1	333-213546	10.8	9/8/2016	
10.8*	Offer Letter, dated September 27, 2017, and Severance and Change in Control Agreement, between the Registrant and Mark Riggs.					X
10.9*	Offer Letter, dated August 25, 2016, between the Registrant and Steven Winter.	S-1	333-213546	10.10	9/8/2016	
10.10*	Offer Letter, dated May 19, 2016, and Severance and Change in Control Agreement, between the Registrant and Ravi Thakur.	S-1	333-213546	10.9	9/8/2016	
10.11	Lease Agreement, dated March 20, 2014, among the Registrant and Crossroads Associates and Clocktower Associates, as amended.	S-1	333-213546	10.11	9/8/2016	
10.11.1	Third Amendment, dated May 1, 2017, to the Lease Agreement by and between the Registrant and BCSP Crossroads Property LLC.	10-Q	001-37901	10.1	9/8/2017	
10.12*	Compensation Program for Non-Employee Directors.	10-Q	001-37901	10.1	9/6/2018	
10.13	Form of Base Capped Call Confirmation.	8-K	001-37901	99.1	1/18/2018	
10.14	Form of Additional Capped Call Confirmation.	8-K	001-37901	99.2	1/18/2018	
10.15	Form of Director Confidentiality Agreement.	10-K	001-37901	10.14	3/28/2018	
21.1	List of Subsidiaries of Registrant.					X
23.1	Consent of Independent Registered Public Accounting Firm.					X
24.1	Power of Attorney (contained in the signature page to this Annual Report on Form 10-K).					
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Indicates a management contract or compensatory plan.

(b) Exhibits: See Item 15(a)(3), above.

(c) Financial Statement Schedules: See Item 15(a)(2), above.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Coupa Software Incorporated

Date: March 27, 2019

By: /s/ Robert Bernshteyn
Robert Bernshteyn
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Robert Bernshteyn and Todd Ford, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, 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 in the capacities and on the dates indicated.

Name	Title	Date
/s/ Robert Bernshteyn **Robert Bernshteyn**	Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2019
/s/ Todd Ford **Todd Ford**	Chief Financial Officer (Principal Financial Officer)	March 27, 2019
/s/ Anthony Tiscornia **Anthony Tiscornia**	Chief Accounting Officer (Principal Accounting Officer)	March 27, 2019
/s/ Leslie Campbell **Leslie Campbell**	Director	March 27, 2019
/s/ Roger Siboni **Roger Siboni**	Director	March 27, 2019
/s/ Tayloe Stansbury **Tayloe Stansbury**	Director	March 27, 2019
/s/ Scott Thompson **Scott Thompson**	Director	March 27, 2019
/s/ Frank van Veenendaal **Frank van Veenendaal**	Director	March 27, 2019

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Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of Coupa Software Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Coupa Software Incorporated (the Company) as of January 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended January 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 27, 2019 expressed an unqualified opinion thereon.

Adoption of ASU No. 2014-09

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue from contracts with customers, and incremental costs to acquire contracts with customers in the year ended January 31, 2019, due to the Company's adoption of ASC No. 2014-09, *Revenue from contracts with customers.*

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.
San Jose, California
March 27, 2019

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of Coupa Software Incorporated

Opinion on Internal Control over Financial Reporting

We have audited Coupa Software Incorporated's internal control over financial reporting as of January 31, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Coupa Software Incorporated (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls over current year acquisitions, which are included in the 2019 consolidated financial statements of the Company and collectively constituted less than 3% of total assets as of January 31, 2019, and less than 3% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting over current year acquisitions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated balance sheets of the Company as of January 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended January 31, 2019 and the related notes and our report dated March 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible 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 Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

/s/ Ernst & Young LLP

San Jose, California
March 27, 2019

COUPA SOFTWARE INCORPORATED

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	As of January 31,	
	2019	**2018**
Assets		
Current assets:		
Cash and cash equivalents	$ 141,250	$ 412,903
Marketable securities	180,169	—
Accounts receivable, net of allowances	95,274	61,366
Prepaid expenses and other current assets	10,343	10,952
Deferred commissions, current portion	7,324	3,756
Total current assets	434,360	488,977
Property and equipment, net	10,549	5,186
Deferred commissions, net of current portion	18,904	3,896
Goodwill	209,560	44,410
Intangible assets, net	55,925	20,020
Other assets	10,766	9,961
Total assets	$ 740,064	$ 572,450
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,485	$ 1,342
Accrued expenses and other current liabilities	41,792	26,643
Deferred revenue, current portion	179,967	125,714
Convertible senior notes, net (Note 9)	174,615	—
Total current liabilities	401,859	153,699
Convertible senior notes, net (Note 9)	—	163,010
Deferred revenue, net of current portion	2,620	2,316
Other liabilities	22,304	12,880
Total liabilities	426,783	331,905
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.0001 par value per share; 25,000,000 shares authorized at January 31, 2019 and 2018; zero shares issued and outstanding at January 31, 2019 and 2018	—	—
Common stock, $0.0001 par value per share; 625,000,000 shares authorized at January 31, 2019 and January 31, 2018; 60,455,381 and 55,712,342 shares issued and outstanding as of January 31, 2019 and January 31, 2018, respectively	6	6
Additional paid-in capital	567,797	445,318
Accumulated other comprehensive income (loss)	335	(298)
Accumulated deficit	(254,857)	(204,481)
Total stockholders' equity	313,281	240,545
Total liabilities and stockholders' equity	$ 740,064	$ 572,450

See Notes to Consolidated Financial Statements.

COUPA SOFTWARE INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the year ended January 31,		
	2019	2018	2017
Revenues:			
Subscription services	$ 233,428	$ 164,865	$ 117,788
Professional services and other	26,938	21,915	15,987
Total revenues	260,366	186,780	133,775
Cost of revenues:			
Subscription services	53,153	36,481	25,055
Professional services and other	30,301	23,425	21,214
Total cost of revenues	83,454	59,906	46,269
Gross profit	176,912	126,874	87,506
Operating expenses:			
Research and development	61,608	44,536	30,262
Sales and marketing	105,659	88,722	68,562
General and administrative	57,005	38,578	24,106
Total operating expenses	224,272	171,836	122,930
Loss from operations	(47,360)	(44,962)	(35,424)
Interest expense	(12,518)	(502)	(14)
Interest income and other, net	3,817	3,307	(1,321)
Loss before provision for (benefit from) income taxes	(56,061)	(42,157)	(36,759)
Provision for (benefit from) income taxes	(537)	1,648	848
Net loss	$ (55,524)	$ (43,805)	$ (37,607)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.96)	$ (0.83)	$ (1.88)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	57,716	52,999	19,988

See Notes to Consolidated Financial Statements.

COUPA SOFTWARE INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	For the year ended January 31,		
	2019	2018	2017
Net loss	$ (55,524)	$ (43,805)	$ (37,607)
Other comprehensive income (loss) in relation to defined benefit plans, net of tax	598	(298)	—
Unrealized gain on marketable securities, net of tax	35	—	—
Comprehensive loss	$ (54,891)	$ (44,103)	$ (37,607)

See Notes to Consolidated Financial Statements.

COUPA SOFTWARE INCORPORATED

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(In thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at January 31, 2016	33,431,855	$ 164,950	5,758,338	$ 1	$ 16,629	$ —	$ (122,869)	$ (106,239)
Initial public offering, net of issuance costs of $5,344	—	—	8,510,000	1	137,112	—	—	137,113
Conversion of preferred stock	(33,431,855)	(164,950)	34,610,979	3	164,947	—	—	164,950
Issuance of common stock for acquisitions	—	—	150,545	—	2,357	—	—	2,357
Exercise of Series E preferred stock warrants	—	—	36,971	—	924	—	—	924
Exercise of stock options	—	—	1,184,708	—	2,186	—	—	2,186
Vesting of early exercised stock options	—	—	—	—	606	—	—	606
Stock-based compensation expense	—	—	—	—	9,551	—	—	9,551
Excess income tax benefit	—	—	—	—	51	—	—	51
Net loss	—	—	—	—	—	—	(37,607)	(37,607)
Balance at January 31, 2017	—	—	50,251,541	5	334,363	—	(160,476)	173,892
Secondary offering, net of issuance costs of $816	—	—	959,618	—	22,263	—	—	22,263
Equity component of convertible senior notes, net of issuance costs	—	—	—	—	60,470	—	—	60,470
Purchase of capped calls	—	—	—	—	(23,322)	—	—	(23,322)
Issuance of common stock for acquisitions	—	—	369,733	—	—	—	—	—
Issuance of common stock for employee share purchase plan	—	—	441,124	—	6,824	—	—	6,824
Exercise of stock options	—	—	3,399,499	1	12,498	—	—	12,499
Vesting of early exercised stock options	—	—	—	—	2,219	—	—	2,219
Stock-based compensation expense	—	—	—	—	29,803	—	—	29,803
Vested restricted stock units	—	—	290,827	—	—	—	—	—
Impact of the adoption of new accounting pronouncements	—	—	—	—	200	—	(200)	—
Other comprehensive loss	—	—	—	—	—	(298)	—	(298)
Net loss	—	—	—	—	—	—	(43,805)	(43,805)
Balance at January 31, 2018	—	$ —	55,712,342	$ 6	$ 445,318	$ (298)	$ (204,481)	$ 240,545
Issuance of common stock for acquisitions (Note 4)	—	—	553,746	—	46,157	—	—	46,157
Issuance of common stock for employee share purchase plan	—	—	505,717	—	8,778	—	—	8,778
Exercise of stock options	—	—	2,824,836	—	13,606	—	—	13,606
Vesting of early exercised stock options	—	—	—	—	333	—	—	333
Stock-based compensation expense	—	—	—	—	53,605	—	—	53,605
Vested restricted stock units	—	—	858,740	—	—	—	—	—
Impact of the adoption of new accounting pronouncements (Note 2)	—	—	—	—	—	—	5,148	5,148
Other comprehensive income	—	—	—	—	—	633	—	633
Net loss	—	—	—	—	—	—	(55,524)	(55,524)
Balance at January 31, 2019	—	$ —	60,455,381	$ 6	$ 567,797	$ 335	$ (254,857)	$ 313,281

See Notes to Consolidated Financial Statements.

COUPA SOFTWARE INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the year ended January 31,		
	2019	2018	2017
Cash flows from operating activities			
Net loss	$ (55,524)	$ (43,805)	$ (37,607)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,442	7,562	4,575
Accretion of discounts on marketable securities, net	(1,621)	—	—
Amortization of deferred commissions	5,791	4,001	4,004
Amortization of debt discount and issuance costs	11,605	459	—
Stock-based compensation	52,945	29,694	9,452
Change in fair value of preferred stock warrant liability	—	—	627
Others	282	41	355
Changes in operating assets and liabilities net of effects from acquisitions:			
Accounts receivable	(28,493)	(10,710)	(20,041)
Prepaid expenses and other current assets	410	(390)	(4,600)
Other assets	(3,402)	(746)	(1,136)
Deferred commissions	(15,332)	(5,667)	(4,468)
Accounts payable	3,182	(4,005)	224
Accrued expenses and other liabilities	11,399	7,120	1,772
Deferred revenue	45,752	36,072	25,888
Net cash provided by (used in) operating activities	37,436	19,626	(20,955)
Cash flows from investing activities			
Purchases of marketable securities	(302,922)	—	—
Maturities of marketable securities	124,139	—	—
Acquisitions, net of cash acquired	(143,885)	(46,075)	(6,750)
Purchases of property and equipment	(7,528)	(4,488)	(4,491)
Net cash used in investing activities	(330,196)	(50,563)	(11,241)
Cash flows from financing activities			
Proceeds from issuance of convertible senior notes, net of issuance costs	(639)	223,675	—
Purchase of capped calls	—	(23,322)	—
Proceeds from issuance of common stock, net of underwriting discounts, commissions and offering costs	—	22,264	137,216
Proceeds from the exercise of common stock options	12,964	12,500	4,252
Excess tax benefit from stock-based compensation	—	—	51
Proceeds from issuance of common stock for employee stock purchase plan	8,778	6,824	—
Proceeds from the exercise of preferred stock warrants	—	—	50
Net cash provided by financing activities	21,103	241,941	141,569
Net increase (decrease) in cash, cash equivalents, and restricted cash	(271,657)	211,004	109,373
Cash, cash equivalents, and restricted cash at beginning of period	412,976	201,972	92,599
Cash, cash equivalents, and restricted cash at end of period	$ 141,319	$ 412,976	$ 201,972
Supplemental disclosure of cash flow data			
Cash paid for income taxes	$ 4,910	$ 1,314	$ 390
Interest income received	$ 920	$ —	$ —
Supplemental disclosure of non-cash investing and financing activities			
Issuance of common stock in connection with acquisitions	$ 46,157	$ —	$ 2,357
Vesting of early exercised stock options	$ 333	$ 2,219	$ 606
Property and equipment included in accounts payable and accrued expenses and other current liabilities	$ 832	$ 70	$ 84
Conversion of convertible preferred stock to common stock	$ —	$ —	$ 164,950
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	$ 141,250	$ 412,903	201,721
Restricted cash, included in other assets	69	73	251
Total cash, cash equivalents, and restricted cash	$ 141,319	$ 412,976	$ 201,972

See Notes to Consolidated Financial Statements.

COUPA SOFTWARE INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Description of Business

The Company

Coupa Software Incorporated (the “Company”) was incorporated in the state of Delaware in 2006. The Company provides a comprehensive, cloud-based business spend management (or BSM) platform that provide greater visibility into and control over how companies spend money. The BSM platform enables businesses to achieve savings that drive profitability. The Company is based in San Mateo, California.

The Company’s fiscal year ends on January 31.

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the results of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated during consolidation. Certain amounts in the consolidated financial statements and notes to the consolidated financial statements for prior years have been reclassified to conform to the presentation for the year ended January 31, 2019. Net operating results have not been affected by these reclassifications.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its significant estimates including, but not limited to, the valuation of accounts receivable, the lives of tangible and intangible assets, stock-based compensation, the fair value of the contingent stock consideration, the valuation of acquired intangible assets and the recoverability or impairment of tangible and intangible assets, including goodwill, revenue recognition, the fair value of marketable securities, convertible senior notes fair value, the benefit period of deferred commissions, and provision for (benefit from) income taxes. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Foreign Currency Translation

The functional currency for the Company’s foreign operations is the U.S. dollar. Foreign currency transaction gains and losses are included in “Interest income and other, net” in the consolidated statements of operations for the period. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate prevailing on the balance sheet date. Revenues and expenses are translated at the transaction spot rate. For the years ended January 31, 2019, 2018 and 2017, realized foreign currency transaction gains and losses were comprised of a net loss of $225,000, a gain of $292,000, and a net loss of $638,000, respectively.

Risks and Uncertainties

The Company’s services are concentrated in an industry which is characterized by significant competition, rapid technological advances and changes in customer requirements and industry standards. The success of the Company depends on management’s ability to anticipate and respond quickly and adequately to technological developments in the industry and changes in customer requirements and industry standards. Any significant delays in the development or introduction of services could have a material adverse effect on the Company’s business and operating results. Furthermore, the effects of potential legal activity that could be brought against the Company,

including costs incurred to defend legal cases, relationships with customers and market perception, and the financial impact of any judicial decisions, could have a material adverse effect on the Company's business and operating results.

The Company serves customers and users from data center facilities located across various different physical locations, such as the U.S., Europe and Asia-Pacific, most of which are operated by a single third party. The Company has internal procedures to restore services in the event of disasters at the current data center facilities. Even with these procedures for disaster recovery in place, cloud applications could be significantly interrupted during the procedures to restore services.

Concentration of Risk and Significant Customers

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, marketable securities and accounts receivable. Cash deposits may, at times, exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). The Company has not experienced any losses on its deposits of cash and cash equivalents to date.

No single customer balance comprised 10% or more of total accounts receivable at January 31, 2019 or 2018.

During the years ended January 31, 2019, 2018 and 2017, revenues by geographic area, based on billing addresses of the customers, was as follows (in thousands):

	For the year ended January 31,		
	2019	2018	2017
United States	$ 161,494	$ 121,440	$ 90,449
Foreign countries	98,872	65,340	43,326
Total revenues	$ 260,366	$ 186,780	$ 133,775

No single foreign country represented more than 10% of the Company's revenues in any period.

Additionally, no single customer represented more than 10% of the Company's revenues in any period.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, marketable securities, trade receivables, accounts payable, accrued liabilities, and convertible senior notes. Cash and cash equivalents and marketable securities are reported at fair value. The recorded carrying amount of trade receivables, accounts payable, and accrued liabilities approximate their fair value due to their short-term nature. The Company carries convertible senior notes at face value less unamortized debt discount and issuance costs on its consolidated balance sheet, and it presents the fair value of the convertible senior notes for disclosure purposes only.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of less than three months from the date of purchase to be cash equivalents. The Company's cash and cash equivalents consist of monies held in bank demand deposits and money market funds and are presented at fair market value based on quoted market prices.

Marketable Securities

Marketable securities consist of financial instruments such as U.S. treasury securities, U.S. agency obligations, corporate notes and bonds, commercial paper, and asset backed securities. The Company classifies marketable securities as available-for-sale at the time of purchase and reevaluates such classification as of each balance sheet date. All marketable securities are recorded at estimated fair value.

Unrealized gains and losses for available-for-sale securities are included in accumulated other comprehensive loss, a component of stockholders' equity. The Company evaluates its marketable securities to assess whether those with unrealized loss positions are other than temporarily impaired. Impairments are considered to be other than temporary if they are related to a deterioration in credit risk or if it is likely that the Company will sell the securities before recovering its cost basis. Realized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in interest income and other, net in the consolidated statements of operations.

If quoted prices for identical instruments are available in an active market, marketable securities are classified within Level 1 of the fair value hierarchy. If quoted prices for identical instruments in active markets are not available, fair values are estimated using quoted prices of similar instruments and are classified within Level 2 of the fair value hierarchy.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs consist primarily of compensation related costs incurred for the maintenance and bug fixing of the Company's software platform, as well as planning, predevelopment and post implementation costs associated with the development of enhancements to the Company's software platform.

Advertising Costs

Advertising costs are expensed as incurred and are primarily included in sales and marketing expense in the accompanying consolidated statements of operations. Advertising expense totaled $2.2 million, $1.6 million and $446,000 for the years ended January 31, 2019, 2018 and 2017, respectively.

Capitalized Software Development Costs

The Company capitalizes certain development costs incurred in connection with software development for its cloud-based platform. Costs incurred in the preliminary stages of development are expensed as incurred. Once the software has reached the development stage, internal and external costs, if direct and incurred for adding incremental functionality to the Company's platform, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. These software development costs are recorded as part of property and equipment.

Capitalized software development costs are amortized on a straight-line basis to cost of revenues—subscription services over the technology's estimated useful life, which is generally two to three years. During the years ended January 31, 2019, 2018 and 2017, the Company capitalized $5.6 million, $4.2 million and $4.3 million, respectively, in software development costs.

Costs incurred in the maintenance and minor upgrade and enhancement of the Company's software platform without adding additional functionality are expensed as incurred.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is amortized over an estimated useful life of three to five years. Leasehold improvements are amortized over the shorter of their useful life, estimated at five years, or the remaining term of the lease. Upon retirement or sale of assets, the cost and related accumulated depreciation and amortization are removed from the consolidated balance sheet and the resulting gain or loss is reflected in the consolidated statement of operations. Maintenance and repair costs are expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill is the excess of costs over fair value of net assets of the business acquired. Goodwill and other intangible assets acquired that are determined to have an indefinite useful life are not amortized but are tested for impairment at least annually.

Other intangible assets, which includes acquired developed technology, customer relationships, and trademarks are recorded at fair value, net of accumulated amortization, and are amortized using the straight-line method. The Company assesses the impairment of long-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company has not recorded impairment charges on goodwill and other intangible assets for the periods presented in these consolidated financial statements.

Revenue Recognition

The Company derives its revenues primarily from subscription services fees and professional services fees. Revenues are recognized when control of these services are transferred to the Company’s customers in an amount that reflects the consideration expected to be entitled to in exchange for those services. Revenues are recognized net of applicable taxes imposed on the related transaction. The Company’s revenue recognition policy follows guidance from Accounting Standards Codification 606, *Revenue from Contracts with Customers (Topic 606).*

The Company determines revenue recognition through the following five-step framework:

- 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.

Subscription Services Revenues

The Company offers subscriptions to its cloud-based business spend management platform, including procurement, invoicing and expense management. Subscription services revenues consist primarily of fees to provide the Company’s customers access to its cloud-based platform, which includes routine customer support. Subscription service contracts do not provide customers with the right to take possession of the software, are non-cancelable, and do not contain general rights of return. Generally, subscription revenues are recognized ratably over the contractual term of the arrangement, beginning on the date that the service is made available to the customer. Subscription contracts typically have a term of three years with invoicing occurring in annual installments at the beginning of each year in the subscription period.

Professional Services Revenues and Other

The Company offers professional services which include deployment services, optimization services, and training. Professional services are generally sold on a time-and-materials or fixed-fee basis. For services billed on a time-and-materials basis, revenue is recognized over time as services are performed. For services billed on a fixed-fee basis, invoicing typically occurs in advance, and revenue is recognized over time based on the proportion performed.

Significant Judgments

The Company’s contracts with customers often include promises to transfer multiple products and services to a customer. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. Subscription services and professional services are both distinct performance obligations that are accounted for separately. In contracts with multiple performance obligations, the transaction price is allocated to separate performance obligations on a relative standalone selling price basis.

The determination of standalone selling price ("SSP") for each distinct performance obligations requires judgment. The Company determines SSP for performance obligations based on overall pricing objectives, which take into consideration market conditions and entity-specific factors. This includes a review of historical sales data related to the size of arrangements, the cloud applications being sold, customer demographics and the numbers and types of users within the arrangements. The Company uses a range of amounts to estimate SSP for performance obligations. There is typically more than one SSP for individual products and services due to the stratification of those products and services by considerations such as size and type of customer.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing for contracts with customers. The Company records a receivable when revenue is recognized prior to invoicing. Deferred revenue primarily consists of billings or payments received in advance of revenue recognition. Subscription services and fixed-fee professional services arrangements are commonly billed in advance, recognized as deferred revenue, and then amortized into revenue over time. However, other professional services arrangements, primarily a time-and-materials arrangement, are billed in arrears following services that have been rendered. This may result in revenue recognition greater than invoiced amounts which results in a receivable balance. Receivables represent an unconditional right to payment. As of January 31, 2019 and 2018, the balance of accounts receivable, net of the allowance for doubtful accounts, was $95.3 million and $61.4 million, respectively. Of these balances, $1.5 million and $1.2 million represent unbilled receivable amounts as of January 31, 2019 and 2018, respectively.

When the timing of revenue recognition differs from the timing of invoicing, the Company uses judgment to determine whether the contract includes a significant financing component requiring adjustment to the transaction price. Various factors are considered in this determination including the duration of the contract, payment terms, and other circumstances. Generally, the Company determined that contracts do not include a significant financing component. The Company applies the practical expedient for instances where, at contract inception, the expected timing difference between when promised goods or services are transferred and associated payment will be one year or less. Payment terms vary by contract type, however arrangements typically stipulate a requirement for the customer to pay within 30 days.

At any point in the contract term, the transaction price may be allocated to performance obligations that are unsatisfied or are partially unsatisfied. These amounts relate to remaining performance obligations on non-cancelable contracts which include both the deferred revenue balance and amounts that will be invoiced and recognized as revenue in future periods. As of January 31, 2019, the aggregate amount allocated to performance obligations that are unsatisfied was approximately $498.6 million, a majority of which is related to multi-year subscription arrangements. Approximately three fourths of this amount is expected to be recognized as revenue within the next 24 months and the remainder thereafter. The Company applies the practical expedient to exclude remaining performance obligations for which revenue is recognized on the basis when invoices are issued and remaining obligations that are part of contracts with an original expected duration of one year or less. During the year ended January 31, 2019, the revenue recognized from performance obligations satisfied in prior periods was approximately $825,000.

Accounts Receivable and Allowance for Doubtful Accounts

The Company extends credit to its customers in the normal course of business and does not require cash collateral or other security to support the collection of customer receivables. The Company estimates the amount of uncollectible accounts receivable at the end of each reporting period based on the aging of the receivable balance, historical experience, and communications with customers, and provides a reserve when needed. Accounts receivable are written off when deemed uncollectible. The allowance for doubtful accounts was not material at January 31, 2019 and 2018.

Deferred Revenue

Deferred revenue consists of customer billings or payments received in advance of the recognition of revenue and is recognized as revenue as the revenue recognition criteria are met. The Company generally invoices its customers annually for the forthcoming year of service. Accordingly, the Company's deferred revenue balance does

not include revenue for future years of multiple year non-cancellable contracts that have not yet been billed. During the year ended January 31, 2019, the Company recognized revenue of $125.6 million that was included in the deferred revenue balance as of January 31, 2018.

Deferred Commissions

Commissions are earned by sales personnel upon the execution of the sales contract by the customer, and commission payments are made shortly after they are earned. Commission costs can be associated specifically with subscription and professional services arrangements. Commissions earned by the Company's sales personnel are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit of five years. The Company determined the period of benefit by taking into consideration its past experience with customers, future cash flows expected from customers, industry peers and other available information.

The Company capitalized commission costs of $15.3 million, $5.7 million and $4.5 million and amortized $5.8 million, $4.0 million and $4.0 million to sales and marketing expense in the accompanying consolidated statements of operations during the years ended January 31, 2019, 2018 and 2017, respectively. The increase in capitalized commission costs during the year was primarily due to the adoption of the new revenue standard.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires that deferred income taxes be provided for temporary differences between the financial reporting and tax basis of the Company's assets and liabilities. In addition, deferred tax assets are recorded for the future benefit from the utilization of net operating losses and research and development credit carryforwards. A valuation allowance is provided against deferred tax assets unless it is more likely than not that they will be realized.

The Company's policy for accounting for uncertainty in income taxes requires the evaluation of tax positions taken or expected to be taken in the course of the preparation of tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained on examination by the applicable tax authorities based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. Since the date of adoption of accounting for uncertain tax positions, the Company has accrued immaterial interest and penalties associated with unrecognized tax benefits for all periods presented.

Stock-Based Compensation

The Company measures and recognizes stock-based compensation expense for all stock-based awards, including grants of stock, restricted stock units ("RSU") and options to purchase stock, made to employees, outside directors and consultants based on estimated fair values.

The Company uses the Black-Scholes option pricing model to value its options at the date of grant based on certain assumptions. The Company recognizes stock-based compensation expense for grants that vest based on only a service condition using the straight-line single-option approach. The Company recognizes stock-based compensation expense related to shares issued pursuant to its 2016 Employee Stock Purchase Plan ("ESPP") on a straight-line basis over the offering period, which is 24 months.

For RSUs, the Company generally recognizes stock-based compensation using the straight-line method as the awards only contain a service condition. The fair value of an RSU is measured using the fair value of the Company's common stock on the date of the grant.

The Company recognizes stock-based compensation expense from market-based awards using the graded-vesting method. The fair value of such awards is determined using a Monte Carlo simulation approach.

The Company records stock-based compensation expense from stock-based awards granted to non-employees at the estimated fair value of the awards upon vesting. The Company values options granted to non-employees using the Black-Scholes option pricing model. These awards are remeasured over their term until vested, exercised, cancelled or expired.

The Company recognizes stock-based compensation expense based on actual forfeitures.

Convertible Senior Notes

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

Comprehensive Loss

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive loss consists of net loss, other comprehensive income (loss) in relation to defined benefits plans, net of tax, and an unrealized gain on marketable securities, net of tax. The other comprehensive income (loss) in relationship to defined benefits plans represents net deferred gains and losses and prior service costs and credits for the defined benefit pension plans.

Recent Accounting Guidance

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which provided a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Topic 606 superseded the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of Topic 606 is to recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also includes Subtopic 340-40 which provides accounting guidance for incremental costs of obtaining a contract with a customer. The Company refers to Topic 606 and Subtopic 340-40 collectively as the "new revenue standard."

The Company adopted the new revenue standard effective on February 1, 2018 using the modified retrospective method applied to all contracts not completed as of the adoption date. Results for reporting periods beginning on February 1, 2018 are presented under the new revenue standard, while comparative results have not been restated. The primary impact of adopting the new revenue standard relates to Subtopic 340-40 and the deferral of incremental commission costs to obtain contracts with customers. Under Topic 605, the Company deferred only direct and incremental commission costs to obtain a contract and amortized those costs over the non-cancelable contract term. Under the new revenue standard, the Company defers all incremental commission costs to obtain the contract. The Company amortizes these costs over a period of benefit of five years. The adoption of the new revenue standard also removed the limitation on contingent revenue under Topic 605 which impacted revenue recognition and is reflected in the changes to the Company's revenue recognition accounting policy.

The following table summarizes the cumulative impact of adoption of the new revenue standard for revenue recognition on line items within the Consolidated Balance Sheets (in thousands):

	As of January 31, 2018		
	As Previously Reported	Adjustments for the New Revenue Standard	As Adjusted
Assets			
Deferred commissions, current portion	$ 3,756	$ 778	$ 4,534
Deferred commissions, net of current portion	3,896	8,257	12,153
Liabilities and Stockholders' Equity			
Deferred revenue, current portion	125,714	(1,732)	123,982
Deferred revenue, net of current portion	2,316	(10)	2,306
Accumulated deficit	(204,481)	10,777	(193,704)

The impact of adoption on the consolidated statements of cash flows for the year ended January 31, 2019 was immaterial. The impact to sales and marketing expense within the consolidated statements of operations was a decrease of approximately $1.7 million for the year ended January 31, 2019, due to deferred commission costs that would have been expensed prior to adoption of the new standard. The impact to total revenues within the consolidated statements of operations was an increase of approximately $810,000 for the year ended January 31, 2019, due to subscription and professional service revenues that would have not been recognized during the period prior to the adoption of the new standard. The following table summarizes the effects of the new revenue standard for revenue recognition on line items within the Consolidated Balance Sheets (in thousands):

	As of January 31, 2019		
	Prior to Adoption of the New Revenue Standard	Adjustments for the New Revenue Standard	As Adjusted
Assets			
Deferred commissions, current portion	$ 5,353	$ 1,971	$ 7,324
Deferred commissions, net of current portion	5,581	13,323	18,904
Liabilities and Stockholders' Equity			
Deferred revenue, current portion	182,509	(2,542)	179,967
Deferred revenue, net of current portion	2,539	81	2,620
Accumulated deficit	(272,612)	17,755	(254,857)

In October 2016, the FASB issued ASU No. 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). ASU 2016-16 requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As of January 31, 2018, the Company had an aggregate prepaid tax asset of $5.6 million recorded in prepayments and other current assets and other long-term assets, which represents tax expense that was deferred in accordance with GAAP prior to adoption of ASU 2016-16. The Company adopted this standard on February 1, 2018 and reversed the deferred tax charge of $5.6 million through a cumulative-effect adjustment to the accumulated deficit.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires an entity to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows, and an entity will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. This guidance is effective for annual and interim reporting periods, beginning after December 15, 2017. Entities are required to apply the standard's provisions on a retrospective basis. The Company adopted this standard on February 1, 2018, which did not have material impact on the Company consolidated statement of cash flows.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*, ("ASU 2017-07"). ASU 2017-07 provides guidance on the presentation of the service cost component and the other components of net period pension cost in the

consolidated statements of operations. The standard is effective for annual and interim reporting periods beginning after December 15, 2017 and requires retrospective adoption. The Company adopted this standard on February 1, 2018, which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* ("ASU 2017-09"), which provides clarified guidance on applying modification accounting to changes in the terms or conditions of a share-based payment award. ASU 2017-09 is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. This change is required to be applied prospectively to an award modified on or after the adoption date. The Company adopted this standard on February 1, 2018, which did not have impact on the Company's consolidated financial statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02") which provides guidance for lease accounting. Since the issuance of ASU 2016-02, the FASB has also issued ASU 2017-13, ASU 2018-01, ASU 2018-10 and ASU 2018-11, all of which clarify certain aspects of ASU 2016-02. The new lease standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new lease standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. A modified retrospective transition approach is required for lessees with capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Company will adopt this new standard as of February 1, 2019, and has elected to adopt the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the Company to carry forward historical lease classifications. The Company will also elect the practical expedient related to comparative periods, allowing it to carry forward its current accounting treatment for leases up to the date of adoption, and the practical expedient to not separate lease and non-lease components. The Company will make an accounting policy election to keep leases with an initial term of twelve months or less off of the balance sheet. The Company will recognize those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term.

The adoption of the standard will result in recognition of additional lease assets and lease liabilities between $26 million to $30 million as of February 1, 2019. The difference between the lease assets and lease liabilities will be recorded as an adjustment to retained earnings. The standard is not expected to materially affect the Company's consolidated net earnings or liquidity.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"), which simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. ASU 2017-04 also clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment, and clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for annual reporting periods beginning after January 1, 2020 and interim periods within those fiscal years. The Company has elected to early adopt this standard on February 1, 2019 and is not expecting the adoption to have an impact on its historical financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Non-Employee Share Based Payment Accounting ("ASU 2018-07"), with an intent to reduce cost and complexity and to improve financial reporting for share-based payments issued to non-employees. The amendments in ASU 2018-07 provide for the simplification of the measurement of share-based payment transactions for acquiring goods and services from non-employees. Currently, the accounting requirements for nonemployee and employee share-based payment transactions are significantly different. This standard expands the

scope of Topic 718 to include share-based payments issued to nonemployees for goods or services, aligning the accounting for share-based payments to nonemployees and employees. ASU 2018-17 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods, and early adoption is permitted. The Company does not believe that this standard will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which amends ASC 820, Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The effective date is the first quarter of fiscal year 2021, with early adoption permitted for the removed disclosures and delayed adoption until fiscal year 2021 permitted for the new disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company is currently evaluating the impact of adopting ASU 2018-13 on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, which amends FASB ASC Topic 715, "Compensation - Retirement Benefits." The amendments in this guidance modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this guidance remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. This guidance is effective for annual reporting periods ending after December 15, 2020, with early adoption permitted, and is required to be adopted retrospectively. The Company is currently evaluating the method of adoption and related impact of ASU 2018-14 on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-use Software (subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract ("ASU 2018-15"). The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The effective date is for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption allowed. The Company is currently evaluating the timing and impact of its adoption of this standard on its consolidated financial statements.

Note 3. Marketable Securities

The following is a summary of available-for-sale marketable securities, excluding those securities classified within cash and cash equivalents on the consolidated balance sheets at January 31, 2019 (in thousands):

	Amortized Cost	Unrealized Gain	Unrealized Losses	Fair Value
U.S. agency obligations	$ 40,284	$ 16	$ (5)	$ 40,295
U.S. treasury securities	84,805	29	(4)	84,830
Corporate notes and bonds	29,322	10	(6)	29,326
Commercial paper	14,876	—	—	14,876
Asset backed securities	10,835	9	(2)	10,842
Total marketable securities	$ 180,122	$ 64	$ (17)	$ 180,169

As of January 31, 2019, the fair values of available-for-sale marketable securities, by remaining contractual maturity, were as follows (in thousands):

Due within one year	$ 157,376
Due in one year through five years	22,793
	$ 180,169

The Company does not believe that any unrealized losses represent other-than-temporary impairments based on its evaluation of available evidence. To determine whether a decline in value is other-than-temporary, the

Company evaluates, among other factors: the duration and extent to which the fair value has been less than the carrying value and its intent and ability to retain the marketable securities for a period of time sufficient to allow for any anticipated recovery in fair value. The Company considers all marketable securities as available for use in current operations, including those with maturity dates beyond one year, and therefore classifies these securities as current assets in the accompanying consolidated balance sheets.

Note 4. Business Combinations

Acquisitions in Fiscal Year Ended January 31, 2019

Hiperos, LLC

On December 7, 2018, the Company acquired all the outstanding equity securities of Hiperos, LLC, a Delaware limited liability company, and GTCR/Opus Blocker Corp., a Delaware corporation, (together herein referred to as "Hiperos") for a purchase price of approximately $94.8 million in cash, subject to adjustments based on the amount of working capital of Hiperos. Approximately, $8.6 million of the purchase consideration is being held in escrow for 18 months after the transaction closing date. Hiperos is a third-party risk management provider, and the acquisition enables the Company's business spend management solution with the advanced technology to extensively evaluate the risk of supplier base to further protect brand and bottom line.

The acquisition was accounted for as a business combination and, accordingly, the total fair value of purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values on the acquisition date. The major classes of assets and liabilities to which the Company has allocated the fair value of purchase consideration were as follows (in thousands):

		December 7, 2018
Cash and cash equivalent	$	167
Accounts receivable		3,904
Intangible assets		17,585
Other assets		1,025
Goodwill		83,891
Accounts payable and other current liabilities		(2,792)
Deferred revenue		(7,938)
Other non-current liabilities		(1,000)
Total consideration	$	94,842

The Company continues to collect information with regards to its estimates and assumptions and will record any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of Hiperos, and is partially deductible for income tax purposes. The Company determined the fair values of intangible assets acquired and liabilities assumed with the assistance of third party valuation consultants. Based on this valuation, the intangible assets acquired are (in thousands):

		Fair Value	Useful life (in Years)
Developed technology	$	10,000	6
Customer relationships		7,400	5
Trademarks	$	185	1
Total intangible assets	$	17,585	

The Company incurred costs related to this acquisition of approximately $1.0 million for the year ended January 31, 2019. All acquisition related costs were expensed as incurred and have been recorded in general and administrative expenses in the accompanying consolidated statements of operations.

The revenue and earnings of the acquired business have been included in the Company's results since the acquisition date and are not material to the Company's consolidated financial results. The following unaudited pro forma financial information presents combined results of operations for each of the periods presented, as if Hiperos had been acquired as of the beginning of the comparable prior annual reporting period, giving effect on a pro forma basis to purchase accounting adjustments such as amortization of intangible assets and acquisition-related costs. The unaudited pro forma information presented below is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of the Company's fiscal year 2018 or of the results of the Company's future operations of the combined business (in thousands).

	Fiscal Year	
	2019	**2018**
Pro forma total revenues	$ 277,888	$ 206,610
Pro forma net loss	$ (54,653)	$ (59,858)

Vinimaya, Inc. (d/b/a Aquiire)

On October 12, 2018, the Company completed its acquisition of Vinimaya, Inc. which conducted business as Aquiire. Aquiire is a real-time supplier catalog search company, and the acquisition extended the Company's capability to deliver a comprehensive business-to-business shopping experience spanning real-time, cached, and localized catalog search.

The acquisition was accounted for as a business combination and, accordingly, the total fair value of purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values on the acquisition date. The total fair value of the purchase consideration was approximately $49.5 million, comprised of $30.5 million in cash (of which $3.8 million is being held back by the Company for 18 months after closing of the acquisition) and 300,560 shares of the Company's common stock with fair value of approximately $19.0 million (of which 37,570 shares are being held back by the Company for 18 months after closing of the acquisition).

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

	October 12, 2018
Accounts receivable	$ 1,511
Intangible assets	12,400
Other assets	1,104
Goodwill	41,898
Accounts payable and other liabilities	(1,610)
Deferred revenue	(2,609)
Deferred tax liability, net	(3,174)
Total consideration	$ 49,520

Other assets include indemnification assets totaling approximately $1.1 million due to an assumed liability for which the seller is responsible. The Company will continue to collect information and reevaluate the estimates and assumptions and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of Aquiire and is not expected to be deductible for income tax purposes. The Company determined the fair values of intangible assets acquired and liabilities assumed with the assistance of third party valuation consultants. Based on this valuation, the intangible assets acquired are (in thousands):

	Fair Value	Useful life (in Years)
Developed technology	$ 8,900	5
Customer relationships	3,500	5
Total intangible assets	$ 12,400	

The Company incurred costs related to this acquisition of approximately $517,000 during the year ended January 31, 2019. All acquisition related costs were expensed as incurred and have been recorded in general and administrative expenses in the accompanying consolidated statements of operations.

The revenue and earnings of the acquired business have been included in the Company's results since the acquisition date and are not material to the Company's consolidated financial results. Pro forma results of operations for this acquisition have not been presented as the financial impact to the Company's consolidated financial statements would be immaterial.

DCR Workforce, Inc.

On August 1, 2018, the Company completed the acquisition of the technology assets of DCR Workforce Inc. ("DCR") for aggregate cash consideration of $25.0 million paid at closing (of which $3.8 million is being held back by the Company until the second anniversary after closing of the acquisition) and contingent stock consideration that may be earned and issued in the future. The maximum contingent stock consideration that may be earned and issued is up to 668,740 shares of the Company's common stock. The payout of the contingent stock consideration will be determined based on the achievement of distinct revenue performance targets for each of three separate measurement periods that continue through December 31, 2022.

The acquisition was accounted for as a business combination. The contingent stock consideration for each of three separate measurement periods may individually result in the delivery of a fixed number of shares and as a result it was classified as equity on the Company's consolidated balance sheet. The fair value of the contingent consideration as of the acquisition date was determined using the Monte Carlo simulation method. This estimate was based on level 3 inputs under the fair value measurement and disclosure guidance which are not observable in the market including estimated amount and timing of future revenues and discount rate. During the year ended January 31, 2019, the revenue performance target for the first measurement period ending October 31, 2019 has been fully met, and therefore the Company issued 291,602 shares of the Company's common stock to the shareholders of DCR in the fourth quarter ending January 31, 2019.

The aggregate fair value of purchase consideration of $52.2 million, comprised of $25.0 million cash consideration and $27.2 million stock consideration, was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values on the acquisition date.

The major classes of assets to which the Company has allocated the fair value of purchase consideration were as follows (in thousands):

	August 1, 2018
Other current assets	$ 46
Intangible assets	12,800
Goodwill	39,361
Total consideration	$ 52,207

There were no liabilities assumed by the Company for the DCR acquisition. The Company continues to collect information and reevaluate the estimates and assumptions and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of DCR and is expected to be deductible for income tax purposes. The Company determined the fair values of intangible assets acquired with the assistance of third party valuation consultants. Based on this valuation, the intangible assets acquired are as follows (in thousands):

	Fair Value	Useful life (in Years)
Developed technology	$ 9,500	5
Customer relationships	3,300	5
Total intangible assets	$ 12,800	

The Company incurred costs related to this acquisition of approximately $327,000 during year ended January 31, 2019. All acquisition related costs were expensed as incurred and have been recorded in general and administrative expenses in the accompanying consolidated statements of operations.

The revenue and earnings of the acquired business have been included in the Company's results since the acquisition date. Pro forma results of operations for this acquisition have not been presented as the financial impact to the Company's consolidated financial statements would be immaterial.

In conjunction with the acquisition of technology assets of DCR, the Company signed a license agreement with DCR pursuant to which the Company granted DCR a limited, non-sublicensable, non-transferable, and nonexclusive license right to use certain of the intellectual property that the Company acquired from DCR. The Company also signed a transition service agreement, pursuant to which DCR will provide administrative services to the Company during a transitional service period to support the continuing operation of the acquired business. In addition, the Company signed a three-year office lease agreement beginning from August 1, 2018 with an entity that is wholly owned by the shareholders of DCR. Refer to Note 16 Related Parties for additional disclosure on the agreements.

Acquisitions in Fiscal Year Ended January 31, 2018

Simeno Holdings AG

On December 1, 2017, the Company acquired all of the issued and outstanding capital stock held by of Simeno Holdings AG ("Simeno"), a Switzerland based cross-catalog search and catalog management company.

The acquisition was accounted for as a business combination and, accordingly, the total fair value of purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values on the acquisition date. The total purchase consideration was $8.7 million in cash, of which $1.5 million is being held until the second anniversary after closing of the acquisition. In addition, approximately $8.0 million in the form of 221,257 shares of the Company's common stock was issued to the selling shareholder of Simeno and this stock is subject to service vesting conditions including continued employment with the Company. The value assigned to the common stock issued will be recorded as post-acquisition compensation expense over the requisite service period and has been excluded from the purchase consideration.

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

	December 1, 2017
Cash and cash equivalents	$ 747
Accounts receivable	1,912
Intangible assets	3,820
Other assets, net	616
Goodwill	7,264
Accounts payable and other liabilities	(1,405)
Pension plan obligation	(4,226)
Total consideration	$ 8,728

The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of Simeno and is not expected to be deductible for income tax purposes. The Company determined the fair values of intangible assets acquired and liabilities assumed with the assistance of third party valuation consultants. Based on this valuation, the intangible assets acquired are as follows (in thousands):

	Fair Value	Useful life (in Years)
Developed technology	$ 2,300	4
Customer relationships	1,520	4
Total intangible assets	$ 3,820	

Simeno maintained a pension plan covering employees in Switzerland pursuant to the requirements of Swiss pension law, which has been assumed by the Company upon the completion of the acquisition. The pension plan is accounted for as a defined benefit pension plan, which requires the Company to recognize the underfunded status of the plan as a liability in the consolidated balance sheets and changes in the funded status of defined benefit pension plan through other comprehensive loss. As of the acquisition date in December 2017, the Company recorded net liabilities of $4.2 million on its consolidated balance sheet in connection with this pension plan.

The Company incurred costs related to this acquisition of approximately $445,000 during the year ended January 31, 2018 and no significant costs were incurred during the year ended January 31, 2019. All acquisition related costs were expensed as incurred and have been recorded in general and administrative expenses in the accompanying consolidated statements of operations.

Trade Extensions TradeExt AB

On May 3, 2017, the Company acquired substantially all of the issued and outstanding capital stock held by shareholders of Trade Extensions TradeExt AB (“Trade Extensions”), a Swedish corporation. The acquisition enabled the Company to broaden its cloud platform for business spend, particularly in the area of strategic sourcing.

Upon the closing of the acquisition, the Company paid aggregate consideration of approximately $40.9 million in cash, of which $7.2 million was being held in escrow for 18 months after the transaction closing date. In November 2018, substantially all of the amount that was being held in escrow was released after deducting certain amounts to cover indemnification obligations and associated contractual provisions.

In addition, approximately $4.1 million in the form of 148,476 shares of the Company’s common stock was issued to certain key employees of Trade Extensions, which stock is subject to service vesting conditions including continued employment with the Company. The value assigned to the common stock issued will be recorded as post-acquisition compensation expense and has been excluded from the purchase consideration.

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

	May 3, 2017
Cash and cash equivalents	$ 2,016
Accounts receivable	1,172
Intangible assets	12,960
Other assets	2,086
Goodwill	30,840
Accounts payable and other liabilities	(8,125)
Total consideration	$ 40,949

Other assets include indemnification assets totaling $1.4 million due to assumed liability for which the seller is responsible. The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of Trade Extensions and is not expected to be deductible for income tax purposes. The Company determined the fair values of intangible assets acquired with the assistance of third party valuation consultants. Based on this valuation, the intangible assets acquired are (in thousands):

	Fair Value	Useful life (in Years)
Developed technology	$ 9,700	7
Customer relationships	3,100	5
Trademarks	160	1
Total intangible assets	$ 12,960	

The Company incurred costs related to this acquisition of approximately $526,000 during the year ended January 31, 2018. All acquisition related costs were expensed as incurred and have been recorded in general and administrative expenses in the accompanying consolidated statements of operations.

Note 5. Goodwill and Other Intangible Assets

Goodwill

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

Balance at January 31, 2017	$ 6,306
Additions from acquisitions	38,104
Balance at January 31, 2018	44,410
Additions from acquisitions	165,150
Balance at January 31, 2019	$ 209,560

Other Intangible Assets

The following table summarizes the other intangible asset balances (in thousands):

		As of January 31,					
		2019			2018		
	Weighted Average Remaining Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	4.8	$ 48,435	$ (9,198)	$ 39,237	$ 19,385	$ (4,153)	$ 15,232
Customer relationships	4.4	18,894	(2,363)	16,531	4,694	(597)	4,097
Trademarks	0.8	345	(188)	157	160	(119)	41
In-process research and development	—	—	—	—	650	—	650
Total other intangible assets		$ 67,674	$ (11,749)	$ 55,925	$ 24,889	$ (4,869)	$ 20,020

Amortization expense related to other intangible assets was approximately $6.9 million, $3.4 million and $952,000 for the years ended January 31, 2019, 2018 and 2017, respectively.

As of January 31, 2019, the future amortization expense of other intangible assets is as follows (in thousands):

Year Ending January 31,	
2020	$ 12,627
2021	12,450
2022	12,026
2023	9,732
2024	7,316
Thereafter	1,774
Total	$ 55,925

The Company, which has one reporting unit, performed an annual test for goodwill impairment and determined that goodwill was not impaired. In addition, there have been no significant events or circumstances affecting the valuation of goodwill subsequent to the Company's annual assessment. Furthermore, no events or changes in circumstances have occurred to suggest that the carrying amounts for any of the Company's long-lived assets or identifiable intangible assets may be non-recoverable. As such, the Company was not required to reevaluate the recoverability of its long-lived assets.

Note 6. Property and Equipment, Net

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

	As of January 31,	
	2019	2018
Furniture and equipment	$ 3,595	$ 1,897
Software development costs	23,444	16,574
Leasehold improvements	1,255	557
Construction in progress	183	149
Total property and equipment	28,477	19,177
Less: accumulated depreciation and amortization	(17,928)	(13,991)
Property and equipment, net	$ 10,549	$ 5,186

Depreciation and amortization expense related to property and equipment, excluding software development costs, was approximately $849,000, $532,000 and $432,000 for the years ended January 31, 2019, 2018 and 2017,

respectively. Amortization expense related to software development costs was approximately $3.1 million, $3.9 million and $3.3 million for the years ended January 31, 2019, 2018 and 2017, respectively.

Note 7. Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings or other comprehensive loss when they occur. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurement or assumptions that market participants would use in pricing the assets or liabilities, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted price in active markets for identical assets or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially full term of assets or liabilities.
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the assets or liabilities.

The following table summarizes the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	Level 1	Level 2	Level 3	Total
January 31, 2019				
Cash equivalents:(1)				
Money market funds	$ 118,204	$ —	$ —	$ 118,204
U.S. agency obligations	—	6,986	—	6,986
Commercial paper	—	2,997	—	2,997
Marketable securities:				
U.S. agency obligations	—	40,295	—	40,295
U.S. treasury securities	—	84,830	—	84,830
Corporate notes and bonds	—	29,326	—	29,326
Commercial paper	—	14,876	—	14,876
Asset backed securities	—	10,842	—	10,842
January 31, 2018				
Money market funds (1)	389,357	—	—	389,357

(1) Included in cash and cash equivalents

The Company carries Convertible Senior Notes (the "Convertible Notes") at face value less unamortized discount and issuance costs on its consolidated balance sheet and presents the fair value for required disclosure purposes only. As of January 31, 2019, the fair value of the Convertible Notes was $428.4 million. The estimated fair values of the Convertible Notes, which the Company has classified as Level 2 financial instruments, were determined based on the quoted bid prices of the Convertible Notes on the last trading day of each reporting period. As of January 31, 2018, the fair value of the Convertible Notes approximated its carrying amount at that time. For Note 9 for further information on the Convertible Notes.

Note 8. Accrued Expenses and Other Current Liabilities

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

	As of January 31,	
	2019	2018
Accrued compensation	$ 23,112	$ 11,606
Accrued expenses	11,898	6,190
Income tax payable	2,231	5,092
Other current liabilities	4,551	3,755
Total accrued expenses and other current liabilities	$ 41,792	$ 26,643

Included in the accrued compensation liability caption for the year ended January 31, 2019 and 2018, the Company had accrued $4.3 million and $3.2 million of employee stock purchase plan contributions received, respectively. For further information on the Company's employee stock purchase plan see Note 11.

Note 9. Convertible Senior Notes

In January 2018, the Company entered into a Purchase Agreement (the "Purchase Agreement") with certain counterparties relating to the Company's sale of $230.0 million aggregate principal amount of its 0.375% Convertible Senior Notes due 2023 (the "Convertible Notes") to the counterparties in a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and for initial resale by the Initial Purchasers to qualified institutional buyers pursuant to the exemption from registration provided by Rule 144A under the Securities Act. The Convertible Notes consisted of a $200.0 million initial placement and an overallotment option that provided the initial purchasers of the Convertible Notes with the option to purchase an additional $30.0 million of the Convertible Notes, which was exercised in full by the counterparties prior to the Convertible Notes issuance. On January 17, 2018, for a total of $230.0 million, the Convertible Notes were issued in accordance with an Indenture (the "Indenture") between the Company and Wilmington Trust, National Association, as trustee.

The net proceeds from the issuance of the Convertible Notes are $200.4 million, net of debt issuance costs, including the underwriting discount and the cash used to purchase the capped call, discussed below.

The Convertible Notes are senior, unsecured obligations of the Company, and interest is payable semi-annually in cash at a rate of 0.375% per annum on January 15 and July 15 of each year, beginning on July 15, 2018. The Convertible Notes will mature on January 15, 2023 unless redeemed, repurchased or converted prior to such date. Prior to the close of business on the business day immediately preceding October 15, 2022, the Convertible Notes are convertible at the option of holders during certain periods, upon satisfaction of certain conditions. On or after October 15, 2022, the Convertible Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Convertible Notes will have an initial conversion rate of 22.4685 shares of common stock per $1,000 principal (equivalent to an initial conversion price of approximately $44.5068 per share of its common stock). The conversion rate is subject to customary adjustments for certain events as described in the Indenture. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. It is the Company's current intent to settle conversions of the Convertible Notes through combination settlement, which involves repayment of the principal portion in cash and any excess of the conversion value over the principal amount in shares of its common stock.

Holders may convert their Convertible Notes, at their option, prior to the close of business on the business day immediately preceding October 15, 2022, in multiples of $1,000 principal amount, only under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on April 30, 2018 (and only during such fiscal quarter), if the last reported sale price of its common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including,

the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day period after any five consecutive trading day period (the “Measurement Period”) in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sales price of the Company’s common stock and the conversion rate on each such trading day;
- after the Company’s issuance of a notice of redemption and prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events, as defined in the Indenture.

If the Company undergoes a fundamental change, as described in the Indenture, subject to certain conditions, holders may require the Company to repurchase for cash all or any portion of their Convertible Notes. The fundamental change repurchase price is equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. If holders elect to convert their Convertible Notes in connection with a make-whole fundamental change, as described in the Indenture, the Company will, to the extent provided in the Indenture, increase the conversion rate applicable to the Convertible Notes.

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

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

In accounting for the issuance of the Convertible Notes, the Company separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Convertible Notes as a whole. The difference between the principal amount of the Convertible Notes and the liability component, equal to $62.3 million (the “debt discount”), is amortized to interest expense using the effective interest method over the term of the Convertible Notes. The equity component of the Convertible Notes will not be remeasured as long as it continues to meet the conditions for equity classification.

The Company incurred in $7.0 million of transaction costs related to the issuance of the Convertible Notes. The Company allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds from the Convertible Notes. Issuance costs attributable to the liability component are being amortized to interest expense over the term of the Convertible Notes using the effective interest method, and issuance costs attributable to the equity component are included along with the equity component in stockholders' equity.

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

	As of January 31,	
	2019	2018
Liability:		
Principal	$ 230,000	$ 230,000
Less: debt discount, net of amortization	(55,385)	(66,990)
Net carrying amount	$ 174,615	$ 163,010
Equity	$ 60,470	$ 60,470

As of January 31, 2019 and 2018, the debt discount on the Convertible Notes will be amortized over the remaining period of approximately 4 years and 5 years, respectively.

For more than twenty trading days during the thirty consecutive trading days ended January 31, 2019, the last reported sale price of the Company's common stock exceeded 130% of the conversion price of the Convertible Notes. As a result, the Convertible Notes were convertible at the option of the holders and remained classified as current liabilities on the consolidated balance sheet as of January 31, 2019. As of the date of this filing, none of the holders of the Convertible Notes have submitted requests for conversion.

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

	Year Ended January 31,	
	2019	2018
Contractual interest expense	$ 863	$ 36
Amortization of debt issuance costs	876	36
Amortization of debt discount	10,734	423
Total	$ 12,473	$ 495

The effective interest rates of the liability component of the Convertible Notes is 7.66%. As of January 31, 2019, the if-converted value of the Company's Convertible Notes exceeded the principal amount by $219.4 million. As of January 31, 2018, the if-converted value of the Company's Convertible Notes did not exceed the principal amount.

Capped Call

In conjunction with the issuance of the Convertible Notes, the Company purchased the Capped Call options on the Company's stock with certain counterparties at a price of $23.3 million.

The Capped Call exercise price is equal to the Convertible Note's initial conversion price and the cap price is $63.821 per share, subject to certain adjustments under the terms of the capped call transactions. The Capped Call options are exercisable on the same date when the conversion option is exercised.

By entering into the Capped Call, the Company expects to reduce the potential dilution to its common stock (or, in the event the conversion is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion its stock price exceeds the conversion price under the Convertible Notes.

The cost of the capped call is not expected to be tax deductible as the Company did not elect to integrate the capped call into the Convertible Notes for tax purposes. The cost of the capped call was recorded as a reduction of the Company's additional paid-in capital in the accompanying Consolidated Financial Statements.

Note 10. Commitments and Contingencies

Commitments

The Company leases office space under non-cancelable operating leases with various expiration dates through April 2024. Rent expense, which is being recognized on a straight-line basis over the lease term, was $7.4 million, $5.8 million and $3.8 million during the years ended January 31, 2019, 2018 and 2017, respectively. The difference between the lease payments made and the lease expense recognized to date using the straight-line method is recorded as a liability and included within accrued expenses and other current liabilities in the accompanying consolidated balance sheet. Additionally, the Company has current contractual purchase obligations for hosting services that support business operations.

Future minimum payments by year for our non-cancelable leases and purchase obligations as of January 31, 2019 are as follows (in thousands):

Year Ending January 31,	
2020	$ 19,849
2021	19,094
2022	6,697
2023	6,066
2024	5,257
Thereafter	1,231
Total	$ 58,194

Contingencies

The Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on the Company's business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

Warranties and Indemnifications

The Company's cloud-based software platform and applications are typically warranted against material decreases in functionality and to perform in a manner consistent with general industry standards and in accordance with the Company's on-line documentation under normal use and circumstances.

The Company includes service level commitments to its customers, typically regarding certain levels of uptime reliability and performance and if the Company fails to meet those levels, customers can receive credits and in some cases, terminate their relationship with the Company. To date, the Company has not incurred any material costs as a result of such commitments.

The Company generally agrees to defend and indemnify its customers against legal claims that the Company's platform infringes certain patents, copyrights or other intellectual property rights of third parties. To date, the Company has not been required to make any payment resulting from such infringement claims and has not recorded any related liabilities.

Note 11. Common Stock and Stockholders' Equity

Common Stock

Each share of common stock has the right to one vote. The holders of the common stock are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors of the Company (the "Board of Directors"), subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid since inception.

Preferred Stock

As of January 31, 2019, the Company had authorized 25,000,000 shares of preferred stock, par value $0.0001, of which no shares were issued and outstanding.

2016 Equity Incentive Plan

The 2016 Equity Incentive Plan, or 2016 Plan, was approved by the Company's stockholders in September 2016. The 2016 Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights and performance cash awards. Awards could be granted under the 2016 Plan beginning on the effective date of the registration statement, October 5, 2016. The 2016 Plan replaced the Company's 2006 Stock Plan, however awards outstanding under the 2006 Stock Plan will continue to be governed by their existing terms.

The Company has reserved 5,955,764 shares of its common stock for issuance under the 2016 Plan. The number of shares reserved for issuance under the 2016 Plan will automatically increase on the first day of each fiscal year during the term of the 2016 Plan by a number of shares equal to 5% of its outstanding shares of common stock on the last day of the prior fiscal year. The number and class of shares reserved under the Company's 2016 Plan will be adjusted in the event of a stock split, stock dividend or other changes in its capitalization.

The following table summarizes stock option activity under the Company's 2006 Stock Plan and the 2016 Plan during the year ended January 31, 2019 (aggregate intrinsic value in thousands):

	Options Outstanding			
	Outstanding Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance, January 31, 2018	9,301,253	$ 7.19	7.30	$ 288,713
Option grants	553,697	48.47		
Options exercised	(2,824,836)	4.82		
Options forfeited	(179,186)	9.49		
Balance, January 31, 2019	6,850,928	11.44	6.84	$ 517,353
Exercisable at January 31, 2019	4,744,831	7.30	6.43	$ 377,978

The options exercisable as of January 31, 2019 include options that are exercisable prior to vesting. The aggregate intrinsic value of options vested and exercisable as of January 31, 2019 is calculated based on the difference between the exercise price and the fair value of the Company's common stock as of January 31, 2019. The aggregate intrinsic value of exercised options was $157.6 million, $89.3 million and $11.0 million for the years ended January 31, 2019, 2018 and 2017, respectively, and is calculated based on the difference between the exercise price and the fair value of the Company's common stock as of the exercise date.

The weighted-average grant date fair value of options granted for the years ended January 31, 2019, 2018 and 2017 was $15.93, $11.58 and $4.65 per share, respectively.

The total grant date fair value of options vested during fiscal 2019, 2018 and 2017 was $9.0 million, $9.7 million and $5.0 million, respectively.

Early Exercises of Stock Options

Certain option grants under the 2006 Stock Plan are allowed to be exercised prior to vesting. The unvested shares of common stock exercised are subject to the Company's right to repurchase at the lower of the original exercise price or the fair market value of the share at the time the repurchase right is exercised. Early exercises of options are not deemed to be substantive exercises for accounting purposes and accordingly, amounts received for early exercises are initially recorded in accrued expenses and other current liabilities and reclassified to additional paid-in capital as the underlying shares vest. At January 31, 2019, the Company had no early exercise stock options recorded in accrued expenses and other current liabilities related to early exercises of stock options.

Restricted Stock Units ("RSUs")

The following table summarizes the activity related to the Company's RSUs:

	Number of RSUs Outstanding	Weighted-Average Grant Date Fair Value
Awarded and unvested at January 31, 2018	1,971,778	$ 27.14
Awards granted	2,015,384	$ 52.54
Awards vested	(858,740)	$ 32.99
Awards forfeited	(336,305)	$ 35.90
Awarded and unvested at January 31, 2019	2,792,117	$ 42.62

2016 Employee Stock Purchase Plan

The board of directors adopted the 2016 Employee Stock Purchase Plan (the "ESPP") in September 2016 and it has been approved by the Company's stockholders. The ESPP allows eligible employees to purchase shares of common stock through payroll deductions and is intended to qualify under Section 423 of the Internal Revenue Code.

As of January 31, 2019, the Company had 931,493 shares of its common stock available for future issuances under the ESPP. The number of shares reserved for issuance under the ESPP will automatically increase on the first day of each fiscal year during the term of the ESPP by a number of shares equal to the least of (i) 1% of its outstanding shares of common stock on the last day of the prior fiscal year, (ii) 1,250,000 shares or (iii) a lesser number of shares determined by the board of directors. The number and class of shares reserved under the ESPP will be adjusted in the event of a stock split, stock dividend or other changes in its capitalization.

Each offering period will last a number of months determined by the administrator, up to a maximum of 27 months. The initial offering period began on the effective date of the Company's initial public offering, October 5, 2016, and ends on September 15, 2018, and new 24 month offering periods will begin on each March 16 and September 16 thereafter. Currently each offering period consists of four consecutive purchase periods, of approximately 6 months duration, at the end of which payroll contributions are used to purchase shares of the Company's common stock. Participants may purchase Company's common stock through payroll deductions, up to a maximum of 15% of their eligible compensation. Participants may withdraw from the ESPP and receive a refund of their accumulated payroll contributions at any time prior to a purchase date. Unless changed by the administrator, the purchase price for each share of common stock purchased under the ESPP will be 85% of the lower of the fair market value per share on the first day of the applicable offering period (or, in the case of the initial offering period, the price at which one share of common stock is offered to the public in its IPO) or the fair market value per share on the applicable purchase date.

As of January 31, 2019, 946,841 shares of common stock were purchased under the 2016 ESPP. The Company selected the Black-Scholes option-pricing model as the method for determining the estimated fair value for the Company's 2016 ESPP. As of January 31, 2019, total unrecognized compensation cost related to 2016 ESPP was $5.8 million which will be amortized over a weighted-average period of approximately one year.

Market-based Options

In September 2016, the Board of Directors of the Company granted 544,127 stock options to the Chief Executive Officer (the "2016 CEO Grant") under the 2006 Stock Plan with an exercise price of $13.04 per share. The 2016 CEO Grant is eligible to vest based on the achievement of market capital appreciation targets after the consummation of the initial public offering, as well as continuous service over a four-year period following the grant date. In March 2018, the Board of Directors granted 334,742 stock options to the Chief Executive Officer (the "2018 CEO Grant") under the 2016 Equity Plan with an exercise price of $48.47 per share. The 2018 CEO Grant is eligible to vest based on the achievement of a stock price appreciation target as well as continuous service over a four-year period following the grant date. The fair value of the 2016 and 2018 CEO Grants were determined using a Monte Carlo simulation approach. The Company amortizes the fair value of the option awards using the graded-vesting method.

As of January 31, 2019, all performance-based milestones of the 2016 CEO Grant were achieved, resulting in 317,407 shares being vested and exercisable. As of January 31, 2019, the performance-based milestone was not achieved on the 2018 CEO Grant, resulting in no shares being vested and exercisable. Stock-based compensation expense recognized for market-based awards was approximately $2.2 million and $1.6 million for the year ended January 31, 2019 and 2018, respectively.

Stock-based Compensation

The Company's total stock-based compensation expense was as follows (in thousands):

	For the year ended January 31,		
	2019	2018	2017
Cost of revenue:			
Subscription services	$ 4,285	$ 2,105	$ 715
Professional services and other	4,269	2,722	772
Research and development	11,841	6,928	1,766
Sales and marketing	14,786	8,476	3,130
General and administrative	17,765	9,464	3,069
Total	$ 52,946	$ 29,695	$ 9,452

Stock-based compensation capitalized in capitalized software development costs was approximately $1.0 million and $332,000 at January 31, 2019 and 2018, respectively.

Of the total stock-based compensation expense, costs recognized for options granted to non-employees were immaterial for all periods presented.

As of January 31, 2019 and 2018, there was approximately $16.1 million and $19.3 million, respectively, of total unrecognized compensation cost related to unvested stock options granted to employees and non-employee service providers under the 2006 Stock Plan and 2016 Equity Incentive Plan. This unrecognized compensation cost as of January 31, 2019 is expected to be recognized over an estimated weighted-average amortization period of approximately 2 years.

As of January 31, 2019 and 2018, there was approximately $110.8 million and $48.4 million, respectively, of total unrecognized compensation cost related to unvested restricted stock units granted to employees under the 2016 Equity Incentive Plan. This unrecognized compensation cost as of January 31, 2019 is expected to be recognized over an estimated weighted-average amortization period of approximately 3 years.

The fair values of the Company's stock options granted during the years ended January 31, 2019, 2018 and 2017 were estimated using the following assumptions:

	For the year ended January 31,		
	2019	2018	2017
Employee Stock Options			
Expected term (years)	6.0	6.0	6.0
Volatility	42.2%	46.0%	48.0%
Risk-free interest rate	2.8%	1.9% - 2.2%	1.3% - 2.1%
Dividend yield	—	—	—
Employee Stock Purchase Plan			
Expected term (years)	0.5 - 2.0	0.5 - 2.0	0.4 - 1.9
Volatility	31.1% - 34.1%	37.3% - 42.6%	48.0%
Risk-free interest rate	2.0% - 2.8%	0.9% - 1.4%	0.5% - 0.8%
Dividend yield	—	—	—
Market-Based Awards			
Expected term (years)	7.1	—	7.4
Volatility	43.7%	—	48.0%
Risk-free interest rate	2.8%	—	1.6%
Dividend yield	—	—	—

These assumptions and estimates are as follows:

- *Fair Value of Common Stock*. After the initial public offering, the Company used the publicly quoted price as reported on the Nasdaq Global Select Market as the fair value of its common stock.
- *Expected Term*. The expected term represents the weighted-average period that the stock options are expected to remain outstanding. To determine the expected term, the Company generally applies the simplified approach in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award as the Company does not have sufficient historical exercise data to provide a reasonable basis for an estimate of expected term.
- *Risk-Free Interest Rate*. The Company bases the risk-free interest rate on the yields of U.S. Treasury securities with maturities approximately equal to the term of employee stock option awards.
- *Expected Volatility*. As the Company does not have an extensive trading history for its common stock, the expected volatility for its common stock has been estimated by taking the historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option awards. Industry peers consist of several public companies in its industry.

Note 12. Income Taxes

The following table presents the domestic and foreign components of loss before provision for income taxes for the periods presented (in thousands):

	For the year ended January 31,		
	2019	2018	2017
United States	$ (59,070)	$ (44,977)	$ (38,926)
Foreign	3,009	2,820	2,167
Loss before provision for income taxes	$ (56,061)	$ (42,157)	$ (36,759)

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

	For the year ended January 31,		
	2019	2018	2017
Current income taxes:			
Federal	$ —	$ —	$ —
State	151	116	82
Foreign	3,514	4,248	976
Total current income taxes	3,665	4,364	1,058
Deferred income taxes:			
Federal	(2,701)	(26)	13
State	(365)	7	1
Foreign	(1,136)	(2,697)	(224)
Total deferred income taxes	(4,202)	(2,716)	(210)
Total provision for (benefit from) income taxes	$ (537)	$ 1,648	$ 848

The effective tax rate differs from the federal statutory rate as follows:

	For the year ended January 31,		
	2019	2018	2017
Federal statutory income tax rate	21.0%	33.8%	34.0%
Tax reform rate change impact	—	(80.7)	—
State tax, net of federal benefit	2.9	2.6	2.6
Change in valuation allowance	(98.1)	(23.6)	(36.2)
Stock-based compensation	71.6	63.5	(2.7)
Other non-deductible items	(2.1)	(3.5)	(1.8)
Foreign rate differential	(2.9)	(0.5)	(1.4)
Tax credits	8.6	4.5	3.2
Total	1.0%	(3.9)%	(2.3)%

The difference between the U.S. federal statutory tax rate of 21% and the Company's effective tax rate in all periods presented is primarily due to a full valuation allowance related to the Company's U.S. deferred tax assets offset by foreign tax expense on the Company's profitable foreign operations.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities for the periods presented (in thousands):

	As of January 31,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 110,485	$ 61,671
Accruals and reserves	3,209	3,259
Stock-based compensation	5,852	4,476
Tax credits	9,250	5,636
Gross deferred tax assets	128,796	75,042
Valuation allowance	(113,497)	(58,027)
Total deferred tax assets, net of valuation allowance	15,299	17,015
Deferred tax liabilities:		
Fixed assets and intangibles assets	(1,693)	(1,495)
Accruals and reserves	(951)	(98)
Discount on convertible notes	(12,047)	(14,803)
Gross deferred tax liabilities	(14,691)	(16,396)
Net deferred tax assets	$ 608	$ 619

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes the Company's historical operating losses, and lack of taxable income, the Company provided a full valuation allowance against the deferred tax assets for the U.S. and some of the international entities. The valuation allowance increased by $55.5 million, $3.4 million and $13.1 million during the years ended January 31, 2019, 2018 and 2017, respectively.

As of January 31, 2019, the Company had net operating loss carryforwards of approximately $457.6 million and $237.9 million available to reduce future taxable income, if any, for federal and state income tax purposes, respectively. The U.S. federal and California state net operating loss carryforwards will begin to expire in 2026 and 2029, respectively. As of January 31, 2019, the Company had research and development credit carryforwards of approximately $13.0 million and $11.2 million available to reduce its future tax liability, if any, for federal and California state income tax purposes, respectively. The federal credit carryforwards begin to expire in 2031. California credit carryforwards have no expiration date. As of January 31, 2019, the Company has U.S. federal foreign tax credits carryforwards of $698,000 that will begin to expire in 2025.

Federal and state laws impose restrictions on the utilization of net operating loss carryforwards and R&D credit carryforwards in the event of a change in ownership of the Company, which constitutes an 'ownership change' as defined by Internal Revenue Code Section 382 and 383. The Company experienced an ownership change in the past that does not materially impact the availability of its net operating losses and tax credits. Should there be ownership change in the future, the Company's ability to utilize existing carryforwards could be substantially restricted.

As of January 31, 2019, the Company did not have unremitted earnings when evaluating the outside basis difference relating to its U.S. investment in foreign subsidiaries. However, there could be local withholding taxes payable due to various foreign countries if certain lower tier earnings are distributed. Withholding taxes and state income that would be payable upon remittance of these lower tier earnings were not material as of January 31, 2019.

The Company accounts for uncertainty in income taxes in accordance with ASC 740. Tax positions are evaluated in a two-step process, whereby the Company first determines whether it is more likely than not that a tax position will be sustained upon examination by tax authorities, including resolutions of any related appeals or

litigation processes, based on technical merit. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognized in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The following table summarizes the activity related to unrecognized tax benefits (in thousands):

	For the year ended January 31,		
	2019	2018	2017
Unrecognized tax benefit—beginning of year	$ 12,663	$ 5,441	$ 3,304
Gross increases —prior year tax positions	295	—	472
Gross decreases —prior year tax positions	(8)	(5)	(248)
Gross increases — current year tax positions	7,127	7,227	1,913
Unrecognized tax benefit—end of year	$ 20,077	$ 12,663	$ 5,441

As of January 31, 2019, 2018, and 2017, $14.9 million, $8.0 million, and $5.3 million of the unrecognized tax benefits were accounted for as a reduction in the Company’s deferred tax assets. Due to the Company’s valuation allowance, only $5.2 million of the $20.1 million of unrecognized tax benefits would affect the Company’s effective tax rate, if recognized. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. There was an immaterial amount of accrued interest and penalties related to unrecognized tax benefits as of January 31, 2019 and 2018.

The Company’s material income tax jurisdictions are the United States (federal) and California. As a result of net operating loss carryforwards, the Company is subject to audits for tax years 2006 and forward for federal purposes and 2009 and forward for California purposes. There are tax years which remain subject to examination in various other jurisdictions that are not material to the Company’s financial statements.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As a result, we previously provided a provisional estimate of the effect of the Tax Act in our financial statements. The Company completed its analysis to determine the effect of the Tax Act and recorded immaterial adjustments as of January 31, 2019.

While the Tax Act provides for a modified territorial tax system, beginning in 2018, GILTI will be applied providing an incremental tax on certain foreign income. The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. Under GAAP, the Company is allowed to make an accounting policy election of either (1) treating taxes due on the future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred, or the period cost method, or (2) factoring such amounts into the Company's measurement of its deferred taxes, or the deferred method. The Company has selected the period cost method as its accounting policy with respect to the new GILTI tax rules.

Note 13. Net Loss per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities as they do not share in losses. During periods when the Company is in a net loss position, basic net loss per share attributable to common stockholders is the same as diluted net loss per share attributable to common stockholders as the effects of potentially dilutive securities are antidilutive given the net loss of the Company.

The following table sets forth the computation of the basic and diluted net loss per share attributable to common stockholders during the years ended January 31, 2019, 2018 and 2017 (in thousands, except per share amounts):

	January 31,		
	2019	2018	2017
Numerator:			
Net loss attributable to common stockholders	$ (55,524)	$ (43,805)	$ (37,607)
Denominator:			
Weighted-average common shares outstanding	57,716	52,999	19,988
Net loss per share attributable to common stockholders, basic and diluted	$ (0.96)	$ (0.83)	$ (1.88)

Since the Company was in a loss position for all periods presented, basic net loss per share attributable to common stockholders is the same as diluted net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	As of January 31,		
	2019	2018	2017
Options to purchase common stock	6,850,928	9,301,253	13,016,402
RSUs	2,792,117	1,971,778	77,883
Unvested common shares subject to repurchase	193,894	458,214	335,116
Shares committed under the ESPP	189,168	195,497	144,685
Contingent stock consideration for DCR acquisition	377,138	—	—
Holdback shares for Aquiire acquisition	37,570	—	—
Total	10,440,815	11,926,742	13,574,086

Additionally, approximately 5.2 million shares underlying the conversion option in the Convertible Notes are not considered in the calculation of diluted net loss per share as the effect would be anti-dilutive. The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion option on diluted net income per share, if applicable. During the year ended January 31, 2019, the average market price of the Company's common stock exceeded the conversion price of the Convertible Notes of $44.51 per share.

Note 14. Business Segment Information

The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The CEO reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company has determined that it operates in a single reporting segment: cloud platform.

Note 15. Employee Benefit Plan

The Company maintained a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may elect to contribute up to 90% of their eligible compensation, subject to certain limitations. The Company matches certain percentages of employee contributions. Both employee and employer contributions vest immediately upon contribution. During the years ended January 31, 2019, 2018 and 2017, the Company's contributions to the 401(k) Plan amounted to approximately $2.0 million, $1.5 million and $1.4 million, respectively.

The Company also maintains a limited number of defined benefit plans for certain non-U.S. locations. Total costs under these plans were not significant.

Note 16. Related Parties

T. Rowe Associates, Inc. is an investment adviser of certain of the Company's stockholders and a Company customer. The Company recognized subscription revenue from this customer of approximately $580,000, $573,000 and $509,000 for the period ended January 31, 2019, 2018 and 2017, respectively. The Company had no outstanding receivables from this customer as of January 31, 2019 and January 31, 2018.

As disclosed in Note 4 Business Combination, in conjunction with the acquisition of technology assets of DCR on August 1, 2018, the Company signed a lease, license agreement and Transition Service Agreement with DCR. For the year ended January 31, 2019, the Company recognized $1.1 million of revenue for the license agreement, and recorded $4.3 million for expenses which primarily include compensation for employees and contractors that DCR agreed to pay on behalf of the Company during the transitional period. As of January 31, 2019, outstanding accruals and payables due to DCR were $1.3 million. There were no outstanding receivables due from DCR related to the license agreement.

Note 17. Selected Quarterly Financial Data (unaudited)

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in fiscal 2019 and 2018 (in thousands except per share data). Since the Company adopted the new revenue standard effective on February 1, 2018 using the modified retrospective method, the financial data for each quarter in fiscal 2019 were prepared according to the new revenue standard, and the financial data for each quarter in fiscal 2018 were prepared prior to the adoption of the new revenue standard.

	Three months ended							
	Jan. 31, 2019	Oct. 31, 2018	Jul. 31, 2018	Apr. 30, 2018	Jan. 31, 2018	Oct. 31, 2017	Jul. 31, 2017	Apr. 30, 2017
	(in thousands)							
Total revenues	$ 74,908	$ 67,455	$ 61,651	$ 56,352	$ 53,752	$ 47,340	$ 44,551	$ 41,137
Gross profit	49,883	45,791	43,011	38,227	37,286	32,345	29,603	27,640
Loss from operations	14,749	9,918	10,624	12,069	9,057	11,159	14,359	10,387
Net loss	16,571	9,645	13,854	15,454	8,723	11,302	13,742	10,038
Net loss per share attributable to common stockholders, basic and diluted	$ 0.28	$ 0.17	$ 0.24	$ 0.28	$ 0.16	$ 0.21	$ 0.26	$ 0.20

Exhibit 10.8

September 27th, 2017

Mark Riggs

Dear Mark,

On behalf of Coupa Software Incorporated (the "Company" or "Coupa"), I am pleased to offer you employment with the Company on the following terms:

1. **Position/Start Date**. You will serve as **CCO (Chief Customer Officer)** working out of our San Mateo office and reporting to Rob Bernshteyn, Chief Executive Officer. Your start date will be mutually agreed upon.

2. **Base Salary**. Your annual base salary will be **$275,000**, less taxes and applicable withholdings, payable on a semi-monthly basis.

3. **Annual Bonus**. In addition to your base salary, you will be eligible to participate in Coupa's annual discretionary performance bonus program, with a target incentive of **50%** of your base salary, or **$137,500**. This yields a potential total annual compensation of **$412,500** This bonus is subject to your continued employment, and will be prorated for 2017 based on your start date. Your actual bonus payout will depend on Coupa's performance and assessment of your individual performance during the period. You must be an active employee of Coupa on the final day of the performance period to be eligible for any payout.

4. **Equity**.

(a) **General**. As part of the Coupa team, we strongly believe that employee ownership in Coupa is an important factor to our success. Therefore, subject to approval of our Board of Directors and/or Compensation Committee, you will be granted equity awards with a value of $1 million, half of which ($500,000 in value) will be delivered as restricted stock units ("RSUs") and half of which ($500,000 in value) will be delivered as stock options. The actual number of RSUs and options will be determined as of your first day of employment, using the closing price of the Company's common stock on such date and, in the case of the options, a black-scholes methodology.

(b) **Other Terms**. The exercise price per share of the stock option will be equal to the closing price of the Company's common stock on the date the option is granted. Your stock options & RSUs will be subject to the terms and conditions of the Coupa 2016 Equity Incentive Plan and form of award agreement (the

“Plan”). Stock options will vest as follows: one-quarter (25%) will vest after 12 months of continuous employment and the balance will vest in equal monthly installments over the next 36 months of continuous employment. RSUs will vest over approximately 4 years of continuous employment as follows: one-quarter (25%) will vest on the first “Company vesting date” that occurs on or after 12 months of continuous employment and the balance will vest in 12 equal quarterly installments over the next 36 months of continuous employment. For administrative reasons, vesting of RSUs occur only on established quarterly Company vesting dates, which are currently March 20, June 20, September 20 and December 20.

5. **Executive Severance Program**. You will be eligible for our standard executive severance and acceleration benefits, under the terms and conditions described in our standard form of Severance and Change in Control Agreement (the “Severance/CIC Agreement”), a copy of which will be provided to you prior to your acceptance of this offer.

6. **Employee Benefits**. Coupa offers medical, dental and vision plans (effective on your date of hire), a flexible spending plan, an ESPP, a 401(k) retirement savings plan (with company matching), as well as a “no limit” time off policy (subject to manager approval), and eleven paid holidays. Additionally, Coupa offers a variety of other benefits, all of which can be found within our summary benefits brochure enclosed in this offer letter packet. If you have any questions regarding Coupa’s benefits prior to your start date, please email hr@coupa.com.

7. **Employment Relationship**. Coupa, in its sole discretion, may modify your duties, title, compensation and benefits at any time. Employment with the Company is not for a specified term, but instead is at-will. Accordingly, either you or the Company may terminate the employment relationship, with or without cause, at any time and for any reason. No documents provided by the Company and no oral statements or conduct can or will modify the at-will nature of your employment, and your at-will status can only be amended in a writing signed by you and Coupa’s Chief Executive Officer.

8. **Taxes**. All forms of compensation referred to in this letter are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

9. **Other Agreements.** Like all new employees here at Coupa, you will be required, as a condition of your employment, to sign a Mutual Agreement to Arbitrate. Along with its employees, Coupa’s proprietary and trade secret information is the Company's most important asset. We therefore require that you sign, as a condition to your employment, the enclosed Proprietary Information and Inventions Agreement

(“PIIA Agreement”). We impress upon you that we do not want or need you to bring to Coupa any trade secret, confidential or proprietary material of any former employer or to violate any obligations you may owe to your former employers or others. A copy of these agreements will be provided separately. Please review and execute the Mutual Agreement to Arbitrate and the PIIA Agreement and return to Human Resources along with your signed offer letter.

10. **Entire Agreement**. This letter agreement, together with the other documents referenced herein, represents the entire agreement between you and the Company with respect to the subject matter herein and supersedes all prior or contemporaneous agreements, whether written or oral, with respect to the subject matter of this agreement.

11. **Exclusivity of Employment**. While you render services to the Company, you agree not to engage in any other employment, consulting or other business activity (whether full-time or part-time), which might create a conflict of interest with the Company. The foregoing shall not, however, preclude you (a) from engaging in appropriate civic, charitable or religious activities, (b) from devoting a reasonable amount of time to private investments, (c) from serving on the boards of directors of other entities, or (d) from providing incidental assistance to family members on matters of family business, so long as the foregoing activities and service do not conflict with your responsibilities to the Company. By signing this letter, you confirm that you have no contractual commitments or other legal obligations that would prohibit you from performing duties for the Company.

[Signature Page Follows]

Please confirm your agreement with these terms by signing this letter using DocuSign.

Sincerely,

Rob Bernshteyn
Chief Executive Officer
Coupa Software Incorporated

By signature below, I accept this employment arrangement based upon the terms stated in this letter. I also acknowledge that this letter sets forth the full and complete agreement between myself and the Company related to the terms of my employment.

/s/ Mark R. Riggs	September 28, 2017
Signature	Date

COUPA SOFTWARE INCORPORATED

SEVERANCE AND CHANGE IN CONTROL AGREEMENT

This Severance and Change in Control Agreement (the "**Agreement**") is made and entered into by and between Mark Riggs (the "**Executive**") and Coupa Software Incorporated, a Delaware corporation (the "**Company**"), effective as of the date specified in Section 1 below.

Certain capitalized terms are defined in Section 8.

The Company and Executive agree as follows:

1. Term. This Agreement shall become effective as of Executive's first day of employment with the Company. Unless sooner terminated, this Agreement will terminate automatically on October 12, 2019, which is the third anniversary of the closing date of the Company's initial public offering.

2. Severance Benefits.

(a) Termination Not Involving a Change in Control. If Executive is subject to a Termination Without Cause which occurs more than three months prior to a Change in Control (if any) or more than twelve months after a Change in Control and Executive satisfies the conditions described in Section 2(c) below, then Executive shall be entitled to the following severance benefits: (i) a lump-sum cash severance payment equal to six months of Executive's Base Salary and (ii) an additional lump-sum cash payment equal to $16,500.

(b) Involuntary Termination Involving a Change in Control. If Executive is subject to an Involuntary Termination which occurs within three months prior to, or twelve months following, a Change in Control and Executive satisfies the conditions described in Section 2(c) below, then Executive shall be entitled to the following severance benefits: (i) a lump-sum cash severance payment equal to twelve months of Executive's Base Salary, (ii) an additional lump-sum cash payment equal to $33,000 and (iii) unless the Company provides otherwise when an equity award is granted, one hundred percent (100%) of the unvested portion of each outstanding equity award that Executive holds as of the Involuntary Termination will vest and, if applicable, become exercisable. In the case of equity awards subject to performance conditions, the unvested portion of the award will be determined at the greater of actual performance or based on "target" levels of achievement. For avoidance of doubt, if Executive is subject to an Involuntary Termination that occurs within three months prior to a Change in Control, the portion of Executive's then-outstanding and unvested

equity awards that is eligible to vest and become exercisable pursuant to clause (iii) will remain outstanding for three months or the occurrence of a Change in Control, whichever is sooner, so that any additional benefits due pursuant to clause (iii) may be provided if a Change in Control occurs within three months after Executive's Involuntary Termination, provided that in no event will any of Executive's stock options remain outstanding beyond the option's maximum term to expiration. If a Change in Control does not occur within three months after an Involuntary Termination, any unvested portion of Executive's equity awards that remained outstanding following Executive's Involuntary Termination will immediately and automatically be forfeited.

(c) Preconditions to Severance and Change in Control Benefits / Timing of Benefits. As a condition to Executive's receipt of any benefits described in Section 2, Executive shall execute and allow to become effective a general release of claims in substantially the form attached hereto and, if requested by the Company's Board of Directors, must immediately resign as a member of the Company's Board of Directors and as a member of the board of directors of any subsidiaries of the Company. Executive must execute and return the release on or before the date specified by the Company, which will in no event be later than 50 days after Executive's employment terminates. If Executive fails to return the release by the deadline or if Executive revokes the release, then Executive will not be entitled to the benefits described in this section 2. All such benefits will be paid or provided within 60 days after Executive's Termination Without Cause or Involuntary Termination, as applicable, or if later on the date a Change in Control occurs. If such 60 day period spans calendar years, then payment will in any event be made in the second calendar year.

3. Section 409A. The Company intends that all payments and benefits provided under this Agreement or otherwise are exempt from, or comply with, with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") so that none of the payments or benefits will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted in accordance with such intent. For purposes of Code Section 409A, each payment, installment or benefit payable under this Agreement is hereby designated as a separate payment. In addition, if the Company determines that Executive is a "specified employee" under Code Section 409A(a)(2)(B)(i) at the time of Executive's Separation, then (i) any severance payments or benefits, to the extent that they are subject to Code Section 409A, will not be paid or otherwise provided until the first business day following (A) expiration of the six-month period measured from Executive's Separation or (B) the date of Executive's death and (ii) any installments that otherwise would have been paid or provided prior to such date will be paid or provided in a lump sum when the severance payments or benefits commence.

4. Section 280G. Notwithstanding anything contained in this Agreement to the contrary, in the event that the payments and benefits provided pursuant to this Agreement, together with all other payments and benefits received or to be received by Executive ("**Payments**"), constitute "parachute payments" within the meaning of Code Section 280G, and, but for this Section 4, would be subject to the excise tax imposed by Code Section 4999 (the "**Excise Tax**"), then the Payments shall be made to Executive either (i) in full or (ii) as to such lesser amount as would result in no portion of the Payments being subject to the Excise Tax (a "**Reduced Payment**"), whichever of the foregoing amounts, taking into account applicable federal, state and local income taxes and the Excise Tax, results in Executive's receipt on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. If a Reduced Payment is to be made under this section, reduction of Payments will occur in the following order: reduction of cash payments, then cancellation of equity-based payments and accelerated vesting of equity awards, and then reduction of employee benefits. If accelerated vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant. In the event that cash payments or other benefits are reduced, such reduction shall occur in reverse order beginning with the payments and benefits which are to be paid furthest away in time. All determinations required to be made under this Section 4 (including whether any of the Payments are parachute payments and whether to make a Reduced Payment) will be made by an independent accounting firm selected by the Company. For purposes of making the calculations required by this section, the accounting firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonably, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company will bear the costs that the accounting firm may reasonably incur in connection with the calculations contemplated by this Section 4. The accounting firm's determination will be binding on both Executive and the Company absent manifest error.

5. Company's Successors. Any successor to the Company to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession.

6. Miscellaneous Provisions.

(a) Modification or Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver

of any other condition or provision or of the same condition or provision at another time.

(b) Integration. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements, whether written or oral, with respect to the subject matter of this Agreement.

(c) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(d) Tax Withholding. Any payments provided for hereunder are subject to reduction to reflect applicable withholding and payroll taxes and other reductions required under federal, state or local law.

(e) Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office (attention General Counsel) and to the Executive at the address that he or she most recently provided to the Company in accordance with this Subsection (e).

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

7. At-Will Employment. Nothing contained in this Agreement shall (a) confer upon Executive any right to continue in the employ of the Company, (b) constitute any contract or agreement of employment, or (c) interfere in any way with the at-will nature of Executive's employment with the Company.

8. Definitions. The following terms referred to in this Agreement shall have the following meanings:

(a) "**Base Salary**" means Executive's annual base salary as in effect immediately prior to a Termination Without Cause or Involuntary Termination; provided, however, that in the event of a Resignation for Good Reason due to a material

reduction in Executive's base salary, "Base Salary" means Executive's annual base salary as in effect immediately prior to such reduction or as in effect immediately prior to a Change in Control, whichever is greater.

(b) "**Cause**" means (i) Executive's unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company, (ii) Executive's material breach of any agreement with the Company, (iii) Executive's material failure to comply with the Company's written policies or rules, (iv) Executive's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State, (v) Executive's gross negligence or willful misconduct, (vi) Executive's continuing failure to perform assigned duties after receiving written notification of the failure from the Company's Board of Directors or (vii) Executive's failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested such cooperation. In the case of clauses (ii), (iii) and (vii), the Company will not terminate Executive's employment for Cause without first giving Executive written notification of the acts or omissions constituting Cause and a reasonable cure period of not less than 10 days following such notice to the extent such events are curable (as determined by the Company).

(c) "**Change in Control**" means:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then-outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) The consummation of a merger or consolidation of the Company with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation; or

(iv) Individuals who are members of the Company's board of directors (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Company's board of directors over a period of 12 months;

provided, however, that if the appointment or election (or nomination for election) of any new board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Agreement, be considered as a member of the Incumbent Board.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, if a Change in Control constitutes a payment event with respect to any amount which is subject to Code Section 409A, then the transaction must also constitute a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

(d) "**Involuntary Termination**" means either (i) a Termination without Cause or (ii) a Resignation for Good Reason.

(e) "**Resignation for Good Reason**" means a Separation as a result of Executive's resignation from employment after one of the following conditions has come into existence without Executive's consent: (i) a substantial adverse change in the nature or scope of Executive's responsibilities, authority, powers, functions or duties within or to the Company, (ii) a material reduction in Executive's annual base salary from the base salary in effect immediately prior to the Change in Control, (iii) a substantial reduction in benefits other than across-the-board benefit reductions similarly affecting all or substantially all management employees of the Company or (iv) Executive's required relocation to offices more than fifty (50) miles from Executive's principal place of business immediately prior to the Change in Control. In order to constitute a Resignation for Good Reason, Executive must give the Company written notice of the condition within 90 days after it comes into existence, the Company must fail to remedy the condition within 30 days after receiving Executive's written notice and Executive must terminate his or her employment within 30 days after expiration of the cure period.

(f) "**Separation**" means a "separation from service" as defined in the regulations under Code Section 409A.

(g) "**Termination Without Cause**" means a Separation as a result of the termination of Executive's employment by the Company without Cause and not as a result of Executive's death or disability.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year indicated below.

COMPANY

By: /s/ Jon Stueve

Name: Jon Stueve

Title: VP and General Counsel

Date: October 2, 2017

EXECUTIVE

By: /s/ Mark R. Riggs

Name: Mark R. Riggs

Title: Chief Customer Officer

Date: September 30, 2017

GENERAL RELEASE OF ALL CLAIMS

In consideration of the severance benefits to be paid to Mark Riggs ("Executive") by Coupa Software Incorporated (the "Company"), as described in Paragraph 1 below, Executive, on Executive's own behalf and on behalf of Executive's heirs, executors, administrators and assigns, to the fullest extent permitted by applicable law, hereby fully and forever releases and discharges the Company and its directors, officers, employees, agents, successors, predecessors, subsidiaries, parent, shareholders, employee benefit plans and assigns (together called "the Releasees"), from all known and unknown claims and causes of action including, without limitation, any claims or causes of action arising out of or relating in any way to Executive's employment with the Company, including the termination of that employment.

1. If Executive signs (and does not revoke) this General Release of All Claims ("Release"), the Company will provide Executive with the severance benefits described in Section 2 of the Severance and Change in Control Agreement, dated _______ __, 2017, between the Company and Executive (the "Severance Agreement").

2. Executive's Company equity awards, to the extent vested and outstanding as of Executive's employment termination date, will be treated as provided in the applicable equity plan and the related award agreements. Such agreements will remain in effect in accordance with their terms, and Executive acknowledges that Executive will remain bound by them. Any Company equity awards that are unvested as of Executive's employment termination date will be automatically forfeited[1], and Executive will have no further rights to such awards. Executive acknowledges that the enclosed report accurately reflects a summary of Executive's outstanding equity awards.

3. Executive understands and agrees that this Release is a full and complete waiver of all claims including, without limitation, claims of wrongful discharge, constructive discharge, breach of contract, breach of the covenant of good faith and fair dealing, harassment, retaliation, discrimination, violation of public policy, defamation, invasion of privacy, interference with a leave of absence, personal injury or emotional distress and claims under Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1866, the Age Discrimination in Employment Act of 1967 (ADEA), the California Labor Code, the California Fair Employment and Housing Act, the California Family Rights Act, the Family Medical Leave Act or any other federal or state law or regulation relating to employment or employment discrimination. Executive further understands and agrees that this waiver includes all claims, known and unknown, to the greatest extent permitted by applicable law. However, this release covers only those

1 Modify in case of an involuntary termination three months prior to a change in control.

claims that arose prior to the execution of this Release. Execution of this Release does not bar any claim that arises hereafter, including (without limitation) a claim for breach of this Release. In addition, this Release does not cover any claim for indemnification Executive may have pursuant to the Company's bylaws or applicable law or Executive's right to coverage under any applicable D&O insurance policy with the Company.

4. Executive also hereby agrees that nothing contained in this Release shall constitute or be treated as an admission of liability or wrongdoing by the Releasees or Executive.

5. In addition, Executive hereby expressly waives any and all rights and benefits conferred upon Executive by the provisions of Section 1542 of the Civil Code of the State of California, which states as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. If any provision of this Release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and the court shall enforce all remaining provisions to the full extent permitted by law.

7. This Release constitutes the entire agreement between Executive and Releasees with regard to the subject matter of this Release. It supersedes any other agreements, representations or understandings, whether oral or written and whether express or implied, which relate to the subject matter of this Release. Executive understands and agrees that this Release may be modified only in a written document signed by Executive and a duly authorized officer of the Company.

8. Executive understands and agrees that the Company shall have no obligation to provide to Executive any severance benefits described in the Severance Agreement unless and until Executive has complied with the requirements described in Section 2(c) of the Severance Agreement, including executing this Release within the time period specified in Paragraph 13 below.

9. Executive understands and agrees that at all times in the future Executive shall remain bound by the Executive's Proprietary Information and Inventions Agreement with the Company and Mutual Agreement to Arbitrate, copies of which are enclosed herewith.

10. Executive agrees not to disclose to others the terms of the Severance Agreement or this Release, except that Executive may disclose such information to Executive's spouse and to Executive's attorney or accountant in order for such attorney or accountant to render services to Executive related to the Employment Agreement or this Release.

11. Executive agrees that Executive will never make any negative or disparaging statements (orally or in writing) about the Company or its stockholders, directors, officers, employees, products, services or business practices, except as required by law. The Company agrees to instruct its executive officers and directors not to disparage Executive in any manner likely to be harmful to Executive's personal or business reputation; provided that the Company (and its executive officers and directors) may respond accurately and fully to any question, inquiry or request for information when required by legal process.

12. This Release shall be governed by and its provisions interpreted under the laws of the state of California.

13. Executive understands that Executive has the right to consult with an attorney before signing this Release. Executive also understands that Executive has 21 days after receipt of this Release to review and consider this Release, discuss it with an attorney of Executive's own choosing, and decide to execute it or not execute it. Executive also understands that Executive may revoke this Release during a period of 7 days after Executive signs it and that this Release will not become effective for seven days after Executive signs it (and then only if Executive does not revoke it). In order to revoke this Release, within seven days after Executive executes this Release Executive must deliver to the General Counsel at the Company a letter stating that Executive is revoking it. Executive understands that if Executive chooses to revoke this Release within seven days after Executive signs it, Executive will not receive any severance benefits and the Release will have no effect.

14. Executive states that before signing this Release, Executive:

- Has read it,
- Understands it,
- Knows that he or she is giving up important rights,
- Is aware of his or her right to consult an attorney before signing it, and
- Has signed it knowingly and voluntarily.

Date: ______________________

____
Signature

____
Print Full Name

Enclosures:

Equity Report
Proprietary Information and Inventions Agreement
Mutual Agreement to Arbitrate

Exhibit 21.1

Subsidiaries as of January 31, 2019*

Name	Jurisdiction of Incorporation or Organization
8.5x14 Media Corp.	Canada
Coupa Deutschland GmbH	Germany
Coupa Operations, Inc.	Delaware
Coupa Operations, S de R.L. de C.V.	Mexico
Coupa Serviços Em Tecnologia Da Informação E Marketing Promocional Ltda.	Brazil
Coupa Software Australia Pty Ltd.	Australia
Coupa Software Godo Kaisha	Japan
Coupa Software India Private Limited	India
Coupa Software Proprietary Limited	South Africa
GTCR/Opus Blocker Corporation	Delaware
Hiperos LLC	Delaware
Simeno Holding AG	Switzerland
Trade Extensions TradeExt AB	Sweden
Vinimaya LLC (dba Aquiire Inc.)	Delaware

* Inclusion on the list above is not an admission that any of the above entities, individually or in the aggregate, constitutes a significant subsidiary within the meaning of Rule 1-02(w) of Regulation S-X and Item 601(b)(21)(ii) of Regulation S-K.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-213991, 333-217104 and 333-223997) pertaining to the 2016 Equity Incentive Plan, 2006 Stock Plan, and the 2016 Employee Stock Purchase Plan of Coupa Software Incorporated of our reports dated March 27, 2019, with respect to the consolidated financial statements and schedule of Coupa Software Incorporated, and the effectiveness of internal control over financial reporting of Coupa Software Incorporated, included in this Annual Report (Form 10-K) for the year ended January 31, 2019.

/s/ Ernst & Young LLP

San Jose, California
March 27, 2019

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Bernshteyn, certify that:

1. I have reviewed this annual report on Form 10-K of Coupa Software Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2019

By: */s/ Robert Bernshteyn*
Name: **Robert Bernshteyn**
Title: **Chief Executive Officer**
and Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd Ford, certify that:

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

Date: March 27, 2019

By: */s/ Todd Ford*
Name: **Todd Ford**
Title: **Chief Financial Officer**
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Bernshteyn, Chief Executive Officer of Coupa Software Incorporated (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The annual report on Form 10-K for the Company for the year ended January 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2019

By: */s/ Robert Bernshteyn*
Name: **Robert Bernshteyn**
Title: **Chief Executive Officer**
and Chairman of the Board
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd Ford, Chief Financial Officer of Coupa Software Incorporated (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The annual report on Form 10-K for the Company for the year ended January 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 27, 2019

By: *<u>/s/ Todd Ford</u>*
Name: **Todd Ford**
Title: **Chief Financial Officer**
(Principal Financial Officer)