

**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 June 30, 2022**

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: **001-39149**

**BILL.COM HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**6220 America Center Drive, Suite 100, San Jose, CA**

(Address of principal executive offices)

**83-2661725**

(I.R.S. Employer Identification Number)

**95022**

(Zip Code)

**(650) 621-7700**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, \$0.00001 par value</b>	<b>BILL</b>	<b>The New York Stock Exchange</b>

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 15(d) of the Act. Yes  No

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on December 31, 2021 (the last business day of the registrant's most recently completed second fiscal quarter) as reported by The New York Stock Exchange on December 31, 2021, was approximately \$24.7 billion.

The number of shares of registrant's common stock outstanding as of August 12, 2022 was 104,840,348.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for its 2022 Annual Meeting of Stockholders (Proxy Statement) to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement shall not be deemed to be filed as part hereof.

**BILL.COM HOLDINGS, INC.**  
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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “target,” “plan,” “expect,” and similar expressions are intended to identify forward-looking statements. Our fiscal year end is June 30. Our fiscal years ended June 30, 2022, 2021, and 2020 are referred to herein as fiscal 2022, fiscal 2021, and fiscal 2020, respectively.

Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, operating expenses, including changes in research and development, sales and marketing and general and administrative expenses (including any components of the foregoing), and our ability to achieve, and maintain, future profitability;
- our business plan and our ability to effectively manage our growth;
- our market opportunity, including our total addressable market;
- our international expansion plans and ability to expand internationally;
- anticipated trends, growth rates, and challenges in our business and in the markets in which we operate;
- beliefs and objectives for future operations;
- our ability to further attract, retain, and expand our customer base;
- our ability to develop new products and services and bring them to market in a timely manner;
- the effects of seasonal trends on our results of operations;
- our expectations concerning relationships with third parties, including partners;
- our ability to maintain, protect, and enhance our intellectual property;
- the effects of increased competition in our markets and our ability to compete effectively;
- the COVID-19 pandemic, economic downturns, recession, inflation and supply chain shortages, and their impact on our customers, partners, vendors, employees, results of operations, liquidity, and financial condition;
- future acquisitions or investments in complementary companies, products, services, or technologies;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business;
- economic and industry trends, projected growth, or trend analysis;
- our ability to attract and retain qualified talent;
- the increased expenses associated with being a public company; and
- the future market prices of our common stock.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and 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 future events and trends 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. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Annual Report on Form 10-K or to conform these statements to actual results or to changes in our expectations, except as required by law.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information.

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

In this Annual Report on Form 10-K, the words “we,” “us,” and “our” refer to Bill.com Holdings, Inc. and its wholly owned subsidiaries, including Bill.com, LLC (Bill.com), DivvyPay, LLC (Divvy), Invoice2go, LLC (Invoice2go), and Cimrid Pty, Ltd (Cimrid), unless the context requires otherwise.

## PART I

### Item 1. BUSINESS

#### Overview

Our mission is to make it simple to connect and do business.

We are champions of small and midsize businesses (SMBs). As a leading provider of cloud-based software that simplifies, digitizes, and automates financial operations for SMBs, we create efficiencies and free our customers to run their businesses. Our vision is to become the leading one-stop solution that helps millions of businesses around the world manage their financial operations.

Bill.com's purpose-built, artificial-intelligence (AI)-enabled financial software platform creates seamless connections between our customers, their suppliers, and their clients. Customers use our platform to generate and process invoices, streamline approvals, make and receive payments, manage employee expenses, sync with their accounting systems, and manage their cash. We have built sophisticated integrations with popular accounting software solutions, banks, card issuers and payment processors, enabling our customers to access these mission-critical services quickly and easily. Divvy, a Bill.com company, provides products for businesses to build budgets, manage payments, and eliminate the need for expense reports.

As of June 30, 2022, over 157,000 Bill.com customers trusted the Bill.com platform to manage their financial workflows and process their payments, which totaled \$219.1 billion in Total Payment Volume (TPV) during fiscal 2022. For the purposes of measuring our key business metrics, we define customers as entities that are either billed directly by us or for which we bill our partners during a particular period. As of June 30, 2022, approximately 4.7 million Bill.com network members have paid or received funds electronically using our platform. We define network members as our customers plus their suppliers and clients. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Business Metrics*" for a detailed discussion of our business metrics.

#### Our Solution

Our platform automates the SMB back office and enables our customers to pay their suppliers and collect payments from their clients, in effect acting as a system of control for their accounts payable, accounts receivable and spend and expense management activities. As a result, our platform frees our customers from cumbersome legacy financial processes and provides the following key benefits:

- **Automated and Efficient.** Our AI-enabled platform helps our customers pay their bills efficiently and get paid faster. We provide tools that streamline the transaction lifecycle by automating data capture and entry, routing bills for approval, and detecting duplicate invoices.
- **Integrated and Accurate.** We provide an end-to-end platform that connects our customers to their suppliers and clients. Our platform integrates with accounting software, banks, card issuers, and payment processors, enabling our customers to access all of these mission-critical partners easily. Because we provide a comprehensive view, customers can more easily find inconsistencies and inaccuracies, and fix them quickly.
- **Digital and Secure.** We enable secure connections and storage of sensitive supplier and client information and documents, such as invoices and contracts, and make them accessible to authorized users on any device, from anywhere.
- **Visible and Transparent.** With our solutions, customers can easily view their transaction workflows, create budgets and manage spend, enabling them to gain deeper insight into their financial operations and manage their cash flows.

## What Sets Us Apart

- **Purpose-Built for SMBs.** Our platform provides SMBs with core functionality and value-added services generally reserved for larger companies. Through our cloud-based desktop and mobile applications, SMBs can connect and do business from anywhere, any time.
- **Diverse Distribution Channels.** We leverage both direct and indirect channels - accounting firms, financial institution partners, and accounting software integrations - to efficiently go-to-market.
- **Large and Growing Network.** As accounts receivable customers issue invoices, and accounts payable customers pay bills, they connect to their clients and suppliers, driving a powerful network effect. This aids our customer acquisition efforts by increasing the number of businesses connected to our platform, which then become prospects.
- **Large Data Asset.** We have a large data asset as a result of processing millions of documents and billions of dollars in business payments annually for our customers. By leveraging our machine learning capabilities, we generate insights from this data that drive product innovation.
- **Proprietary Risk Management Expertise.** Leveraging our data, our proprietary risk engine has trained upon millions of business-to-business ACH, check, card, and wire transactions enabling us to keep our customers' funds secure.
- **Experienced Management Team and Vibrant Culture.** Our management team has deep experience with SMBs, software-as-a-service companies, accounting firms, and financial institutions. We have built a unique culture that resonates with employees, as evidenced by our highly-competitive low attrition rates.

## Our Platform

Our purpose-built platform leverages the fact that we can see both sides of a transaction and can easily connect both transaction parties and promote the rapid exchange of information and funds, with strong network effects and greater monetization opportunities as more customers adopt our platform. Our platform also expands the ability of our spend and expense management customers to budget for, monitor, and approve employee expenses across organizations of all sizes - all in real-time.

### Accounts Payable Automation

Our accounts payable automation service streamlines the entire payables process, from the receipt of a bill, through the approvals workflow, to the payment and synchronization with the accounting system. Here are some highlights of our service:

- **Visibility at a Glance** – Through our platform, our customers gain a comprehensive view of their cash in-flows and outflows.
- **Document Management** – Bill.com automatically assigns a dedicated email address to each customer to provide to its suppliers. Suppliers use that email address to send invoices to the customer's dedicated Bill.com inbox. Alternatively, scanned invoices can be uploaded directly through our application. Once uploaded, we store the bills securely, linking them to the associated supplier. With a single click, customers can use our search feature to scan documents quickly and resolve open questions. Our document management capabilities help our customers make payment decisions, answer supplier questions and provide support to accountants and auditors.
- **Intelligent bill capture** – We have automated the capture of data from bills by leveraging our proprietary AI capabilities. Incoming bills are machine-read, and critical data fields, including due date, amount, and supplier name, are prepopulated. The customer's Accounts Payable staff can review the result and make any adjustments required, and our platform routes the bill internally for approval.
- **Digital workflows and approvals** – Our platform speeds approval processes through policy-driven workflows. Much of this activity takes place while our customers are on-the-go: one of

the top three uses of our mobile app is bill approvals. Our platform proactively suggests payment dates based upon a bill's due date, helping customers avoid late payment penalty fees. Our customers assign each user a role: administrator, payor, approver, clerk, or accountant. Each role has its own entitlements to ensure appropriate checks and balances in the back office.

- *Collaboration and engagement* – Our platform promotes collaboration. Our in-app messaging capabilities make communications between our customers and their employees, vendors, and clients, easy. For example, Bill.com allows administrators and payors to remind approvers to act, or delegate payment authority when a key employee is unavailable. Our platform creates a clear audit trail that becomes invaluable in the event of an audit, or for tax compliance.

### **Accounts Receivable Automation**

Our accounts receivable service automates the entire process, from the creation of an invoice and delivery to the client, to funds collection and synchronization back to the accounting system. Here are some highlights of this service:

- *Easy invoicing* – Using a simple template, customers can easily create electronic invoices on our platform and insert their own logos to customize them. If required, our platform also enables the printing and mailing of paper invoices. Many accounts receivable customers take advantage of our recurring invoice feature.
- *Digital workflows and visibility* – Our platform automates and simplifies electronic invoice creation, delivery, and collection of funds. Using our progress bar, customers have complete visibility into the accounts receivable process. When both trading partners are in the network, our customer can see when their invoices are delivered, opened, authorized to be paid and when payment was received. Invoices and supporting documents like contracts are readily accessible and notes can be entered for future reference.
- *Collaboration and engagement* – To make paying an invoice easy, we offer a customizable, branded client payment portal. Clients receive a link to an electronic invoice accessible on the Bill.com site. From this portal, the client can make a payment via ACH or credit card within seconds. In a May 2021 customer survey that we conducted, more than half (or 66% of respondents) reported that using our platform allows them to get paid at least twice as fast compared to other accounts receivable methods. For reference purposes, the client has ongoing access to bills and associated payments within the portal. Just like our accounts payable service, our in-app collaboration tools make communications between the accounts receivable customer and its clients easy and trackable.

### **Spend and Expense Management**

With Divvy, spending businesses gain robust spend and expense management tools, helping them spend smarter. Divvy provides businesses full visibility into their spend, by issuing every employee their own Divvy card. Every card provides access to credit lines originated through our card issuing partner banks and is linked to proactive spend controls: managers control their budgets by team through the assignment of individual permissions. Employees can request funds from their phones, and budget owners or admins can approve or deny spend requests on-the-go from a push notification to their phone.

Spending businesses can leverage a single, centralized budget or opt for a more sophisticated scenario, where budgets are established by department, team, or project. Rather than building a business budgeting strategy using outdated numbers in a static spreadsheet, Divvy's budgeting software syncs automatically with the employee's Mastercard or Visa cards, while also facilitating reimbursements and vendor spend. With Divvy's intuitive web and mobile applications, budget owners can drill down into spending by department, team, project, or individual. Whether on-the-go or in the office, an SMB can view up-to-date spend against budgets, so they always know where they stand.

We market Divvy cards to potential spending businesses and issue business-purpose charge cards through our partnerships with card issuing banks (Issuing Banks). When a business applies for a Divvy card, we utilize, on behalf of the card Issuing Bank, proprietary risk management capabilities to confirm the identity of the

business, and perform a credit underwriting process to determine if the business is eligible for a Divvy card pursuant to our credit policies. Once approved for a Divvy card, the spending business is provided a credit limit and can use the Divvy software to request virtual cards or physical cards.

### **Payment Services**

Our suite of comprehensive payment services includes:

- *ACH Payments* – We enable ACH transactions for both disbursements and collections. Our network makes it simple to make the switch from paper checks.
- *Card Payments* – Through a third party, we offer accounts receivable customers the convenience of accepting credit and debit card payments. In addition, we enable our accounts payable customers to make virtual card payments. Virtual cards enable faster payments to suppliers along with the data needed to easily match incoming payments with open receivables. Through card issuing partners, Divvy provides both physical and virtual Mastercard and Visa debit and credit cards to companies that enroll in its business spend and expense management program.
- *Real-time Payments (RTP)* – Through The Clearing House's RTP® network, a real-time payments platform, we disburse funds rapidly to meet urgent customer funding needs. We also facilitate near real-time payments to customers' debit cards via a service offered with a partner.
- *Checks* – We issue checks if our customer prefers or is contractually obligated to pay via this method. By design, we protect our SMB customers against check fraud by never disclosing their bank account details to a supplier and by reviewing every check presented against a check issue file to detect and prevent check fraud.
- *Cross-Border Payments* – We simplify cross-border disbursements by facilitating electronic funds transfers around the world with our International Payments service. Payments can be issued in either U.S. or foreign currency, and our platform synchronizes with customers' accounting software for a consolidated view of domestic and international outflows. We offer our U.S.-based customers the ability to disburse funds to over 130 countries worldwide.

### **Value-Added Services**

- *Two-Way Sync with Leading Accounting Systems* – Our platform automatically synchronizes customers, suppliers, general ledger accounts, and transactions with an SMB's accounting system to automate reconciliation. We are integrated with several of the most popular business accounting software applications, including QuickBooks, Oracle NetSuite, Sage Intacct, Xero, Microsoft Dynamics 365 Business Central, and Microsoft Dynamics GP. Our two-way synchronization capabilities virtually eliminate double data-entry, as our platform and the customer's accounting software continuously keep each other updated. Customers who use other types of systems use our advanced file import/export capabilities to minimize data entry activities.
- *Purchase Order (PO) Matching* – We sync POs directly from accounting software systems, including Oracle NetSuite, Sage Intacct, and Microsoft Dynamics Great Plains into our platform. Users can compare POs and invoices on one screen, then route bills for approval and payment seamlessly in the same workflow. This eliminates the need to switch between systems for two-way matching and reduces the back-and-forth communication between PO creators and AP managers.
- *Frequent Status Updates* – We provide timely status updates of financial inflows and outflows by providing timely status of all transactions on a regular basis. Through our workflow progress bars on each page, our customers can see who has approved an invoice and what approvals remain, the status of each payment, and the date transactions are expected to clear.
- *Treasury Services* – Our platform integrates advanced treasury services tools that are normally either not offered to or are costly for SMBs. Examples include:
  - the positive pay feature we employ to ensure only authorized payment transactions are processed;



- a streamlined void and reissue function when an in-process payment needs to be cancelled; and
- the cleared check images we make available to enable our customers to confirm payment receipt and facilitate research.
- *Custom User Roles* – Our platform enables customers to define custom user roles. These roles can be used to expand or limit each user’s access to the platform and core financial operations functions. For example, a customer can temporarily enable its auditors or tax preparers to access our platform using a custom role that allows them to view source documents in support of the services they are providing, but not have access to other confidential documents or information.
- *Document Discovery* – With our advanced document management capabilities, a customer can easily search for an uploaded document and search its data elements, regardless of how old it is, or how long it has been in our system. Our customers utilize this feature when deciding whether to pay a given bill, re-issue an invoice, or determine who authorized a certain payment.
- *Integrated, Robust Mobile Functionality* - Our mobile-native apps, available in both iOS and Android, are easy to adopt and use. Through our apps, our customers can manage their transaction workflows, send an invoice, make payments on-the-go and manage spend.

### **Partner Integrations**

We provide our financial institution partners a technology platform that enables a white-label integration with their existing business banking services. We deliver single sign-on, multi-factor authentication, integrated provisioning and entitlement of new accounts, as well as integration with required compliance systems. Transactions are synchronized automatically between the financial institution’s platform and ours, keeping the customer’s view current and consistent.

In addition to our white-labeled solution, we support a broad range of partners and customers with our platform application programming interfaces (APIs). These APIs allow our partners to integrate our platform seamlessly into their solutions, create web or mobile apps that integrate with ours, or leverage our payments capabilities. Through our APIs, developers can:

- interact with business entities, like suppliers and clients;
- obtain summary-level reports, such as payables and receivables reports; and
- interact with accounting details, such as the general ledger codes of the chart of accounts.

### **Our Unique Data Asset**

Bill.com’s total payment volume and number of documents processed for our customers provides us with a unique data asset. This asset has allowed us to build powerful artificial intelligence capabilities. The data provides a view into customer transactions and operational status of various payment processes, which enables us to effectively manage risk exposure. Our system continues to learn with each document processed and payment made. This virtuous cycle of learning powers a network effect that facilitates customer satisfaction, offers intelligent insights, improves trust and safety, and will fuel further growth.

### **Our Network**

Through our AI-enabled platform, our customers can easily connect with existing network members. The benefit of being in the network is simple: customers connect with others to pay and be paid electronically, freeing them from the need to solicit or share bank account and routing numbers with each trading partner individually. The process of adding bank account details to our platform is easy and secure. For example, when a supplier of an accounts payable customer receives an invitation to join our network, the supplier can accept and securely share their bank account details once with Bill.com. From that point onward, all payments to that supplier will be electronic.

Once in the network, other Bill.com customers can easily link to that same supplier without the supplier having to repeat this process again. This approach to connecting businesses has allowed us to build a robust

and growing business-to-business payments directory, which includes approximately 4.7 million Bill.com network members as of June 30, 2022. We define network members as our customers plus their suppliers and clients, who pay and receive funds electronically via our platform. These network effects promote greater adoption of our platform, higher levels of engagement, and increased value across our ecosystem.

### **Payment and Risk Management Services**

Our payments engine powers our payment services. Through dedicated connections with banks and payment processors, we issue checks, initiate card-based transactions, originate ACH-based payments, and execute wire transfers. Our payments engine handles all aspects of payment file transfers, exception file handling, and required payment status reporting. We have redundancy across our core payment methods such that if there is an outage with one payment processor, we can direct payments to an alternative provider.

Through our risk engine, we use both proprietary and third-party tools to assess, detect, and mitigate financial risk associated with the payment volume that we process. Throughout the transaction lifecycle, we monitor data and payments to ensure that we are safeguarding our customers, their suppliers and clients, and our company. When a bank account is added to the platform, we validate that the bank account is held at a U.S.-domiciled financial institution, is associated with the organization adding the account, and is in good standing.

When customers use our services, we monitor key activities looking for signals that would indicate anomalies that could create risk exposure and need to be investigated. Our risk engine analyzes many unique data elements to score transactions. Those that score above our thresholds are routed to trained risk agents for manual review. Agents have the latitude to contact customers to gather further information, or if a financial risk is imminent, to prevent funds from leaving our system until any suspicious activity can be resolved.

Once a payment transaction is processed, we continue to manage our exposure. We have extensive contacts in the banking industry, and we utilize these to reverse payments when possible. If a suspicious or fraudulent payment cannot be reversed, we follow a rigorous collections process to recover funds.

This risk management process gets progressively more insightful as our data set gets larger and our AI-enabled risk engine gets smarter. This is an advantage that we expect to continue to grow over time. Our success in managing the risk inherent in moving funds for business customers is proven. As a percentage of our TPV, fraud and credit loss rates for our Bill.com based payment services were nominal, less than one basis point for each of fiscal 2022, 2021 and 2020. As a percentage of total card payment volume transacted by spending businesses that use Divvy cards, fraud and credit loss rate was approximately 37 basis points for fiscal 2022. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Business Metrics*" for a detailed discussion of our business metrics.

### **Security, Privacy, and Data Protection**

Trust is important for our relationship with customers and partners, and we take significant measures designed to protect their privacy and the data that they provide to us. Keeping our customers' data safe and secure is a high priority. Our approach to security includes data governance as well as ongoing testing for potential security issues.

We have robust access controls in our production environment with access to data strictly assigned, monitored, and audited. To ensure our controls remain up-to-date, we undergo continuous external testing for vulnerabilities within our software architecture. These efforts have enabled us to certify our platform to SOC1 Type II, SOC2 Type II, and SOC3 standards. Our security program is aligned to the NIST-800-53 standards and is regularly audited and assessed by third parties as well as our partners.

The focus of our program is working to prevent unauthorized access to the data of our customers and network members. To this end, our team of security practitioners work to identify and mitigate risks, implement best practices, and continue to evaluate ways to improve.

These steps include close attention to network security, classifying and inventorying data, limiting and authorizing access controls, and multi-factor authentication for access to systems. We also employ regular

system monitoring, logging, and alerting to retain and analyze the security state of our corporate and production infrastructures.

We take steps to help ensure that our security measures are maintained by the third-party suppliers we use, including conducting annual security reviews and audits.

### **Competition**

Our primary competition remains the legacy manual processes that SMBs have relied upon for decades. Other competitors range from large firms that predominantly focus on selling to enterprises; to providers of point solutions that focus exclusively on one of the many aspects of our business: document management, workflow management, accounts payable solutions, spend and expense management, card issuance, or accounts receivable solutions; to companies that offer industry-specific payment solutions.

We differentiate ourselves from our competitors by offering a financial back-office solution that handles all of these core cash flow activities end-to-end. Our extensive investment in building a fully-integrated two-way sync with popular accounting software providers is well-regarded in the industry. With respect to the domestic payments that comprise the bulk of our business, we disburse and collect funds on behalf of our customers through our proprietary payments engine. We manage the associated financial risk of processing billions in total payment volume through our proprietary risk models and rules.

We believe that the key competitive factors in our market include:

- Product features, quality, and functionality;
- Data asset size and ability to leverage artificial intelligence
- Ease of deployment;
- Ease of integration with leading accounting and banking technology infrastructures;
- Ability to automate processes;
- Cloud-based delivery architecture;
- Advanced security and control features;
- Regulatory compliance leadership, as evidenced by having been granted money transmitter licenses in all required U.S. jurisdictions and in Canada;
- Brand recognition; and
- Pricing and total cost of ownership.

We compare favorably with our competitors on the basis of these factors. We expect the market for SMB back-office financial software and business-to-business payment solutions to continue to evolve and grow, as greater numbers of SMBs and larger businesses digitize their back offices. We believe that we are well-positioned to help them.

### **Research & Development**

We invest substantial time, energy, and resources to ensure we have a deep understanding of our customers' needs, and we continually innovate to deliver value-added products and services. Our technology organization consists of engineering, product, and design teams. These teams are responsible for the design, development, and testing of our applications. We focus our efforts on developing new functionality and further enhancing the usability, reliability, and performance of existing applications.

### **Sales and Marketing**

We distribute our platform through direct and indirect sales channels, both of which we leverage to reach our target customers in an efficient manner. Our direct sales are driven by a self-service process and an

inside sales team. Our inside sales team augments our direct sales capabilities by targeting potential customers that have engaged with us on their own.

We also reach customers indirectly through our partnerships with accounting firms, financial institutions, and accounting software providers. While these partners sometimes require an initial integration investment, a go-to-market flywheel takes effect as our partners accelerate the delivery of our platform across their customer base with minimal incremental investment from us.

We focus our marketing efforts on generating leads to develop our sales pipeline, building brand and category awareness, enabling our go-to-market partners, and growing our business from within our existing customers. Our sales leads primarily come through word-of-mouth, our accounting firm partners, and website searches. We generate additional leads through digital marketing campaigns, referrals, in-product customer education, brand advertising, public relations, and social media.

As part of our marketing efforts for our spend and expense management solution, we offer a card rewards program to drive card adoption, incent card usage, and drive card loyalty with spending businesses. Under the card rewards program, spending businesses can earn rewards based on transaction volume on the cards issued to them and can redeem those rewards mainly for cash, travel, and gift cards.

### **Customer Success**

SMBs have unique needs and customer support contact expectations. With more than a decade of experience supporting our product, our customer success team has a deep understanding of their needs and has developed our support model accordingly. We recognize and understand patterns that our customers may not, because we see the aggregate – millions of transactions per month. We use what we learn to continuously improve the platform and the customer experience. We provide onboarding implementation support, as well as ongoing support and training. We periodically contact our customers to discuss their utilization of our platform, highlight additional features that may interest them, and identify any additional tools that may be needed.

### **Regulatory Environment**

We operate in a rapidly-evolving regulatory environment.

#### ***Payments and Banking Regulation***

In order to conduct the payment services we offer we are required to be licensed to offer money transmission services in most U.S. states. We have procured and maintained money transmitter licenses in 50 U.S. jurisdictions and actively work to comply with new license requirements as they arise. We are also registered as a Money Services Business with the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN). These licenses and registrations subject us, among other things, to record-keeping requirements, reporting requirements, bonding requirements, minimum capital requirements, limitations on the investment of customer funds, and regulatory examinations by state and federal regulatory agencies.

We also hold a Foreign Money Services Business (FMSB) license in Canada that is administered by The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and a Money Services Business License administered by Quebec's Autorité Des Marchés Financiers (Financial Markets Authority). Global Affairs Canada and Canada's Department of Public Safety administer Canadian sanctions programs and oversee our compliance with these regulations.

We are contractually obligated to comply with Federal Deposit Insurance Corporation (FDIC) federal banking regulations, as well as with Visa and MasterCard rules, as a card program manager for the card program management banks (CPMB) for our card product offerings. As a card program manager for the CPMBs, we have implemented compliance programs designed to ensure we are in compliance with applicable banking regulations and the Visa and MasterCard network rules. The CPMBs oversee our compliance program and conduct periodic audits to ensure compliance with applicable regulations and rules. We are also subject to the examination and enforcement authority of the FDIC under the Bank Service Company Act in our capacity as program manager to the CPMBs for our card product offerings.

In addition, we are subject to FDIC oversight through the provision of FDIC insured business deposit accounts provided by a regulated bank in relation to certain Invoice2Go products.

We maintain loan brokering and servicing licenses in a number of U.S. states in which Divvy's spend and expense management activity requires such licenses, and actively work to comply with new license requirements as they arise.

Our services utilize ACH transfers and require compliance with National Automated Clearing House Association rules.

In the future, we may decide to procure state lending licenses to support future product initiatives.

#### ***Anti-money Laundering, Counter-terrorist Financing, and Sanctions.***

As a Money Services Business and a licensed money transmitter we are subject to U.S. anti-money laundering (AML) laws and regulations, including under the Bank Secrecy Act (BSA) and similar U.S. state laws and regulations, and as a Foreign Money Service Business in Canada we are subject to various AML laws and regulations in Canada. In addition, we are required to comply with U.S. economic and trade sanctions administered by the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC), as well as similar requirements in other jurisdictions, including, among others, the Canadian Proceeds of Crime and Terrorist Financing Act and the Australian Sanctions Regime. We have implemented an AML and sanctions compliance program designed to prevent our platform from being used to facilitate money laundering, terrorist financing, and other financial crimes. Where we rely on partners for payment services, our partners have implemented AML and sanctions compliance programs. These compliance programs include policies, procedures, reporting protocols, and internal controls designed to address these legal and regulatory requirements and to assist in managing the risk associated with money laundering. Our United States (U.S.) compliance program includes the designation of a BSA compliance officer to oversee the program. These programs are also designed to manage terrorist financing risks and to comply with sanctions requirements to prevent our products from being used to facilitate business in certain countries, or with certain persons or entities, including those on designated lists promulgated by OFAC and relevant foreign authorities.

#### ***Data Protection and Information Security***

We receive, store, process, and use a wide variety of personal, business and financial information from prospective customers, customers, their vendors, and other users on our platform, as well as personal information about our employees and service providers. Our handling of this data is subject to a variety of laws and regulations. In the U.S. we are subject to privacy and information safeguarding requirements under the Graham Leach Bliley Act and state laws relating to privacy and data security, including the California Consumer Privacy Act. Additionally, the U.S. Federal Trade Commission (FTC) and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. We are also subject to foreign laws and regulation governing the handling of personal data, including the European Union's General Data Protection Regulation (GDPR), the United Kingdom's GDPR, Australian and Canadian privacy laws and the privacy laws of other foreign jurisdictions.

Regulatory scrutiny of privacy, data protection, cybersecurity practices, and the processing of personal data is increasing around the world. Regulatory authorities regularly consider new legislative and regulatory proposals and interpretive guidelines that may contain privacy and data protection obligations. In addition, the interpretation and application of these privacy and data protection laws in the U.S., Europe, and elsewhere are often uncertain and in a state of flux.

#### ***Anti-corruption***

We are subject to the U.S. Foreign Corrupt Practices Act, U.S. domestic bribery laws, and other anti-corruption laws in the foreign jurisdictions in which we operate, including, among others, Australia's anti-bribery laws, the Canadian Criminal Code and the Canadian Corruption of Foreign Public Officials Act. Anti-corruption laws generally prohibit offering, promising, giving, accepting, or authorizing others to provide anything of value, either directly or indirectly, to or from a government official or private party in order to influence official action or

otherwise gain an unfair business advantage, such as to obtain or retain business. We have implemented policies, procedures, and internal controls that are designed to comply with these laws and regulations.

### ***Additional Regulatory Developments***

Various regulatory agencies in the U.S. and in foreign jurisdictions continue to examine a wide variety of issues which are applicable to us and may impact our business. These issues include identity theft, account management guidelines, privacy, disclosure rules, cybersecurity, and marketing. As our business continues to develop and expand, we continue to monitor the additional rules and regulations that may become relevant.

Any actual or perceived failure to comply with legal and regulatory requirements may result in, among other things, revocation of required licenses or registrations, loss of approved status, private litigation, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to continue to operate. For an additional discussion on governmental regulation affecting our business, please see the risk factors related to regulation of our payments business and regulation in the areas of privacy and data use, under the section titled “Risk Factors – Risks Related to our Business and Industry.”

## **Human Capital**

### ***Our Culture and Employees***

We are a people-centric company and actively develop and nurture a positive relationship with our employees. Our culture centers on our company values:

- **Humble** – No ego;
- **Fun** – Celebrate the moments;
- **Authentic** – We are who we are;
- **Passionate** – Love what you do; and
- **Dedicated** – To each other and the customer

Our values are core to who we are and who we hire, guide how we operate, define how we treat each other every day and ultimately make our teams strong cohesive units. We believe our culture enables us to attract and retain exceptional talent.

As of June 30, 2022, we had a total of 2,269 employees across three offices in the U.S.: San Jose, CA, Houston, TX, and Draper, UT; one office in Sydney, Australia; and others working remotely. We also employ individuals on a temporary basis and use the services of contractors as necessary. None of our employees are represented by a labor union in connection with their employment.

We have recruiting and hiring practices that meet business hiring needs while maintaining a high bar for talent. We leverage data and analytics to align the recruiting function to business growth and revenue drivers. Our recruiting function was built to quickly scale with increased growth and expansion. Recruiting champions drive inclusive and equitable practices to engage, attract, and hire diverse talent. We provide two key talent management programs to develop our leaders and high potential employees to be their best. We also provide a rigorous program for new people managers. In addition, each year we provide a curriculum of study, linked to business needs, leveraging external learning platforms. The curriculum offers coursework in inclusivity, resiliency and decision-making. We foster a performance and continuous feedback culture including a bi-annual formal feedback cadence in addition to engaging our employees regularly to hear and take action on their sentiment. We have built a unique culture that resonates with employees, as evidenced by our highly-competitive, low attrition rates.

Employee recognition is core to who we are and we take great pride in recognizing those who embody our values, are top achievers, drive results and have longevity. Our recognition platform provides for peer-to-peer recognition and allows anyone in the company to recognize others for a job well done. On a quarterly basis we recognize four to five employees who embody our company values and we celebrate tenure and experience by acknowledging five and ten years of service to the company. Lastly, each year the Top Bill award is given to

one individual that exhibits all of our values consistently, drives and delivers business results and is a master of their craft.

### ***Diversity, Equity and Inclusion***

We are building a diverse workforce, promoting equity in our practices and creating inclusive employee communities that encourage employee growth. Our mission is to build a company that fosters an equitable approach to hiring, career development, compensation, and career growth, where inclusivity, authenticity, and action matter. We also continuously cultivate a sense of inclusion and social responsibility.

In addition to these internal efforts to support employees from diverse backgrounds, we focus outward as well. For example, we fund and support the African Diaspora Network's ABLE Program to develop and launch programs that prepare the next generation of Black entrepreneurs. Between our internal and external efforts, more than 200 executives and employees actively participate in events, employee resource groups, sponsorships and other activities in support of Diversity, Equity and Inclusion.

### ***Total Rewards***

We are committed to providing a fair and equitable compensation and benefits program that supports our diverse workforce. We provide competitive pay and benefits to attract and retain talent, including offering market-competitive base salary, bi-annual bonuses and sales commissions, and equity. We offer employees equity at the time of hire and through annual equity refresh grants, and provide an employee stock purchase plan, to foster a strong sense of ownership and engage our employees in our long-term success. We routinely run analyses to ensure compensation is fair, considering compensable factors that can impact pay, such as role, level, experience, location, and performance. Our full-time employees are eligible to receive, subject to the satisfaction of certain eligibility requirements, our comprehensive benefits package, including our medical, dental and vision insurance, and life and income protection plans. In addition, we provide uncapped time off, as well as maintain a tax-qualified 401(k) retirement plan that provides eligible employees with an opportunity to save for retirement on a tax-advantaged basis. In offering these benefit plans, our intent is to provide a level of benefits that are comparable to those offered by similar companies.

### ***Employee Wellness/COVID-19 Response***

In response to the COVID-19 pandemic, we instituted several programs and precautionary measures in support of employee well-being and to protect the health and safety of our workforce, our customers and the communities in which we participate. For example, in March 2020, we closed our corporate headquarters in California and our office in Texas, implemented full-time work from home for our entire workforce and eliminated non-essential travel. We regularly surveyed our team members through our employee survey tool to best understand their needs. Based on survey results, we established no-meetings Wednesday afternoons, instituted a remote work program, provided several wellness days, gave employees a home office stipend, provided additional mental health resources, and options for social connections and vaccination support. We continue to monitor federal, state and local regulatory pronouncements and COVID-19 infection statistics and have begun to reopen our offices in phases, depending on location. In connection with our office re-openings we have instituted numerous social distancing measures to ensure the safety of our employees. As of June 30, 2022, a significant number of our employees continued to work in a remote capacity while we find ways to return to the office safely and with the right flexibility.

### **ESG Management**

We are committed to creating a more inclusive workplace while adhering to our core values. Our environmental, social, and governance (ESG) management prioritizes social innovation, employees, culture and responsible business practices, and our business model, which helps SMBs automate financial operations and reduce paper consumption, naturally aligns to principles of environmental sustainability. We believe that our approach to conducting business responsibly helps us create value for all of our stakeholders. We take this commitment seriously and endeavor to provide transparent disclosures on the progress of this work through both our internal and external communications.

## Intellectual Property

We seek to protect our intellectual property rights by relying upon a combination of patent, trademark, copyright, and trade secret laws, as well as contractual measures.

As of June 30, 2022, in the U.S., we had nineteen issued patents that expire between 2028 and 2040, and six pending patent applications along with two pending international patent applications. These patents and patent applications seek to protect proprietary inventions relevant to our business. While we believe our patents and patent applications in the aggregate are important to our competitive position, no single patent or patent application is material to us as a whole. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

As of June 30, 2022, in the U.S. we had three trademark registrations covering the “Bill.com” logo and two trademark registrations related to the “Divvy” name, along with three additional trademark registrations filed by Divvy. We also own a U.S. trademark registration for the name Invoice2Go and the Invoice2Go logo, along with a registration in Canada for the logo, and an application to register the mark GETGO, also in Canada. We own one registration in Australia for the Invoice2Go logo along with an application to register GETGO. In addition, we own three International Registrations for the marks GETGO, Invoice2Go and the Invoice2Go logo, with protection extended to multiple countries, primarily in Europe. We will pursue additional trademark registrations to the extent we believe it would be beneficial and cost-effective. We also own several domain names, including [www.bill.com](http://www.bill.com), [www.getdivvy.com](http://www.getdivvy.com) and [www.invoice2go.com](http://www.invoice2go.com).

We rely on trade secrets and confidential information to develop and maintain our competitive position. It is our practice to enter into confidentiality and invention assignment agreements (or similar agreements) with our employees, consultants, and contractors involved in the development of intellectual property on our behalf. We also enter into confidentiality agreements with other third parties in order to limit access to, and disclosure and use of, our confidential information and proprietary information. We further control the use of our proprietary technology and intellectual property through provisions in our terms of service.

From time to time, we also incorporate certain intellectual property licensed from third parties, including under certain open source licenses. Even if any such third-party technology was not available to us on commercially reasonable terms, we believe that alternative technologies would be available as needed.

For additional information about our intellectual property and associated risks, see the section titled “Risk Factors—Risks Related to our Business and Industry.”

## Available Information

Our internet address is [www.bill.com](http://www.bill.com). We make available free of charge, on our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We have used, and intend to continue to use, our website, investor relations website (accessible via our website), and social media accounts, including our Twitter account (@billcom) and our Facebook account (@billcom), as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD.

The contents of the websites provided above are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC. Further, our references to the URLs for these websites are intended to be inactive textual references only.



## Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, operating results, and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

### Summary of Risk Factors

Some of the material risks that we face include:

- We have a history of operating losses and may not achieve or sustain profitability in the future;
- Our recent rapid growth, including growth in our volume of payments, may not be indicative of our future growth, and if we continue to grow rapidly, we may not be able to manage our growth effectively;
- We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our operating results, our stock price and the value of your investment could decline;
- If we are unable to attract new customers or convert trial customers into paying customers, our revenue growth and operating results will be adversely affected;
- If we are unable to retain our current customers, increase customer adoption of our products, sell additional services to them, or develop and launch new payment products, our revenue growth will be adversely affected;
- We are exposed to credit risk and other risks related to spending businesses’ ability to pay the balances incurred on their Divvy cards and in relation to several other product offerings;
- Our risk management efforts may not be effective to prevent fraudulent activities by our customers, subscribers, spending businesses or their counterparties, which could expose us to material financial losses and liability and otherwise harm our business;
- A significant portion of our revenue comes from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn;
- The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed;
- We transfer large sums of customer funds daily, and are subject to numerous associated risks, which could result in financial losses, damage to our reputation, or loss of trust in our brand, which could harm our business and financial results;
- Our business depends, in part, on our relationships with accounting firms;
- Our business depends, in part, on our partnerships with financial institutions;
- We are subject to numerous risks related to partner banks and financing arrangements with respect to our Divvy solution;
- Payments and other financial services-related regulations and oversight are material to our business. Our failure to comply could materially harm our business;
- Future acquisitions, strategic investments, partnerships, collaborations, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our operating results and financial condition;

- Our debt service obligations, including the Notes, may adversely affect our financial condition and results of operations;
- We may not have the ability to raise funds necessary for cash settlement upon conversion of the Notes or to repurchase the Notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Notes or to repurchase the Notes; and
- The market for our common stock has been, and will likely continue to be, volatile and the market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control.

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

***We have a history of operating losses and may not achieve or sustain profitability in the future.***

We were incorporated in 2006 and have mostly experienced net losses and negative cash flows from operations since inception. We generated net losses of \$326.4 million, \$98.7 million and \$31.1 million for fiscal 2022, 2021 and 2020, respectively. Our net loss for fiscal 2022 includes the results of operations of Invoice2go from the date of acquisition on September 1, 2022 and of Divvy. Our net loss for fiscal 2021 includes the results of operations of Divvy from the date of acquisition on June 1, 2021. As of June 30, 2022, we had an accumulated deficit of \$544.8 million. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will obtain a high enough volume of subscription and transaction fee revenue to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our platform, including introducing new products and functionality, drive new customer adoption, expand partner integrations, and support international expansion, and to continue hiring across all functions to accomplish these objectives. Our profitability each quarter is also impacted by the mix of our revenue generated from subscriptions, transaction fees, including the mix of ad valorem transaction revenue, and interest earned on customer funds that we hold for the benefit of our customers, respectively. Any changes in this revenue mix will have the effect of increasing or decreasing our margins. In addition, we offer promotion programs whereby spending businesses that use our spend and expense management products can earn rewards based on transaction volume on our corporate charge cards, and the cost of earned rewards that are redeemed impacts our sales and marketing expenses. We also face increased compliance and security costs associated with growth, the expansion of our customer base, and being a public company. Inflationary pressures may also result in increases in many of our other costs, including personnel-related costs. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for several reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications, delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease.

***Our recent rapid growth, including growth in our volume of payments, may not be indicative of our future growth, and if we continue to grow rapidly, we may not be able to manage our growth effectively. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.***

Our revenue was \$642.0 million, \$238.3 million and \$157.6 million during fiscal 2022, 2021 and 2020, respectively. Our revenue for fiscal 2022 includes the revenue of Invoice2go from the date of acquisition on September 1, 2021 and of Divvy for the full fiscal year. Our revenue for fiscal 2021 includes the revenue of Divvy from the date of acquisition on June 1, 2021. Excluding the card payment volume by the spending businesses using Divvy cards and payment volume transacted by Invoice2go subscribers, our TPV was \$219.1 billion, \$140.3 billion and \$96.5 billion during fiscal 2022, 2021 and 2020, respectively. Although we have recently experienced significant growth in our revenue and payment volume, even if our revenue continues to increase, we expect our growth rate will decline in the future as a result of a variety of factors, including the increasing scale of our business. Overall growth of our revenue depends on a number of factors, including our ability to:

- price our platform effectively to attract new customers and increase sales to our existing customers;
- expand the functionality and scope of the products we offer on our platform;
- maintain the rates at which customers subscribe to and continue to use our platform;
- maintain payment volume;
- generate interest income on customer funds that we hold in trust;
- provide our customers with high-quality customer support that meets their needs;
- introduce our products to new markets outside of the U.S.;
- serve SMBs across a wide cross-section of industries;
- expand our target market beyond SMBs;
- manage the effects of the COVID-19 pandemic on our business and operations;
- successfully identify and acquire or invest in businesses, products, or technologies that we believe could complement or expand our platform; and
- increase awareness of our brand and successfully compete with other companies.

We may not successfully accomplish any of these objectives, which makes it difficult for us to forecast our future operating results. Further, the revenue that we derive from interest income on customer funds is dependent on interest rates, which we do not control. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. You should not rely on our revenue from any prior quarterly or annual periods as any indication of our future revenue or revenue or payment growth.

In addition, we expect to continue to expend substantial financial and other resources on:

- sales, marketing and customer success, including an expansion of our sales organization and new customer success initiatives;
- our technology infrastructure, including systems architecture, scalability, availability, performance, and security;
- product development, including investments in our product development team and the development of new products and new functionality for our AI-enabled platform;
- acquisitions or strategic investments;
- international expansion;
- regulatory compliance and risk management; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, or if we encounter difficulties in managing a growing volume of payments, our business, financial position, and operating results will be harmed, and we may not be able to achieve or maintain profitability over the long term.

***We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our operating results, our stock price and the value of your investment could decline.***

Our operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of

our future performance. In addition to the other risks described herein, factors that may affect our operating results include the following:

- fluctuations in demand for, or pricing of our platform;
- our ability to attract new customers;
- our ability to retain and grow engagement with our existing customers;
- our ability to expand our relationships with our accounting firm partners, financial institution partners, and accounting software partners, or identify and attract new partners;
- customer expansion rates;
- changes in customer preference for cloud-based services as a result of security breaches in the industry or privacy concerns, or other security or reliability concerns regarding our products;
- fluctuations or delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- the impact of the COVID-19 pandemic on our employees, customers, partners, vendors, results of operations, liquidity and financial condition, including as a result of supply chain disruptions and labor shortages;
- changes in customers' budgets and in the timing of their budget cycles and purchasing decisions;
- potential and existing customers choosing our competitors' products or developing their own solutions in-house;
- the development or introduction of new platforms or services that are easier to use or more advanced than our current suite of services, especially related to the application of artificial intelligence-based services;
- our failure to adapt to new forms of payment that become widely accepted;
- the adoption or retention of more entrenched or rival services in the international markets where we compete;
- our ability to control costs, including our operating expenses;
- the amount and timing of payment for operating expenses, particularly research and development and sales and marketing expenses, including commissions;
- the amount and timing of non-cash expenses, including stock-based compensation, goodwill impairments, and other non-cash charges;
- the amount and timing of costs associated with recruiting, training, and integrating new employees, and retaining and motivating existing employees;
- fluctuation in market interest rates, which impacts interest earned on funds held for customers;
- the effects of acquisitions and their integration, including impairment of goodwill;
- general economic, market, credit and liquidity conditions, both domestically and internationally, such as high inflation, high interest rate and recessionary environments, as well as economic conditions specifically affecting industries in which our customers participate;
- the impact of new accounting pronouncements;
- changes in the competitive dynamics of our market;
- security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform; and
- awareness of our brand and our reputation in our target markets.

Any of these and other factors, or the cumulative effect of some of these factors, may cause our operating results to vary significantly. In addition, we expect to incur significant additional expenses due to the increased costs of operating as a public company. If our quarterly operating results fall below the expectations of investors and securities analysts who follow our stock, the price of our common stock could decline substantially, and we could face costly lawsuits, including securities class action suits.

***If we are unable to attract new customers or convert trial customers into paying customers or if our efforts to promote our charge card usage through marketing, promotion, and spending business rewards, our revenue growth and operating results will be adversely affected.***

To increase our revenue, we must continue to attract new customers and increase sales to those customers. As our market matures, product and service offerings evolve, and competitors introduce lower cost or differentiated products or services that are perceived to compete with our platform, our ability to sell subscriptions or successfully increase customer adoption of new payment products could be impaired. Similarly, our subscription sales could be adversely affected if customers or users perceive that features incorporated into alternative products reduce the need for our platform or if they prefer to purchase products that are bundled with solutions offered by other companies. Further, in an effort to attract new customers, we may offer simpler, lower-priced products or promotions, which may reduce our profitability.

We rely upon our marketing strategy of offering risk-free trials of our platform and other digital marketing strategies to generate sales opportunities. Many of our customers start a risk-free trial of our service. Converting these trial customers to paid customers often requires extensive follow-up and engagement. Many prospective customers never convert from the trial version of a product to a paid version of a product. Further, we often depend on the ability of individuals within an organization who initiate the trial versions of our products to convince decision makers within their organization to convert to a paid version. To the extent that these users do not become, or are unable to convince others to become, paying customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our revenue will be adversely affected. In addition, it may be necessary to engage in more sophisticated and costly sales and marketing efforts in order to attract new customers, and changes in privacy laws and third party practices may make adding new customers more expensive or difficult. As a result of these and other factors, we may be unable to attract new customers or our related expenses may increase, which would have an adverse effect on our business, revenue, gross margins, and operating results.

In addition, revenue growth from our charge card products is dependent on increasing business spending on our cards. We have been investing in a number of growth initiatives, including to capture a greater share of spending businesses' total spend, but there can be no assurance that such investments will be effective. In addition, if we develop new products or offerings that attract spending businesses looking for short-term incentives rather than displaying long-term loyalty, attrition and costs could increase. Expanding our service offerings, adding acquisition channels and forming new partnerships or renewing current partnerships could have higher costs than our current arrangements and could dilute our brand. In addition, we offer rewards to spending businesses based on their usage of charge cards. Redemptions of rewards present significant associated expenses for our business. We operate in a highly competitive environment and may need to increase the rewards that we offer or provide other incentives to spending businesses in order to grow our business. Any significant change in, or failure by management to reasonably estimate, such costs could adversely affect or harm our business, operating results, and financial condition.

***If we are unable to retain our current customers, increase customer adoption of our products, sell additional services to them, or develop and launch new payment products, our revenue growth will be adversely affected.***

To date, a significant portion of our growth has been attributable to customer adoption of new and existing payment products. To increase our revenue, in addition to acquiring new customers, we must continue to retain existing customers and convince them to expand their use of our platform by incentivizing them to pay for additional services and driving adoption of new and existing payment products, including ad valorem products. Our ability to retain our customers, drive adoption and increase usage could be impaired for a variety of reasons, including our inability to develop and launch new payment products, customer reaction to changes in the pricing of our products, general economic conditions or the other risks described in this Annual Report on Form 10-K. Our ability to sell additional services or increase customer adoption of new or existing products may

require more sophisticated and costly sales and marketing efforts, especially for our larger customers. If we are unable to retain existing customers or increase the usage of our platform by them, it would have an adverse effect on our business, revenue, gross margins, and other operating results, and accordingly, on the trading price of our common stock.

While some of our contracts are non-cancelable annual subscription contracts, most of our contracts with customers and accounting firms primarily consist of open-ended arrangements that can be terminated by either party without penalty at any time. Our customers have no obligation to renew their subscriptions to our platform after the expiration of their subscription period. For us to maintain or improve our operating results, it is important that our customers continue to maintain their subscriptions on the same or more favorable terms. We cannot accurately predict renewal or expansion rates given the diversity of our customer base in terms of size, industry, and geography. Our renewal and expansion rates may decline or fluctuate as a result of several factors, including customer spending levels, customer satisfaction with our platform, decreases in the number of users, changes in the type and size of our customers, pricing changes, competitive conditions, the acquisition of our customers by other companies, and general economic conditions. In addition, our customers, most of which are SMBs, may be particularly vulnerable to changes in general economic conditions, such as economic recessions. If our customers do not renew their subscriptions, or if they reduce their usage of our platform, our revenue and other operating results will decline and our business will suffer. Moreover, if our renewal or expansion rates fall significantly below the expectations of the public market, securities analysts, or investors, the trading price of our common stock would likely decline.

***Our Divvy card exposes us to credit risk and other risks related to spending businesses' ability to pay the balances incurred on their Divvy cards. Certain of our other current and future product offerings may also subject us to credit risk.***

We offer our Divvy card as a credit product to a wide range of businesses in the U.S., and the success of this product depends on our ability to effectively manage related risks. The credit decision-making process for our Divvy cards uses techniques designed to analyze the credit risk of specific businesses based on, among other factors, their past purchase and transaction history, as well as their credit scores. Similarly, proprietary risk models and other indicators are applied to assess current or prospective spending businesses who desire to use our cards to help predict their ability to repay. These risk models may not accurately predict creditworthiness due to inaccurate assumptions, including assumptions related to the particular spending business, market conditions, economic environment, or limited transaction history or other data, among other factors. The accuracy of these risk models and the ability to manage credit risk related to our cards may also be affected by legal or regulatory requirements, competitors' actions, changes in consumer behavior, changes in the economic environment, Issuing Bank policies, and other factors.

For a substantial majority of extensions of credit to Divvy spending businesses facilitated through our platform, we purchase from our Issuing Banks participation interests in the accounts receivables generated when Divvy spending businesses make purchases using Divvy cards and we bear the entire credit risk in the event that a spending business fails to pay card balances. Like other businesses with significant exposure to losses from credit, we face the risk that spending businesses will default on their payment obligations, creating the risk of potential charge-offs. The non-payment rate among Divvy spending businesses may increase due to, among other factors, changes to underwriting standards, risk models not accurately predicting the creditworthiness of a business, a decline in economic conditions, such as a recession, high inflation or government austerity programs. Spending businesses who miss payments may fail to repay their outstanding statement balances, and spending businesses who file for protection under the bankruptcy laws generally do not repay their outstanding balances. If collection efforts on overdue card balances are ineffective or unsuccessful, we may incur financial losses or lose the confidence of our funding sources. We do not file UCC liens or take other security interests on Divvy card balances, which significantly reduces our ability to collect amounts outstanding to spending businesses that file for bankruptcy protection. Any such losses or failures of our risk models could harm our business, operating results, and financial condition. Non-performance, or even significant underperformance, of the account receivables participation interests that we own could have an adverse effect on our business.

Moreover, the funding model for our Divvy card product relies on a variety of funding arrangements, including warehouse facilities and purchase arrangements, with a variety of funding sources. Any significant underperformance of the participation interests we own may adversely impact our relationship with such funding

sources and result in an increase in our cost of financing, a modification or termination of our existing funding arrangements or our ability to procure funding, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Several of our other product offerings in connection with which we advance funds to our customers or vendors of our customers based on credit and risk profiling before we receive the funds on their behalf, such as our Instant Transfer feature and our current and prospective working capital loan products, also expose us to credit risks. Although these offerings are only available to customers that satisfy specific credit eligibility criteria, the credit and risk models we use to determine eligibility may be insufficient. Any failure of our credit or risk models to predict creditworthiness would expose us to many of the credit risks described above and could harm our business, operating results, and financial condition.

***Our risk management efforts may not be effective to prevent fraudulent activities by our customers, subscribers, spending businesses or their counterparties, which could expose us to material financial losses and liability and otherwise harm our business.***

We offer software that digitizes and automates financial operations for a large number of customers and executes payments to their vendors or from their clients. We are responsible for verifying the identity of our customers and their users, and monitoring transactions for fraud. We have been in the past and will continue to be targeted by parties who seek to commit acts of financial fraud using stolen identities and bank accounts, compromised business email accounts, employee or insider fraud, account takeover, false applications, check fraud and stolen cards or card account numbers. We may suffer losses from acts of financial fraud committed by our customers and their users, our employees or third-parties. In addition, our customers or spending businesses may suffer losses from acts of financial fraud by third parties posing as our Company through account takeover, credential harvesting, use of stolen identities and various other techniques, which could harm our reputation or prompt us to reimburse our customers for such losses in order to maintain customer and spending business relationships.

The techniques used to perpetrate fraud on our platform are continually evolving, and we expend considerable resources to continue to monitor and combat them. In addition, when we introduce new products and functionality, or expand existing products, we may not be able to identify all risks created by such new products or functionality. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to prevent or mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. Our risk management policies, procedures, techniques, and processes may contain errors, or our employees or agents may commit mistakes or errors in judgment as a result of which we may suffer large financial losses. The software-driven and highly automated nature of our platform could enable criminals and those committing fraud to steal significant amounts of money from businesses like ours.

Our current business and anticipated growth will continue to place significant demands on our risk management efforts, and we will need to continue developing and improving our existing risk management infrastructure, policies, procedures, techniques, and processes. As techniques used to perpetrate fraud on our platform evolve, we may need to modify our products or services to mitigate fraud risks. As our business grows and becomes more complex, we may be less able to forecast and carry appropriate reserves in our books for fraud related losses.

Further, these types of fraudulent activities on our platform can also expose us to civil and criminal liability and governmental and regulatory sanctions as well as potentially cause us to be in breach of our contractual obligations to our third-party partners.

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

A significant portion of our revenue comes from SMBs. These customers may be more susceptible to negative impacts from economic downturns, recession, inflation, supply chain shortages, the COVID-19 pandemic, and catastrophic events than larger, more established businesses, as SMBs typically have fewer financial resources than larger entities. If any of these conditions occur, they may have a disproportionate

negative impact on SMBs and as a result the overall demand for our products and services could be materially and adversely affected.

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

The market for cloud-based software that automates the financial back-office is fragmented, competitive, and constantly evolving. Our competitors range from large entities that predominantly focus on enterprise resource planning solutions, to smaller niche suppliers of solutions that focus exclusively on document management, workflow management, accounts payable, accounts receivable, spend and expense management, and/or electronic bill presentment and payment, to companies that offer industry-specific payments solutions. With the introduction of new technologies and market entrants, we expect that the competitive environment will remain intense going forward. Our competitors that currently focus on enterprise solutions may offer products to SMBs that compete with ours. In addition, companies that provide solutions that are adjacent to our products and services may decide to enter our market segment and develop and offer products that compete with ours. Accounting software providers, such as Intuit, as well as the financial institutions with which we partner, may internally develop products, acquire existing, third-party products, or may enter into partnerships or other strategic relationships that would enable them to expand their product offerings to compete with our platform or provide more comprehensive offerings than they individually had offered or achieve greater economies of scale than us. These software providers and financial institutions may have the operating flexibility to bundle competing solutions with other offerings, including offering them at a lower price or for no additional cost to customers as part of a larger sale. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. As we look to market and sell our platform to potential customers, spending business or partners with existing solutions, we must convince their internal stakeholders that our platform is superior to their current solutions.

We compete on several factors, including:

- product features, quality, and functionality;
- data asset size and ability to leverage artificial intelligence to grow faster and smarter;
- ease of deployment;
- ease of integration with leading accounting and banking technology infrastructures;
- ability to automate processes;
- cloud-based delivery architecture;
- advanced security and control features;
- regulatory compliance leadership, as evidenced by money transmitter licenses in all required U.S. and Canadian jurisdictions;
- brand recognition; and
- pricing and total cost of ownership.

Our competitors vary in size, breadth, and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets, and greater resources than us. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and customer requirements. For example, an existing competitor or new entrant could introduce new technology that reduces demand for our platform.

In addition, the market for our products and services is competitive, and we expect the market to attract increased competition, which could make it difficult for us to succeed. We currently face competition for our offerings from a range of companies that continue to develop additional products and to become more sophisticated and effective. Many of our competitors have greater name recognition, longer operating histories and greater resources than we do. As a result, our competitors might be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements.



Certain competitors have long-standing exclusive, or nearly exclusive, relationships with financial services provider partners to accept payment cards and other services that compete with what we offer. Competing services tied to established brands may engender greater confidence in the safety and efficacy of their services. If we are unable to differentiate ourselves from and successfully compete with our competitors, our business will be materially and adversely affected.

For these reasons, we may not be able to compete successfully against our current or future competitors, and this competition could result in the failure of our platform to continue to achieve or maintain market acceptance, any of which would harm our business, operating results, and financial condition.

***We transfer large sums of customer funds daily, and are subject to numerous associated risks which could result in financial losses, damage to our reputation, or loss of trust in our brand, which would harm our business and financial results.***

Excluding Divvy spending businesses and Invoice2go subscribers, we had over 157,000 customers on our platform as of June 30, 2022. Excluding the card payment volume by the spending businesses using Divvy cards and payment volume transacted by Invoice2go subscribers, the TPV processed by our customers on our platform was \$219.1 billion, \$140.3 billion and \$96.5 billion during fiscal 2022, 2021, and 2020, respectively. For the purposes of measuring our key business metrics, we define customers as entities that are either billed directly by us or for which we bill our financial institution partners during a particular period. We have grown rapidly and seek to continue to grow, and although we maintain a robust and multi-faceted risk management process, our business is always subject to the risk of financial losses as a result of credit losses, operational errors, software defects, service disruption, employee misconduct, security breaches, or other similar actions or errors on our platform. As a provider of accounts payable, accounts receivable, spend and expense management and payment solutions, we collect and transfer funds on behalf of our customers. Software errors in our platform and operational errors by our employees may also expose us to losses.

Moreover, our trustworthiness and reputation are fundamental to our business. As a provider of cloud-based software for complex back-office financial operations, the occurrence of any credit losses, operational errors, software defects, service disruption, employee misconduct, security breaches, or other similar actions or errors on our platform could result in financial losses to our business and our customers, loss of trust, damage to our reputation, or termination of our agreements with financial institution partners and accountants, each of which could result in:

- loss of customers;
- lost or delayed market acceptance and sales of our platform;
- legal claims against us, including warranty and service level agreement claims;
- regulatory enforcement action; or
- diversion of our resources, including through increased service expenses or financial concessions, and increased insurance costs.

Although our terms of service allocate to our customers the risk of loss resulting from our customers' errors, omissions, employee fraud, or other fraudulent activity related to their systems, in some instances we may cover such losses for efficiency or to prevent damage to our reputation. Although we maintain insurance to cover losses resulting from our errors and omissions, there can be no assurance that our insurance will cover all losses or our coverage will be sufficient to cover our losses. If we suffer significant losses or reputational harm as a result, our business, operating results, and financial condition could be adversely affected.

***We, our partners, our customers, and others who use our services obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material adverse effect on our business.***

We, our partners, our customers, and the third-party vendors and data centers that we use, obtain and process large amounts of sensitive data, including data related to our customers and their transactions, as well as other data of the counterparties to their payments. We face risks, including to our reputation as a trusted

brand, in the handling and protection of this data, and these risks will increase as our business continues to expand to include new products and technologies.

Cybersecurity incidents and malicious internet-based activity continue to increase generally, and providers of cloud-based services have frequently been targeted by such attacks. These cybersecurity challenges, including threats to our own IT infrastructure or those of our customers or third-party providers, may take a variety of forms ranging from stolen bank accounts, business email compromise, customer employee fraud, account takeover, check fraud, or cybersecurity attacks, to “mega breaches” targeted against cloud-based services and other hosted software, which could be initiated by individual or groups of hackers or sophisticated cyber criminals. State-sponsored cybersecurity attacks on the U.S. financial system or U.S. financial service providers could also have a material adverse effect on our business. A cybersecurity incident or breach could result in disclosure of confidential information and intellectual property, or cause production downtimes and compromised data. We have in the past experienced cybersecurity incidents of limited scale. We may be unable to anticipate or prevent techniques used in the future to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or our customers’ data.

We have administrative, technical, and physical security measures in place, and we have policies and procedures in place to contractually require service providers to whom we disclose data to implement and maintain reasonable privacy, data protection, and information security measures. However, if our privacy protection, data protection, or information security measures or those of the previously mentioned third parties are inadequate or are breached as a result of third-party action, employee or contractor error, malfeasance, malware, phishing, hacking attacks, system error, software bugs, or defects in our products, trickery, process failure, or otherwise, and, as a result, there is improper disclosure of, or someone obtains unauthorized access to or exfiltrates funds or sensitive information, including personally identifiable information, on our systems or our partners’ systems, or if we suffer a ransomware or advanced persistent threat attack, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged. Recent high-profile security breaches and related disclosures of sensitive data by large institutions suggest that the risk of such events is significant, even if privacy, data protection, and information security measures are implemented and enforced. If sensitive information is lost or improperly disclosed or threatened to be disclosed, we could incur significant costs associated with remediation and the implementation of additional security measures, and may incur significant liability and financial loss, and be subject to regulatory scrutiny, investigations, proceedings, and penalties.

In addition, our financial institution partners conduct regular audits of our cybersecurity program, and if any of them were to conclude that our systems and procedures are insufficiently rigorous, they could terminate their relationships with us, and our financial results and business could be adversely affected. Under our terms of service and our contracts with certain partners, if there is a breach of payment information that we store, we could be liable to the partner for their losses and related expenses. Additionally, if our own confidential business information were improperly disclosed, our business could be materially and adversely affected. A core aspect of our business is the reliability and security of our platform. Any perceived or actual breach of security, regardless of how it occurs or the extent of the breach, could have a significant impact on our reputation as a trusted brand, cause us to lose existing partners or other customers, prevent us from obtaining new partners and other customers, require us to expend significant funds to remedy problems caused by breaches and implement measures to prevent further breaches, and expose us to legal risk and potential liability including those resulting from governmental or regulatory investigations, class action litigation, and costs associated with remediation, such as fraud monitoring and forensics. Any actual or perceived security breach at a company providing services to us or our customers could have similar effects. Further, as the current COVID-19 pandemic continues to result in a significant number of people working from home, these cybersecurity risks may be heightened by an increased attack surface across our business and those of our partners and service providers. We have heightened monitoring in the face of such risks, but cannot guarantee that our efforts, or the efforts of those upon whom we rely and partner with, will be successful in preventing any such information security incidents.

While we maintain cybersecurity insurance, our insurance may be insufficient or may not cover all liabilities incurred by such attacks. We also cannot be certain that our insurance coverage will be adequate for

data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any 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.

***Customer funds that we hold for the benefit of our customers are subject to market, interest rate, foreign exchange, and liquidity risks, as well as general political and economic conditions. The loss of these funds could have a material adverse effect on our business, financial condition, and results of operations.***

We invest funds that we hold for the benefit of our customers, including funds being remitted to suppliers, in highly liquid, investment-grade marketable securities, money market securities, and other cash equivalents. Nevertheless, our customer fund assets are subject to general market, interest rate, credit, foreign exchange, and liquidity risks. These risks may be exacerbated, individually or in the aggregate, during periods of heavy financial market volatility such as that experienced in 2008 and 2022, that may result from the COVID-19 or other pandemics, from high inflation, high interest rate or recessionary environments or from war (such as the war in Ukraine). As a result, we could be faced with a severe constriction of the availability of liquidity, which could impact our ability to fulfill our obligations to move customer money to its intended recipient. Additionally, we rely upon certain banking partners and third parties to originate payments, process checks, execute wire transfers, and issue virtual cards, which could be similarly affected by a liquidity shortage and further exacerbate our ability to operate our business. Any loss of or inability to access customer funds could have an adverse impact on our cash position and results of operations, could require us to obtain additional sources of liquidity, and could have a material adverse effect on our business, financial condition, and results of operations. In addition to the risks related to customer funds, we are also exposed to interest-rate risk relating to our investments of the Company's corporate cash.

We are licensed as a money transmitter in all required U.S. states and registered as a Money Services Business with the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN). In certain jurisdictions where we operate, we are required to hold eligible liquid assets, as defined by the relevant regulators in each jurisdiction, equal to at least 100% of the aggregate amount of all customer balances. Our ability to manage and accurately account for the assets underlying our customer funds and comply with applicable liquid asset requirements requires a high level of internal controls. As our business continues to grow and we expand our product offerings, we will need to scale these associated internal controls. Our success requires significant public confidence in our ability to properly manage our customers' balances and handle large and growing transaction volumes and amounts of customer funds. Any failure to maintain the necessary controls or to accurately manage our customer funds and the assets underlying our customer funds in compliance with applicable regulatory requirements could result in reputational harm, lead customers to discontinue or reduce their use of our products, and result in significant penalties and fines, possibly including the loss of our state money transmitter licenses, which would materially harm our business.

***Our business depends, in part, on our relationships with accounting firms.***

Our relationships with our more than 6,000 firm partners account for approximately 48% of our total customers (excluding spending businesses that used our Divvy spend and expense management products, and Invoice2go subscribers) as of June 30, 2022 and approximately 27% of our consolidated revenue during fiscal 2022. We market and sell our products and services through accounting firms. We also have a partnership with CPA.com to market our products and services to accounting firms, which then enroll their customers directly onto our platform. Although our relationships with accounting firms are independent of one another, if our reputation in the accounting industry more broadly were to suffer, or if we were unable to establish relationships with new accounting firms and grow our relationships with existing accounting firm partners, our growth prospects would weaken and our business, financial position, and operating results may be adversely affected.

***Our business depends, in part, on our business relationships with financial institutions.***

We enter into partnering relationships with financial institutions pursuant to which they offer our services to their customers. These relationships involve risks that may not be present or that are present to a lesser

extent with sales to our direct SMB customers. Launching a product offering with our financial institution partners entails integrating our platform with our partners' websites and apps, which requires significant engineering resources and time to design, deploy and maintain, and requires developing associated sales and marketing strategies and programs. With financial institution partners, the decision to roll out our product offering typically requires several levels of management and technical personnel approval by our partners and is frequently subject to budget constraints. Delays in decision making, unplanned budget constraints or changes in our partners' business, business priorities or internal resource allocations may result in significant delays to the deployment of our platform and its availability to their customers. Significant delays in the deployment of our platform to our partners' customers could cause us to incur significant expenditures for platform integration and product launch without generating anticipated revenue in the same period or at all and could adversely impact our results of operations. In addition, once we have successfully launched a product offering with a financial institution partner, lower than anticipated customer adoption or unanticipated ongoing system integration costs could result in lower than anticipated profit margins, which could have an adverse impact on our business, financial position and operating results. Moreover, if our partners or their customers experience problems with the operation of our platform, such as service outages or interruptions or security breaches or incidents, our relationship with the partner and our reputation could be harmed and our results of operations may suffer.

We may not be able to attract new financial institution partners if our potential partners favor our competitors' products or services over our platform or choose to compete with our products directly. Further, many of our existing financial institution partners have greater resources than we do and could choose to develop their own solutions to replace ours. Moreover, certain financial institutions may elect to focus on other market segments and decide to terminate their SMB-focused services. If we are unsuccessful in establishing, growing, or maintaining our relationships with financial institution partners, our ability to compete in the marketplace or to grow our revenue could be impaired, and our results of operations may suffer.

We are subject to oversight by our financial institution partners and they conduct audits of our operations, information security controls, and compliance controls. To the extent an audit were to identify material gaps or evidence of noncompliance in our operations or controls it could violate contractual terms with the financial institution partner, which could materially and adversely impact our commercial relationships with that partner.

***Our spend and expense management products are dependent on our relationship with our Issuing Banks, Cross River Bank and WEX Bank.***

The extensions of credit facilitated through our platform are originated through Cross River Bank and WEX Bank, and we rely on these Issuing Banks to comply with various federal, state and other laws. There has been significant recent U.S. Congressional and federal administrative agency lawmaking and ruling in the area of program agreements between banks and non-banks involving extensions of credit and the regulatory environment in this area remains unsettled. There has also been significant recent government enforcement and litigation challenging the validity of such arrangements, including disputes seeking to re-characterize lending transactions on the basis that the non-bank party rather than the bank is the "true lender" or "de facto lender", and in case law upholding the "valid when made" doctrine, which holds that federal preemption of state interest rate limitations are not applicable in the context of certain bank - non-bank partnership arrangements. If the legal structure underlying our relationship with our Issuing Banks were to be successfully challenged, our extension of credit offerings through these banks may be determined to be in violation of state licensing requirements and other state laws. In addition, Issuing Banks engaged in this activity have been subject to increased regulatory scrutiny recently. Adverse orders or regulatory enforcement actions against our Issuing Banks, even if unrelated to our business, could impose restrictions on our Issuing banks' ability to continue to extend credit through our platform or on current terms.

Cross River Bank and WEX Bank are subject to oversight by the FDIC and state banking regulators and must comply with applicable federal and state banking rules, regulations and examination requirements. As a service provider to Cross River Bank and WEX Bank, we are subject to audit by these banks in accordance with FDIC guidance related to management of service providers and other bank specific requirements pursuant to the terms of our agreements with these banks. We are also subject to the examination and enforcement authority of the FDIC under the Bank Service Company Act and state regulators in our capacity as a service provider for these banks. If we fail to comply with requirements applicable to us by law or contract, or if audits by

our Issuing Banks were to conclude that our processes and procedures are insufficient, we may be subject to fines or penalties or our Issuing Banks could terminate their relationships with us.

In the event of a challenge to the legal structure underlying our program agreements with our Issuing Banks or if one or both of our Issuing Banks were to suspend, limit, or cease its operations, or were to otherwise terminate for any reason (including, but not limited to, the failure by an Issuing Bank to comply with regulatory actions), we would need to identify and implement alternative, compliant, bank relationships or otherwise modify our business practices in order to be compliant with prevailing law or regulation, which could result in business interruptions or delays, force us to incur additional expenses and potentially interfere with our existing customer and spending business relationships or make us less attractive to potential new customers and spending businesses, any of which could have a material adverse effect on our business.

***We rely on a variety of funding sources to support Divvy's business model. If our existing funding arrangements are not renewed or replaced, or if our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.***

In order to support Divvy's business model and the growth of Divvy's business we must maintain a variety of funding arrangements, including warehouse facilities and purchase arrangements with financial institutions. In particular, we have financing arrangements in place pursuant to which we purchase from our Issuing Banks participation interests in the accounts receivables generated when Divvy spending businesses make purchases using our cards. We typically fund some portion of these participation interest purchases by borrowing under credit facilities with our finance partners, although we may also fund participation purchases using corporate cash. Typically, we immediately sell a portion of the participation interests we have purchased to a warehousing subsidiary which funds the purchases through loans provided by our financing partners, and we may sell a portion of the participation interests to a third-party institution pursuant to a purchase arrangement.

If our finance partners terminate or interrupt their financing or purchase of participation interests or are unable to offer terms which are acceptable to us, we may have to fund these purchases using corporate cash, which we have a limited ability to do and may place significant stress on our cash resources. An inability to purchase participation interests from our Issuing Banks, whether funded through financing or corporate cash, could result in the banks' limiting extensions of credit to Divvy spending businesses or ceasing to extend credit for our cards altogether, which would interrupt or limit our ability to offer our card products and materially and adversely affect our business.

We cannot guarantee that these funding arrangements will continue to be available on favorable terms or at all, and our funding strategy may change over time, depending on the availability of such funding arrangements. In addition, our funding sources may curtail access to uncommitted financing capacity, fail to renew or extend facilities, or impose higher costs to access funding upon reassessing their exposure to our industry or in light of changes to general economic, market, credit or liquidity conditions. In addition, because our borrowings under current and future financing facilities may bear interest based on floating rate interest rates, our interest costs may increase if market interest rates rise. Moreover, there can be no assurances that we would be able to extend or replace our existing funding arrangements at maturity, on reasonable terms or at all.

If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, we may need to secure additional sources of funding or reduce Divvy's operations significantly. Further, as the volume of credit facilitated through our platform increases, we may need to expand the funding capacity under our existing funding arrangements or add new sources of capital. The availability and diversity of our funding arrangements depends on various factors and are subject to numerous risks, many of which are outside of our control. If we are unable to maintain access to, or to expand, our network and diversity of funding arrangements, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

***If we do not or cannot maintain the compatibility of our platform with popular accounting software solutions or offerings of our partners, our revenue and growth prospects will decline.***

To deliver a comprehensive solution, our platform integrates with popular accounting software solutions including Intuit QuickBooks, Oracle NetSuite, Sage Intacct, Xero, Microsoft Dynamics 365 Business Central and Microsoft Dynamics GP, through application program interfaces (APIs) made available by these software providers. We automatically synchronize certain data between our platform and these accounting software systems relating to invoices and payment transactions between our customers and their suppliers and clients. This two-way sync saves time for our customers by reducing duplicative manual data entry and provides the basis for managing cash-flow through an integrated solution for accounts payable, accounts receivable, spend and expense management and payments.

If any of the accounting software providers change the features of their APIs, discontinue their support of such APIs, restrict our access to their APIs, or alter the terms governing their use in a manner that is adverse to our business, we may be restricted or may not be able to provide synchronization capabilities, which could significantly diminish the value of our platform and harm our business, operating results, and financial condition. In addition, if any of these accounting software providers reconfigure their platforms in a manner that no longer supports our integration with their accounting software we would lose customers and our business would be adversely affected.

If we are unable to increase adoption of our platform with customers of these accounting software solutions our growth prospects may be adversely affected. In addition, any of these accounting software providers may seek to develop a payment solution of its own, acquire a solution to compete with ours, or decide to partner with other competing applications, any of which its SMB customers may select over ours, thereby harming our growth prospects and reputation and adversely affecting our results of operations.

***We depend on third-party service providers to process transactions on our platform and to provide other services important to the operation of our business. Any significant disruption in services provided by these vendors could prevent us from processing transactions on our platform, result in other interruptions to our business and have a material adverse effect on our operations, results of operations and financial condition.***

We depend on banks, including JPMorgan Chase and Silicon Valley Bank, to process ACH transactions and checks for our customers. We also rely on third-party providers to support other aspects of our business, including, for example, for card transaction processing, check printing, real-time payments, virtual and physical card issuance and our cross-border funds transfer capabilities. If we are unable to effectively manage our third-party relationships, we are unable to comply with security, compliance or operational obligations to which we are subject under agreements with these providers, these providers are unable to meet their obligations to us, or we experience substantial disruptions in these relationships, our operations, results of operations and financial condition could be adversely impacted. In addition, in some cases a provider may be the sole source, or one of a limited number of sources, of the services they provide to us and we may experience increased costs and difficulties in replacing those providers and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all.

***Interruptions or delays in the services provided by AWS or other third-party data centers or internet service providers could impair the delivery of our platform and our business could suffer.***

We host our platform using third-party cloud infrastructure services, including co-location facilities at Coresite, Equinix, and Iron Mountain. We also use public cloud hosting with Amazon Web Services (AWS). All of our products utilize resources operated by us through these providers. We therefore depend on our third-party cloud providers' ability to protect their data centers against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. Our operations depend on protecting the cloud infrastructure hosted by such providers by maintaining their respective configuration, architecture, and interconnection specifications, as well as the information stored in these virtual data centers and transmitted by third-party internet service providers. We have periodically experienced service disruptions in the past, and we cannot assure you that we will not experience interruptions or delays in our service in the future. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the data storage services we use. Although we have disaster recovery plans that utilize multiple data storage locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, natural disasters, military actions, terrorist attacks, negligence, and other similar events beyond our control could negatively affect our platform. Any prolonged service disruption affecting our platform

for any of the foregoing reasons could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. System failures or outages, including any potential disruptions due to significantly increased global demand on certain cloud-based systems during the COVID-19 pandemic, could compromise our ability to perform these functions in a timely manner, which could harm our ability to conduct business or delay our financial reporting. Such failures could adversely affect our operating results and financial condition.

Our platform is accessed by many customers, often at the same time. As we continue to expand the number of our customers and products available to our customers, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of data centers, internet service providers, or other third-party service providers to meet our capacity requirements could result in interruptions or delays in access to our platform or impede our ability to grow our business and scale our operations. If our third-party infrastructure service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity, or damage to data centers, we could experience interruptions in access to our platform as well as delays and additional expense in arranging new facilities and services.

Moreover, we are in the process of migrating our systems from internal data centers and smaller vendors to AWS. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. We have a limited history of operating on AWS. As we migrate our data from our servers to AWS' servers, we may experience some duplication and incur additional costs. If our data migration is not successful, or if AWS unexpectedly terminates our agreement, we would be forced to incur additional expenses to locate an alternative provider and may experience outages or disruptions to our service. Any service disruption affecting our platform during such migration or while operating on the AWS cloud infrastructure could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business.

***Payments and other financial services-related regulations and oversight are material to our business. Our failure to comply could materially harm our business.***

The local, state, and federal laws, rules, regulations, licensing schemes, and industry standards that govern our business include, or may in the future include, those relating to banking, deposit-taking, cross-border and domestic money transmission, foreign exchange, payments services (such as licensed money transmission, payment processing, and settlement services), lending, anti-money laundering, combating terrorist financing, escheatment, international sanctions regimes, and compliance with the Payment Card Industry Data Security Standard, a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect spending business data. In addition, Divvy is required to maintain loan brokering or servicing licenses in a number of states in which it conducts business and is contractually obligated to comply with Federal Deposit Insurance Corporation (FDIC) federal banking regulations, as well as Visa and MasterCard network rules as a card program manager. These laws, rules, regulations, licensing schemes, and standards are enforced by multiple authorities and governing bodies in the U.S., including the Department of the Treasury, the FDIC, the SEC, self-regulatory organizations, and numerous state and local agencies. As we expand into new jurisdictions, the number of foreign laws, rules, regulations, licensing schemes, and standards governing our business will expand as well. In addition, as our business and products continue to develop and expand, we may become subject to additional laws, rules, regulations, licensing schemes, and standards. We may not always be able to accurately predict the scope or applicability of certain laws, rules, regulations, licensing schemes, or standards to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

Our subsidiary, Bill.com, LLC, maintains licenses, as applicable, to operate as a money transmitter (or its equivalent) in the U.S., in the District of Columbia, the Commonwealth of Puerto Rico, and, to the best of our knowledge, in all the states where such licensure or registration is required for our business. In addition, our subsidiary, Bill.com Canada, LLC is a Foreign Money Services Business in Canada and the regulations applicable to our activity in Canada are enforced by FINTRAC and Quebec's Autorité Des Marchés Financiers (Financial Markets Authority). As a licensed money transmitter in the U.S., we are subject to obligations and restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements,

minimum capital requirements, and examinations by state and federal regulatory agencies concerning various aspects of our business. As a licensed Foreign Money Services business in Canada, we are subject to Canadian compliance regulations applicable to money movement and sanctions requirements.

Evaluation of our compliance efforts in the U.S. and Canada, as well as questions as to whether and to what extent our products and services are considered money transmission, are matters of regulatory interpretation and could change over time. In the past, we have been subject to fines and other penalties by regulatory authorities for violations of state money transmission laws. Regulators and third-party auditors have also identified gaps in our anti-money laundering and sanctions program, which we have addressed through remediation processes. In the future, as a result of the regulations applicable to our business, we could be subject to investigations and resulting liability, including governmental fines, restrictions on our business, or other sanctions, and we could be forced to cease conducting certain aspects of our business with residents of certain jurisdictions, be forced to change our business practices in certain jurisdictions, or be required to obtain additional licenses or regulatory approvals. There can be no assurance that we will be able to obtain or maintain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business. In addition, there are substantial costs and potential product changes involved in maintaining and renewing such licenses, certifications, and approvals, and we could be subject to fines or other enforcement action if we are found to violate disclosure, reporting, anti-money laundering, capitalization, corporate governance, or other requirements of such licenses. These factors could impose substantial additional costs, involve considerable delay to the development or provision of our products or services, require significant and costly operational changes, or prevent us from providing our products or services in any given market.

Government agencies may impose new or additional rules on money transmission, including regulations that:

- prohibit, restrict, and/or impose taxes or fees on money transmission transactions in, to or from certain countries or with certain governments, individuals, and entities;
- impose additional customer and spending business identification and customer or spending business due diligence requirements;
- impose additional reporting or recordkeeping requirements, or require enhanced transaction monitoring;
- limit the types of entities capable of providing money transmission services, or impose additional licensing or registration requirements;
- impose minimum capital or other financial requirements;
- limit or restrict the revenue that may be generated from money transmission, including revenue from interest earned on customer funds, transaction fees, and revenue derived from foreign exchange;
- require enhanced disclosures to our money transmission customers;
- require the principal amount of money transmission originated in a country to be invested in that country or held in trust until paid;
- limit the number or principal amount of money transmission transactions that may be sent to or from a jurisdiction, whether by an individual or in the aggregate; and
- restrict or limit our ability to process transactions using centralized databases, for example, by requiring that transactions be processed using a database maintained in a particular country or region.

***Our business and operations have and may continue to be affected by the global outbreak of the COVID-19 pandemic.***



Our business and operations have been and may continue to be affected by the COVID-19 pandemic and variants thereof. For so long as the COVID-19 pandemic persists, responsive restrictions and policies implemented by governments and companies may continue to have negative implications on business and consumer spending, the supply chain, production of goods and transportation, the labor market, global capital markets and the global economy, and could result in a prolonged economic downturn. To the extent that these conditions adversely impact the operations and business of our customers, it may have a material adverse impact on our customer growth, payment and transaction volumes, revenues and financial condition. Even after the COVID-19 pandemic has subsided, we may experience material and adverse impacts to our business as a result of any resulting economic downturns, including bankruptcies or insolvencies of customers. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

***We operate in an emerging and evolving market, which may develop more slowly or differently than we expect. If our market does not grow as we expect, or if we cannot expand our platform to meet the demands of this market, our revenue may decline or fail to grow, and we may incur additional operating losses.***

Our primary competition remains the legacy manual processes that SMBs have relied on for generations. Our success will depend, to a substantial extent, on the widespread adoption of our cloud-based automated back-office solution as an alternative to existing solutions or adoption by customers that are not using any such solutions at all. Some organizations may be reluctant or unwilling to use our platform for several reasons, including concerns about additional costs, uncertainty regarding the reliability and security of cloud-based offerings, or lack of awareness of the benefits of our platform. Our ability to expand sales of our platform depends on several factors, including prospective customers' awareness of our platform, the timely completion, introduction, and market acceptance of enhancements to our platform or new products that we may introduce, the effectiveness of our marketing programs, the costs of our platform, and the success of our competitors. If we are unsuccessful in developing and marketing our platform, or if organizations do not perceive or value the benefits of our platform as an alternative to legacy systems, the market for our platform may not continue to develop or may develop more slowly than we expect, either of which would harm our growth prospects and operating results.

***If we lose our founder or key members of our management team or are unable to attract and retain executives and employees we need to support our operations and growth, our business may be harmed.***

Our success and future growth depend upon the continued services of our management team and other key employees. Our founder and Chief Executive Officer, René Lacerte, is critical to our overall management, as well as the continued development of our products, our partnerships, our culture, our relationships with accounting firms, and our strategy. From time to time, there may be changes in our management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. In addition, we may face challenges retaining senior management of acquired businesses. Our senior management and key employees are employed on an at-will basis. We currently do not have "key person" insurance for any of our employees. Certain of our key employees have been with us for a long period of time and have fully vested stock options or other long-term equity incentives that may become valuable and are publicly tradable now that we are a public company. The loss of our founder, or one or more of our senior management, key members of senior management of acquired companies or other key employees could harm our business, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees or that we would be able to timely replace members of our senior management or other key employees should any of them depart.

In addition, to execute our business strategy, we must attract and retain highly-qualified personnel. We compete with many other companies for software developers with high levels of experience in designing, developing, and managing cloud-based software and payments systems, as well as for skilled legal and compliance and risk operations professionals. Competition for software developers, compliance and risk management personnel and other key employees in our industry and locations is intense and increasing and may be exacerbated in tight labor markets. We may also face increased competition for personnel from other companies which adopt approaches to remote work that differ from ours. In addition, the current regulatory environment related to immigration is uncertain, including with respect to the availability of H1-B and other

visas. If a new or revised visa program is implemented, it may impact our ability to recruit, hire, retain or effectively collaborate with qualified skilled personnel, including in the areas of artificial intelligence and machine learning, and payment systems and risk management, which could adversely impact our business, operating results and financial condition. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. If we fail to identify, attract, develop and integrate new personnel, or fail to retain and motivate our current personnel, our growth prospects would be adversely affected.

***Future acquisitions, strategic investments, partnerships, collaborations, or alliances could be difficult to identify and integrate, 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 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. However, we have limited experience in acquiring other businesses, and we may not successfully identify desirable acquisition targets. Moreover, an acquisition, investment, or business relationship may not further our business strategy or result in the economic benefits or synergies as expected or may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management from their primary responsibilities, subjecting us to additional liabilities, increasing our expenses, and adversely impacting our business, financial condition, and operating results.

In addition, the technology and information security systems and infrastructure of businesses we acquire may be underdeveloped or subject to vulnerabilities, subjecting us to additional liabilities. We could incur significant costs related to the implementation of enhancements to or the scaling of information security systems and infrastructure of acquired businesses and related to the remediation of any related security breaches. If security, data protection and information security measures in place at businesses we acquire are inadequate or breached, or are subject to cybersecurity attacks, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged and we could be subject to regulatory scrutiny, investigations, proceedings, and penalties. We may also acquire businesses whose operations may not be fully compliant with all applicable law, including economic and trade sanctions and anti-money laundering, counter-terrorist financing and privacy laws, subjecting us to potential liabilities and requiring us to spend considerable time, effort, and resources to address.

Moreover, we may acquire businesses whose management or compliance functions require significant investments to support current and anticipated future product offerings, or that have underdeveloped internal control infrastructures or procedures or with respect to which we discover significant deficiencies or material weaknesses. The costs that we may incur to implement or improve such functions, controls and procedures may be substantial and we could encounter unexpected delays and challenges related to such activity.

Given the complexity of our platform and the integration that we offer to our accounting firm customers and financial institution partners, it may be critical that certain businesses or technologies that we acquire be successfully and fully integrated into our platform. In addition, some acquisitions may require us to spend considerable time, effort, and resources to integrate employees from the acquired business into our teams, and acquisitions of companies in lines of business in which we lack expertise may require considerable management time, oversight, and research before we see the desired benefit of such acquisitions. Therefore, we may be exposed to unknown liabilities and the anticipated benefits of any acquisition, investment, or business relationship may not be realized, if, for example, we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, into our company. The challenges and costs of integrating and achieving anticipated synergies and benefits of transactions, and the risk that the anticipated benefits of the proposed transaction may not be fully realized or take longer to realize than expected, may be compounded where we attempt to integrate multiple acquired businesses within similar timeframes, as is the case with the concurrent integration efforts related to our acquisitions of the Divvy and Invoice2go businesses.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, as well as unfavorable accounting treatment and exposure to claims and disputes by third parties, including intellectual property claims. We also may not generate sufficient financial returns to offset the costs and expenses related to any acquisitions. In addition, if an acquired business fails to meet our expectations, our business, operating results, and financial condition may suffer.

***If we fail to offer high-quality customer support, or if our support is more expensive than anticipated, our business and reputation could suffer.***

Our customers rely on our customer support services to resolve issues and realize the full benefits provided by our platform. High-quality support is also important for the renewal and expansion of our subscriptions with existing customers. We provide customer support via chat email, and phone. If we do not help our customers quickly resolve issues and provide effective ongoing support, or if our support personnel or methods of providing support are insufficient to meet the needs of our customers, our ability to retain customers, increase adoption by our existing customers, and acquire new customers could suffer, and our reputation with existing or potential customers could be harmed. If we are not able to meet the customer support needs of our customers during the hours that we currently provide support, we may need to increase our support coverage or provide additional support, which may reduce our profitability.

***If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing business needs, requirements, or preferences, our products may become less competitive.***

The market for SMB software financial back-office solutions is relatively new and subject to ongoing technological change, evolving industry standards, payment methods and changing regulations, and changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis, including launching new products and services. In addition, the market for our Divvy spend and expense management solution is new and fragmented, and it is uncertain whether we will achieve and sustain high levels of demand and market adoption. The success of any new product and service, or any enhancements or modifications to existing products and services, depends on several factors, including the timely completion, introduction, and market acceptance of such products and services, enhancements, and modifications. If we are unable to enhance our platform, add new payment methods, or develop new products that keep pace with technological and regulatory change and achieve market acceptance, or if new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently, or more securely than our products, our business, operating results, and financial condition would be adversely affected. Furthermore, modifications to our existing platform or technology will increase our research and development expenses. Any failure of our services to operate effectively with existing or future network platforms and technologies could reduce the demand for our services, result in customer or spending business dissatisfaction and adversely affect our business.

***If the prices we charge for our services are unacceptable to our customers, our operating results will be harmed.***

We generate revenue by charging customers a fixed monthly rate per user for subscriptions as well as transaction fees. As the market for our platform matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. Our pricing strategy for new products we introduce, including our virtual card and cross-border payment products, may prove to be unappealing to our customers, and our competitors could choose to bundle certain products and services competitive with ours. If this were to occur, it is possible that we would have to change our pricing strategies or reduce our prices, which could harm our revenue, gross profits, and operating results.

***We typically provide service level commitments under our financial institution partner agreements. 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 revenue.***

Our agreements with our financial institution partners typically contain service level commitments evaluated 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 partners with service credits, up to 10% of the partner's subscription fees for the month in which the service level was not

met. In addition, we could face contract terminations, in which case we would be subject to refunds for prepaid amounts related to unused subscription services. Our revenue could be significantly affected if we suffer unexcused downtime under our agreements with our partners. Further, any extended service outages could adversely affect our reputation, revenue, and operating results.

***We may not be able to scale our business quickly enough to meet our customers' growing needs, and if we are not able to grow efficiently, our operating results could be harmed.***

As usage of our platform grows and we sign additional partners, we will need to devote additional resources to improving and maintaining our infrastructure and computer network and integrating with third-party applications to maintain the performance of our platform. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support, risk and compliance operations, and professional services, to serve our growing customer base.

Any failure of or delay in these efforts could result in service interruptions, impaired system performance, and reduced customer satisfaction, resulting in decreased sales to new customers, lower subscription renewal rates by existing customers, the issuance of service credits, or requested refunds, all of which could hurt our revenue growth. If sustained or repeated, these performance issues could reduce the attractiveness of our platform to customers and could result in lost customer opportunities and lower renewal rates, any of which could hurt our revenue growth, customer loyalty, and our reputation. Even if we are successful in these efforts to scale our business, they will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies or service disruptions as a result of our efforts to scale our internal infrastructure. We cannot be sure that the expansion and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could adversely affect our business, operating results, and financial condition.

***Failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.***

Our ability to increase our customer base and achieve broader market acceptance of our platform will depend to a significant extent on our ability to expand our sales and marketing organizations, and to deploy our sales and marketing resources efficiently. Although we will adjust our sales and marketing spend levels as needed in response to changes in the economic environment, we plan to continue expanding our direct-to-SMB sales force as well as our sales force focused on identifying new partnership opportunities. We also dedicate significant resources to sales and marketing programs, including digital advertising through services such as Google AdWords. The effectiveness and cost of our online advertising has varied over time and may vary in the future due to competition for key search terms, changes in search engine use, and changes in the search algorithms used by major search engines. These efforts will require us to invest significant financial and other resources.

In addition, our ability to broaden the spending business base for our Divvy spend and expense management offerings and achieve broader market acceptance of these products will depend to a significant extent on the ability of our sales and marketing organizations to work together to drive our sales pipeline and cultivate spending business and partner relationships to drive revenue growth. If we are unable to recruit, hire, develop, and retain talented sales or marketing personnel, if our new sales or marketing personnel and partners are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective, our ability to broaden our spending business base and achieve broader market acceptance of our platform could be harmed. Moreover, our Divvy marketing efforts depend significantly on our ability to call on our current spending businesses to provide positive references to new, potential spending business customers. Given our limited number of long-term spending businesses, the loss or dissatisfaction of any spending business could substantially harm our brand and reputation, inhibit the market adoption of our offering and impair our ability to attract new spending businesses and maintain existing spending businesses.

Our business and operating results will be harmed if our sales and marketing efforts do not generate significant increases in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs and advertising are not effective.

***We are subject to governmental regulation and other legal obligations, particularly those related to privacy, data protection, and information security, and our actual or perceived failure to comply with such obligations could harm our business, by resulting in litigation, fines, penalties, or adverse publicity and reputational damage that may negatively affect the value of our business and decrease the price of our common stock. Compliance with such laws could also result in additional costs and liabilities to us or inhibit sales of our products.***

Our customers, their suppliers, and other users store personal and business information, financial information and other sensitive information on our platform. In addition, we receive, store, and process personal and business information and other data from and about actual and prospective customers and users, in addition to our employees and service providers. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission (FTC), and various state, local, and foreign agencies. Our data handling also is subject to contractual obligations and industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use, and storage of data relating to individuals and businesses, including the use of contact information and other data for marketing, advertising, and other communications with individuals and businesses. In the U.S., various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data, including the Gramm Leach Bliley Act and state laws relating to privacy and data security. Additionally, the FTC and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. For example, in June 2018, California enacted the California Consumer Privacy Act (CCPA), which became operative on January 1, 2020 and broadly defines personal information, gives California residents expanded privacy rights and protections, and provides for civil penalties for violations and a private right of action for data breaches. Additionally, a new privacy law, the California Privacy Rights Act (CPRA), approved by California voters in November 2020, will significantly modify the CCPA, and may create new obligations for us beginning on January 1, 2022, with implementing regulations expected in the second half of 2022, and enforcement commencing July 1, 2023. Many aspects of the CCPA, the CPRA, and their interpretation remain unclear, and their full impact on our business and operations remains uncertain. The laws and regulations relating to privacy, data protection, and information security are evolving, can be subject to significant change, and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

In addition, several foreign countries and governmental bodies, including the European Union (EU) and the United Kingdom (UK), have laws and regulations dealing with the handling and processing of personal information obtained from their residents, which in certain cases are more restrictive than those in the U.S. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure, and security of various types of data, including data that identifies or may be used to identify an individual, such as names, email addresses, and in some jurisdictions, Internet Protocol (IP) addresses. Our current and prospective service offerings subject us to the EU's General Data Protection Regulation (GDPR), the UK GDPR, Australian and Canadian privacy laws and the privacy laws of many other foreign jurisdictions. Such laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future.

For example, the GDPR and the UK GDPR impose stringent operational requirements for controllers and processors of personal data of individuals within the European Economic Area and the UK, respectively, and non-compliance can trigger robust regulatory enforcement and fines of up to the greater of €20 million or 4% of the annual global revenues. Among other requirements, these laws regulate transfers of personal data to third countries that have not been found to provide adequate protection to such personal data, including the United States. The efficacy and longevity of current transfer mechanisms between the EU or the UK and the United States remains uncertain. Violations of the GDPR or the UK GDPR may also lead to damages claims by data controllers and data subjects, in addition to civil litigation claims by data controllers, customers, and data subjects.

The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, as a result of the rapidly evolving regulatory framework for privacy issues worldwide. For example, laws relating to the liability of providers of online services for activities of their users and other third

parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. As a result of the laws that are or may be applicable to us, and due to the sensitive nature of the information we collect, we have implemented policies and procedures to preserve and protect our data and our customers' data against loss, misuse, corruption, misappropriation caused by systems failures, or unauthorized access. If our policies, procedures, or measures relating to privacy, data protection, information security, marketing, or customer communications fail to comply with laws, regulations, policies, legal obligations, or industry standards, we may be subject to governmental enforcement actions, litigation, regulatory investigations, fines, penalties, and negative publicity, and it could cause our application providers, customers, and partners to lose trust in us, and have an adverse effect on our business, operating results, and financial condition.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may apply to us. Because the interpretation and application of privacy, data protection and information security laws, regulations, rules, and other standards are still uncertain, it is possible that these laws, rules, regulations, and other actual or alleged legal obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our platform. If so, in addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business.

Any failure or perceived failure by us to comply with laws, regulations, policies, legal, or contractual obligations, industry standards, or regulatory guidance relating to privacy, data protection, or information security, may result in governmental investigations and enforcement actions, litigation, fines and penalties, or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business. We expect that there will continue to be new proposed laws, regulations, and industry standards relating to privacy, data protection, information security, marketing, and consumer communications, and we cannot determine the impact such future laws, regulations, and standards may have on our business. Future laws, regulations, standards, and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. Future restrictions on the collection, use, sharing, or disclosure of data, or additional requirements for express or implied consent of our customers, partners, or end users for the use and disclosure of such information could require us to incur additional costs or modify our platform, possibly in a material manner, and could limit our ability to develop new functionality.

If we are not able to comply with these laws or regulations, or if we become liable under these laws or regulations, our business, financial condition or reputation could be harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products, which would negatively affect our business, financial condition, and operating results. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise adversely affect the growth of our business. Furthermore, any costs incurred as a result of this potential liability could harm our operating results.

***We currently handle cross-border payments and plan to expand our payments offerings to new customers and to make payments to new countries, creating a variety of operational challenges.***

A component of our growth strategy involves our cross-border payments product and, ultimately, expanding our operations internationally. Although we do not currently offer our payments products to customers outside the U.S., starting in 2018, we introduced cross-border payments, and now, working with two international payment services, offer our U.S.-based customers the ability to disburse funds to over 130 countries. We are continuing to adapt to and develop strategies to address payments to new countries. However, there is no guarantee that such efforts will have the desired effect.

Our cross-border payments product and international expansion strategy involve a variety of risks, including:

- complying with financial regulations and our ability to comply and obtain any relevant licenses in applicable countries or jurisdictions;

- currency exchange rate fluctuations and our cross-border payments providers' ability to provide us favorable currency exchange rates, which may impact our revenues and expenses;
- reduction or cessation in cross-border trade resulting from government sanctions, trade tariffs or restrictions, other trade regulations or strained international relations;
- potential application of more stringent regulations relating to privacy, information protection, and data security, and the authorized use of, or access to, commercial and personal information;
- sanctions imposed by applicable government authorities or jurisdictions, such as the U.S. Office of Foreign Assets Control, or comparable authorities in other countries;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act (FCPA), U.S. bribery laws, the UK Bribery Act, and similar laws and regulations in other jurisdictions;
- unexpected changes in tax laws; and
- cessation of business of a cross-border payment service provider or other limitation or inability of a cross-border payment service provider to make payments into certain countries, including for the reasons set forth above.

If we invest substantial time and resources to further expand our cross-border payments offering and are unable to do so successfully and in a timely manner, our business and operating results may suffer.

***Our card payment products generate interchange revenues which exposes us to potential variability in income and other risks.***

Our card payment products, including our Divvy card and our virtual card payment products, generate revenues primarily from interchange paid by the supplier accepting the cards for purchase transactions, which involve a variety of risks, including:

- interchange income fluctuations due to the variability of card acceptance practices at supplier locations, and the resulting effect on our revenue;
- changes in card network interchange rates or rules which could dissuade new and existing card-accepting suppliers from continuing to accept card payments;
- unexpected compliance and risk management imposed by the card networks;
- declines in the number of active card-accepting suppliers due to concerns about cost or operational complexity; and
- unexpected changes in card acceptance or card issuing rules which may impact our ability to offer this payment product.

Any of these developments could adversely affect our operating results.

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

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

***If we fail to maintain and enhance our brands, our ability to expand our customer base will be impaired and our business, operating results, and financial condition may suffer.***

We believe that maintaining and enhancing our brands are important to support the marketing and sale of our existing and future products to new customers and partners and to expand sales of our platforms to new and existing customers and partners. Our ability to protect our Bill.com brand is limited as a result of its descriptive nature. Successfully maintaining and enhancing our brands will depend largely on the effectiveness of our marketing and demand generation efforts, our ability to provide reliable products that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and products, and our ability to successfully differentiate our platform and products from competitive products and services. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brands, our business could suffer.

***If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate less revenue and incur costly litigation to protect our rights.***

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws, and contractual provisions to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. While we have been issued patents in the U.S. and have additional patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Any of our patents, trademarks, or other intellectual property rights may be challenged or circumvented by others or invalidated through administrative process or litigation. There can be no guarantee that others will not independently develop similar products, duplicate any of our products, or design around our patents. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours.

***We have been in the past, and may in the future be, subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.***

We have been in the past and may in the future become subject to intellectual property disputes. Lawsuits are time-consuming and expensive to resolve and they divert management's time and attention. Although we carry insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot assure you that the results of any such actions will not have an adverse effect on our business, operating results, or financial condition.

The software industry is characterized by the existence of many patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims against their use. In addition, many companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue, and therefore, our patents may provide little or no deterrence as we would not be able to assert them against such entities or individuals. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software or cease business activities related to such intellectual property. Any inability to license third-party technology in the future would have an adverse effect on our business or operating results and would adversely affect our ability to compete. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party's intellectual property rights. Responding to such claims, regardless of their merit, can be time consuming, costly to defend, and damaging to our reputation and brand.



***Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, data protection, and other losses.***

Our agreements with financial institution partners and some larger customers include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our platform or other contractual obligations. Some of these indemnity agreements provide for uncapped liability and some indemnity provisions survive termination or expiration of the applicable agreement. Large indemnity payments could harm our business, operating results, and financial condition. Although we normally limit our liability with respect to such obligations in our contracts with direct customers and with customers acquired through our accounting firm partners, we may still incur substantial liability, and we may be required to cease use of certain functions of our platform or products, as a result of intellectual property-related claims. Any dispute with a customer with respect to these obligations could have adverse effects on our relationship with that customer and other existing or new customers, and harm our business and operating results. In addition, although we carry insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed, or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

***Changes to payment card networks rules or fees could harm our business.***

We are required to comply with Mastercard, American Express, and Visa payment card network operating rules applicable to our card products. We have agreed to reimburse certain service providers for any fines they are assessed by payment card networks as a result of any rule violations by us. We may also be directly liable to the payment card networks for rule violations. The payment card networks set and interpret the card operating rules. The payment card networks could adopt new operating rules or interpret or reinterpret existing rules that we or our processors might find difficult or even impossible to follow, or costly to implement. We also may seek to introduce other card-related products in the future, which would entail compliance with additional operating rules. As a result of any violations of rules, new rules being implemented, or increased fees, we could be hindered or lose our ability to provide our card products, which would adversely affect our business. In addition, we are contractually obligated to comply with MasterCard and Visa network rules as a card program manager. As a result of any violations of these rules or new rules being implemented, we could lose our ability or rights to act as a card program manager.

***Our business is subject to extensive government regulation and oversight. Our failure to comply with extensive, complex, overlapping, and frequently changing rules, regulations, and legal interpretations could materially harm our business.***

Our success and increased visibility may result in increased regulatory oversight and enforcement and more restrictive rules and regulations that apply to our business. We are subject to a wide variety of local, state, federal, and international laws, rules, regulations, licensing schemes, and industry standards in the U.S. and in other countries in which we operate and in many of the approximately 150 countries in which Invoice2go has subscribers. These laws, rules, regulations, licensing schemes, and standards govern numerous areas that are important to our business. In addition to the payments and financial services-related regulations, and the privacy, data protection, and information security-related laws described elsewhere, our business is also subject to, without limitation, rules and regulations applicable to: securities, labor and employment, immigration, competition, and marketing and communications practices. Laws, rules, regulations, licensing schemes, and standards applicable to our business are subject to change and evolving interpretations and application, including by means of legislative changes and/or executive orders, and it can be difficult to predict how they may be applied to our business and the way we conduct our operations, particularly as we introduce new products and services and expand into new jurisdictions. We may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business.

Although we have a compliance program focused on the laws, rules, regulations, licensing schemes, and industry standards that we have assessed as applicable to our business and we are continually investing more in this program, there can be no assurance that our employees or contractors will not violate such laws, rules, regulations, licensing schemes, and industry standards. Any failure or perceived failure to comply with

existing or new laws, rules, regulations, licensing schemes, industry standards, or orders of any governmental authority (including changes to or expansion of the interpretation of those laws, regulations, standards or orders), may:

- subject us to significant fines, penalties, criminal and civil lawsuits, license suspension or revocation, forfeiture of significant assets, audits, inquiries, whistleblower complaints, adverse media coverage, investigations, and enforcement actions in one or more jurisdictions levied by federal, state, local or foreign regulators, state attorneys general, and private plaintiffs who may be acting as private attorneys general pursuant to various applicable federal, state, and local laws;
- result in additional compliance and licensure requirements;
- increase regulatory scrutiny of our business; and
- restrict our operations and force us to change our business practices or compliance program, make product or operational changes, or delay planned product launches or improvements.

The complexity of U.S. federal and state regulatory and enforcement regimes, coupled with the scope of our international operations and the evolving regulatory environment, could result in a single event giving rise to many overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions.

Any of the foregoing could, individually or in the aggregate, harm our reputation as a trusted provider, damage our brands and business, cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, expose us to legal risk and potential liability, and adversely affect our results of operations and financial condition.

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

We have funded our operations since inception primarily through equity and debt financings, sales of subscriptions to our products, and usage-based transaction fees. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. We may also seek to raise additional capital from equity or debt financings on an opportunistic basis when we believe there are suitable opportunities for doing so. Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, operating results, and financial condition. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, including in connection with merger and acquisition transactions, stockholders will experience dilution. In addition, new equity securities could have rights senior to those of our common stock. During 2022, interest rates have increased and the trading prices for our common stock and other technology companies have been highly volatile, which may reduce our ability to access capital on favorable terms or at all. In addition, a recession or depression, high inflation or other sustained adverse market event could materially and adversely affect our business and the value of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our common stock and diluting their interests.

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

As of June 30, 2022, we had net operating loss (NOL) carryforwards of approximately \$1.5 billion, \$1.1 billion, and \$61.3 million for federal, state and foreign tax purposes, respectively, that are available to

reduce future taxable income. If not utilized, the federal and state NOL carryforwards will begin to expire in 2027. As of June 30, 2022, approximately \$1.4 billion and \$61.3 million of the federal and foreign NOL carryforwards do not expire and will carry forward indefinitely until utilized. As of June 30, 2022, we had research and development tax credit carryforwards of approximately \$40.1 million and \$27.1 million for federal and state tax purposes, respectively. If not utilized, the federal tax credits will expire at various dates beginning in 2028. The state tax credits do not expire and will carry forward indefinitely until utilized. In general, under Sections 382 and 383 of the U.S. Internal Revenue Code of 1986, as amended (the Code), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change NOLs and other tax attributes such as research tax credits to offset future taxable income or income tax. If it is determined that we have in the past experienced an ownership change, or if we undergo one or more ownership changes as a result of future transactions in our stock, then our ability to utilize NOLs and other pre-change tax attributes could be limited by Sections 382 and 383 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Sections 382 or 383 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we were to achieve profitability. In addition, any future changes in tax laws could impact our ability to utilize NOLs in future years and may result in greater tax liabilities than we would otherwise incur and adversely affect our cash flows and financial position.

***We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our customers would have to pay for our offering and adversely affect our operating results.***

The vast majority of states have considered or adopted laws that impose tax collection obligations on out-of-state companies. States where we have nexus may require us to calculate, collect, and remit taxes on sales in their jurisdiction. Additionally, the Supreme Court of the U.S. recently ruled in *South Dakota v. Wayfair, Inc. et al (Wayfair)* that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. In response to *Wayfair*, or otherwise, states or local governments may enforce laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. We may be obligated to collect and remit sales and use taxes in states where we have not collected and remitted sales and use taxes. A successful assertion by one or more states requiring us to collect taxes where we historically have not or presently do not do so could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a perceived competitive disadvantage if they do not impose similar obligations on our competitors, and decrease our future sales, which could adversely affect our business and operating results.

***Changes in our effective tax rate or tax liability may adversely affect our operating results.***

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various U.S. and international jurisdictions in which we operate due to differing statutory tax rates in various jurisdictions;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the 2017 Tax Act as modified by the CARES Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our operating results.

***Natural catastrophic events, pandemics, and man-made problems such as power-disruptions, computer viruses, data security breaches, war, and terrorism may disrupt our business.***

Natural disasters, pandemics such as COVID-19, other catastrophic events and man-made problems, such as terrorism, war or economic or trade sanctions related to war (including the 2022 Russian invasion of Ukraine), may cause damage or disruption to our operations, international commerce and the global economy, and thus could harm our business. We have a large employee presence in the San Francisco Bay Area in California, Draper, Utah, Houston, Texas and Sydney, Australia, and our data centers are located in California and Arizona. The west coast of the U.S. contains active earthquake zones, the Houston area frequently experiences significant hurricanes and Sydney frequently experiences wildfires. In the event of a major earthquake, hurricane or catastrophic event such as fire, flooding, power loss, telecommunications failure, vandalism, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our products, breaches of data security, and loss of critical data, all of which could harm our business, operating results, and financial condition.

Additionally, as computer malware, viruses, and computer hacking, fraudulent use attempts, and phishing attacks have become more prevalent, we, and third parties upon which we rely, face increased risk in maintaining the performance, reliability, security, and availability of our solutions and related services and technical infrastructure to the satisfaction of our customers. Any computer malware, viruses, computer hacking, fraudulent use attempts, phishing attacks, or other data security breaches related to our network infrastructure or information technology systems or to computer hardware we lease from third parties, could, among other things, harm our reputation and our ability to retain existing customers and attract new customers.

In addition, the insurance we maintain may be insufficient to cover our losses resulting from disasters, cyber-attacks, or other business interruptions, and any incidents may result in loss of, or increased costs of, such insurance.

***If we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.***

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the New York Stock Exchange (NYSE), and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. It may require significant resources and management oversight to maintain and, if necessary, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act (Section 404), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

This assessment needs to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting. Section 404(b) of the Sarbanes-Oxley Act requires our independent registered public accounting firm to annually attest to the effectiveness of our internal control over financial reporting, which has, and will continue

to, require increased costs, expenses, and management resources. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead us to restate our financial statements, which could cause investors to lose confidence in our reported financial information, have a negative effect on the trading price of our common stock, and result in additional costs to remediate such material weaknesses. We are required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm issues an adverse opinion on the effectiveness of our internal control, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the U.S.***

U.S. generally accepted accounting principles (GAAP) is 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 operating results and financial condition and could affect the reporting of transactions already completed before the announcement of a change.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Operating Results—Critical Accounting Policies and Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve the identification of performance obligations in revenue recognition, valuation of assets acquired and liabilities assumed in a business combination, estimation of fair value of a reporting unit when assessing goodwill impairment, determination of useful lives of finite-lived intangible assets, present value estimation of operating lease liabilities, valuation of stock option grants, and the period of benefit for amortizing deferred commissions. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

***Our estimates of market opportunity and forecasts of market growth 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, if at all.***

Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable users or companies covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenue for us. Any expansion in the markets in which we operate depend on a number of factors, including the cost, performance, and perceived value associated with our platforms and those of our competitors. Even if the markets in which we compete meet the size estimates and growth forecasted, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business

strategy, which is subject to many risks and uncertainties. Accordingly, our forecasts of market growth should not be taken as indicative of our future growth.

***We rely on assumptions and estimates to calculate certain of our performance metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

We calculate and track certain customer and other performance metrics with internal tools, which are not independently verified by any third-party. While we believe our metrics are reasonable estimates of our customer base and payment and transaction volumes for the applicable period of measurement, the methodologies used to measure these metrics require significant judgment and may be susceptible to algorithm or other technical errors. For example, the accuracy and consistency of our performance metrics may be impacted by changes to internal assumptions regarding how we account for and track customers, limitations on system implementations, and limitations on third party tools' ability to match our database. If the internal tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. In addition, limitations or errors with respect to how we measure data (or the data that we measure) may affect our understanding of certain details of our business, which could affect our longer-term strategies. Further, as our business develops, we may revise or cease reporting certain metrics if we determine that such metrics are no longer accurate or appropriate measures of our performance. If our performance metrics are not accurate representations of our business, customer base, or payment or transaction volumes; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, our reputation may be harmed, we may be subject to legal or regulatory actions, and our business, financial condition, results of operations, and prospects could be adversely affected.

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

In addition to intellectual property litigation, we have in the past and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes, employment claims made by our current or former employees, or claims for reimbursement following misappropriation of customer data. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, overall financial condition, and operating results. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or under-insured could result in unanticipated costs, thereby reducing our operating results and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the trading price of our stock.

***We are subject to governmental laws and requirements regarding economic and trade sanctions, anti-money laundering, and counter-terror financing that could impair our ability to compete in international markets or subject us to criminal or civil liability if we violate them.***

Although we currently only offer our payment and card products to customers in the U.S. and Canada, Invoice2go has international subscribers in approximately 150 countries, including Australia and several EU countries, for which payment activity is conducted through third party payment providers. As we continue to expand internationally we will become subject to additional laws and regulations, and will need to implement new regulatory controls to comply with applicable laws. We are currently required to comply with U.S. economic and trade sanctions administered by the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) and we have processes in place to comply with the OFAC regulations as well as similar requirements in other jurisdictions, including the Australian Sanctions Regime, the Canadian Proceeds of Crime and Terrorist Financing Act and, to the extent we expand our offerings into the United Kingdom and the EU, EU money laundering directives. As part of our compliance efforts, we scan our customers against OFAC and other watch lists and have controls to monitor and mitigate these risks. If our services are accessed from a sanctioned country in violation of the trade and economic sanctions, we could be subject to fines or other enforcement action. We are also subject to various anti-money laundering and counter-terrorist financing laws and regulations in the U.S., Canada, Australia and around the world that prohibit, among other things, our involvement in transferring the proceeds of criminal activities.

In the United States, most of our services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended (BSA), and similar state laws and regulations. The BSA requires,

among other things, money services businesses (MSBs) to develop and implement risk-based anti-money laundering programs, to report suspicious activity, and in some cases, to collect and maintain information about customers who use their services and maintain other transaction records. Regulators in the United States, Canada, Australia and in many other foreign jurisdictions continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program, including the procedures we use to verify the identity of our customers and to monitor transactions on our system, including payments to persons outside of the U.S., Canada and Australia. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers, and any change in such thresholds could result in greater costs for compliance.

***We are subject to anti-corruption, anti-bribery, and similar laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business.***

We are subject to the FCPA, U.S. domestic bribery laws, and other anti-corruption laws, including Australia's anti-bribery laws, the Canadian Criminal Code and the Canadian Corruption of Foreign Public Officials Act. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public sector. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. Although we currently only offer our payment and card products to customers in the U.S. and payment services in Canada, Invoice2go has international subscribers in approximately 150 countries, including Australia and several EU countries for which payment activity is conducted through third party payment providers. As we increase our international cross-border business and expand operations abroad, we may engage with business partners and third-party intermediaries to market our services and obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

We cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international business, our risks under these laws may increase.

Detecting, investigating, and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption or anti-bribery laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties, injunctions, suspension or debarment from contracting with certain persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas are received or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, operating results, and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

***If we cannot maintain our company culture as we grow, our success and our business may be harmed.***

We believe our culture has been a key contributor to our success to date and that the critical nature of the platform that we provide promotes a sense of greater purpose and fulfillment in our employees. Inorganic growth through mergers and acquisitions may pose significant challenges to assimilating the company cultures of acquired companies. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our culture. If we fail to maintain our company culture, our business and competitive position may be adversely affected.

***We are exposed to foreign currency exchange risk relating to our Australian operations***

We are exposed to foreign currency exchange risk relating to our Australian operations and Australian subsidiary. A change in foreign currency exchange rates, particularly in Australian dollars to U.S. dollars, can affect our financial results due to transaction gains or losses related to the remeasurement of certain monetary asset and monetary liability balances that are denominated in currencies other than U.S. dollars, which is the functional currency of our Australian subsidiary. In addition, we expect our exposure to foreign currency rate risks in the future to increase as our international operations increase.

### **Risks Related to Our Indebtedness**

***Our debt service obligations, including the Notes, may adversely affect our financial condition and results of operations.***

As of June 30, 2022, we had \$1.15 billion aggregate principal amount of the 0% Convertible Notes outstanding (the 2025 Notes) due on December 1, 2025 and \$575.0 million aggregate principal amount of the 0% convertible senior notes outstanding due on April 1, 2027 (the 2027 Notes), as described in Note 10 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Our ability to make payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2025 Notes and 2027 Notes (collectively, the Notes), depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt 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 debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future 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. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt;
- limit our ability to borrow additional amounts to fund acquisitions, for working capital, and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

Any of these factors could harm our business, results of operations, and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase. We are also required to comply with the covenants set forth in the Indentures governing the Notes. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the note holders or lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of our securities. Downgrades in our credit ratings could restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

***We may not have the ability to raise the funds necessary for cash settlement upon conversion of the Notes or to repurchase the Notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Notes or to repurchase the Notes.***

Holders of the Notes have the right to require us to repurchase their notes upon the occurrence of a fundamental change (as defined in the Indentures governing the 2025 Notes and 2027 Notes, respectively) at a



repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the 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 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 the Notes surrendered or the Notes being converted. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness.

In addition to the Notes, we and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our current and future debt instruments, some of which may be secured debt. We are not restricted under the terms of the Indentures governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on the Notes when due.

Our failure to repurchase the Notes at a time when the repurchase is required by the applicable Indenture or to pay any cash payable on future conversions of the Notes as required by such Indenture would constitute a default under that Indenture. A default under one of the Indentures or the fundamental change itself could also lead to a default under the other Indenture or other agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

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

Prior to the close of business on the business day immediately preceding September 1, 2025, in the case of the 2025 Notes, and January 1, 2027, in the case of the 2027 Notes, the holders of the applicable Notes may elect to convert their Notes during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our 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 (the "Conversion Condition"). The Conversion Condition for the 2025 Notes was not triggered as of June 30, 2022, but had been triggered in several prior quarters. In the event the Conversion Condition is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***The Capped Calls may affect the value of our Notes and our common stock.***

In connection with the sale of each of the 2025 Notes and the 2027 Notes, we entered into privately negotiated Capped Call transactions (collectively, the Capped Calls) with certain financial institutions (option counterparties). The Capped Call transactions are expected generally to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

The option counterparties and/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 prior to the applicable maturity of the 2025 Notes and the 2027 Notes (and are likely to do so following any conversion, repurchase, or redemption of the Notes, to the extent we exercise the relevant election under the Capped Calls). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Notes, which could affect note holders' ability to convert the Notes and, to the extent the activity occurs during any observation period related to a conversion of the Notes, it could affect the number of shares and value of the consideration that note holders will receive upon conversion of the Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Notes or our common stock. In addition, we do not make any representation that the option counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

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

The option counterparties are financial institutions, and we are subject to the risk that any or all of them might default under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Calls with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

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

***The stock price of our common stock has been, and will likely continue to be volatile, and you may lose part or all of your investment.***

The market for our common stock has been, and will likely continue to be, volatile. In addition to the factors discussed in this report, the market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- actual or anticipated fluctuations in our revenue and other operating results;
- changes in the financial projections we may provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry, such as high inflation, high interest rate and recessionary environments;
- the global macroeconomic impact of the COVID-19 pandemic;
- negative publicity related to the real or perceived quality of our platform, as well as the failure to timely launch new products and services that gain market acceptance;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of new products or services, commercial relationships, or significant technical innovations;
- acquisitions, partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us, litigation involving our industry, or both;
- developments or disputes concerning our or other parties' products, services or intellectual property rights;

- changes in accounting standards, policies, guidelines, interpretations, or principles;
- interpretations of any of the above or other factors by trading algorithms, including those that employ natural language processing and related methods to evaluate our public disclosures;
- other events or factors, including those resulting from war (such as the war in Ukraine), incidents of terrorism, or responses to these events;
- the expiration of contractual lock-up agreements; and
- sales of shares of our common stock by us or our stockholders.

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 companies. Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become 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.

***Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, and affect the market price of our common stock.***

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

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be affected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock;
- provide that vacancies on our board of directors may be filled only by a majority vote of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of at least sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock to amend our bylaws and certain provisions of our certificate of incorporation.

In addition, our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware, to the fullest extent permitted by law, will be 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 (DGCL), our restated certificate of incorporation, 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 any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. This exclusive forum provision will not apply to claims that are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. For instance, the provision would not preclude the filing of claims brought to enforce any liability or duty created by the Exchange Act or Securities Act or the rules and regulations thereunder in federal court.

Moreover, Section 203 of the DGCL may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

***We have incurred and will continue to incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.***

As a public company, we will incur significant legal, accounting, and other expenses that we did not incur as a private company, which we expect to further increase. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly compared to when we were a private company.

***Our management team has limited experience managing a public company.***

Our management team has limited experience managing a publicly traded company, interacting with public company investors and securities analysts, and complying with the increasingly complex laws pertaining to public companies. These new obligations and constituents require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could harm our business, operating results, and financial condition.

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

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors 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 investments.

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

Our stock price and trading volume is heavily influenced by the way analysts and investors interpret our financial information and other disclosures. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our common stock.

***Sales of substantial amounts of our common stock in the public markets, particularly sales by our directors, executive officers, and significant stockholders, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.***

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market. The perception that these sales might occur may also cause the market price of our common stock to decline. We had a total of 104,730,261 shares of our common stock outstanding as of

June 30, 2022. All shares of our common stock are either freely tradable, generally without restrictions or further registration under the Securities Act, or have been registered for resale under the Securities Act by us, subject to certain exceptions for shares held by our “affiliates” as defined in Rule 144 under the Securities Act.

In addition, there were 7,136,241 shares of common stock issuable upon the exercise of options outstanding and vesting of RSUs as of June 30, 2022. We have registered all of the shares of common stock issuable upon exercise of outstanding options or settlement of RSUs or other equity incentives we may grant in the future on registration statements on Form S-8 for public resale under the Securities Act. The shares of common stock will become eligible for sale in the public market to the extent such options are exercised or such RSUs are settled, subject to compliance with applicable securities laws.

Moreover, certain holders of our common stock have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

In addition, we have in the past, and may in the future, issue our shares of common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments, or otherwise. We also expect to grant additional equity awards to employees and directors under our 2019 Equity Incentive Plan and rights to purchase our common stock under our 2019 Employee Stock Purchase Plan. Any such issuances could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. PROPERTIES**

We lease our office facilities, which consisted of the following as of June 30, 2022:

- Approximately 138,000 square feet of offices located in San Jose, California. This leased property, which is being used as our corporate headquarters, expires in June 2031.
- Approximately 155,000 square feet of offices located in Draper, Utah. This leased property, which is being used as office space for our employees located in Draper, Utah, expires in March 2030. Approximately 20,000 square feet is being subleased for a period of 5 years expiring in December 2025.
- Approximately 25,000 square feet of offices in Houston, Texas. This leased property, which is being used as office space for our employees located in Houston, Texas, expires in March 2025.
- Approximately 3,000 square feet of offices in Sydney, Australia. This leased property, which is being used as office space for our employees located in Sydney Australia, expires in September 2022.

We believe that our office facilities are adequate to meet our needs for the immediate future. We continue to evaluate our real estate strategy to accommodate expansion of our operations.

#### **Item 3. LEGAL PROCEEDINGS**

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including patent, commercial, product liability, employment, class action, whistleblower, and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. We are not currently a party to any legal proceedings that we believe to be material to our business or financial condition.

The results of any future litigation cannot be predicted with certainty, and 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

Our common stock trades on The New York Stock Exchange under the symbol "BILL."

#### Holders of Record

As of June 30, 2022, there were 148 holders of record of our common stock. This number does not include beneficial owners whose shares are held by nominees in street name.

#### Dividend Policy

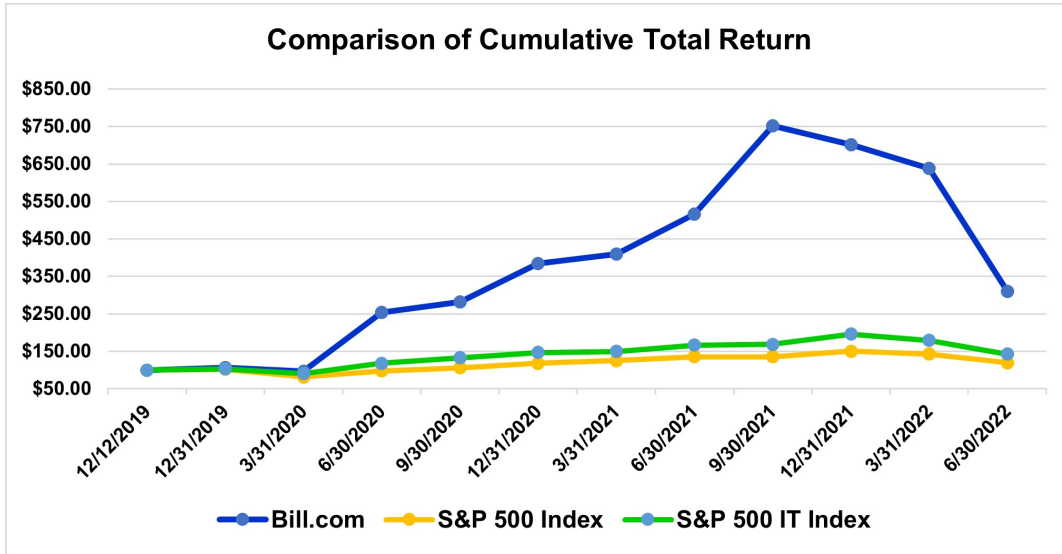
We have not declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

#### Stock Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, or otherwise subject to the liabilities under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The following graph depicts the total cumulative stockholder return on our common stock from December 12, 2019, the first day of trading of our common stock on The New York Stock Exchange, through June 30, 2022, relative to the performance of the S&P 500 Index and S&P 500 IT Index. The graph assumes an initial investment of \$100.00 at the close of trading on December 12, 2019 and that all dividends paid by

companies included in these indices have been reinvested. The performance shown in the graph below is not intended to forecast or be indicative of future stock price performance.



**Recent Sales of Unregistered Equity Securities**

None.

**Issuer Purchases of Equity Securities**

None.

**Item 6. RESERVED**



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

*You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Some of the information contained in this Annual Report on Form 10-K includes forward-looking statements that involve risks and uncertainties. You should read the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

### Overview

We are a provider of cloud-based software that simplifies, digitizes, and automates financial operations for small and midsize businesses (SMBs). Our mission is to make it simple to connect and do business. We partner with leading U.S. financial institutions, accounting firms, and accounting software providers. Our vision is to become the leading one-stop solution that helps millions of businesses around the world manage their financial operations.

Our purpose-built, artificial-intelligence (AI)-enabled financial software platform creates seamless connections between our customers, their suppliers, and their clients. Customers use our platform to generate and process invoices, streamline approvals, make and receive payments, manage employee expenses, sync with their accounting system, and manage their cash. We have built sophisticated integrations with popular accounting software solutions, banks, card issuers and payment processors, enabling our customers to access these mission-critical services quickly and easily.

We efficiently reach SMBs through our proven direct and indirect go-to-market strategies. We acquire customers directly through digital marketing and inside sales, and indirectly through accounting firms and financial institution partnerships. As of June 30, 2022, our partners included some of the most trusted brands in the financial services business, including 85 of the top 100 accounting firms and six of the top ten largest financial institutions in the U.S., including Bank of America, JPMorgan Chase, Wells Fargo Bank and American Express. As we add customers and partners, we expect our network to continue to grow organically.

On September 1, 2021, we completed our acquisition of Invoice2go, Inc. (Invoice2go), a provider of mobile-first accounts receivable software that empowers SMBs and freelancers to grow their client base, manage invoicing and payments, and build their brand, for an aggregate purchase price of \$674.3 million. On June 1, 2021, we completed our acquisition of DivvyPay, Inc. (Divvy), a leading provider of cloud-based spend and expense management products and smart charge cards to SMBs in the U.S., for an aggregate purchase price of \$2.3 billion. Following the acquisitions, Invoice2go and Divvy became our wholly-owned subsidiaries. Our consolidated results of operations shown below for fiscal 2022 include the operating results of Invoice2go from the date of its acquisition on September 1, 2021, and of Divvy for the full fiscal year, while our consolidated results of operations for fiscal 2021 include the operating results of Divvy from the date of its acquisition on June 1, 2021. See Note 3 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional discussion about our acquisitions.

We have grown rapidly and scaled our business operations in recent periods. Our revenue and net loss during fiscal 2022, which include the results of Invoice2go from the acquisition date, were \$642.0 million and \$326.4 million, respectively. Our revenue and net loss during fiscal 2021, which include the results of Divvy from the acquisition date, were \$238.3 million and \$98.7 million, respectively. Our revenue and net loss during fiscal 2020 were \$157.6 million and \$31.1 million, respectively.

### Impact of COVID-19

The full impact of the COVID-19 pandemic is inherently uncertain at the time of this report. The COVID-19 pandemic has resulted in various travel restrictions and mandates and greater uncertainty in global financial markets. Our customers, spending businesses and subscribers, and our business and operations, have been and may continue to be affected by the COVID-19 pandemic, variants and responsive government restrictions. For so long as the COVID-19 pandemic persists, restrictions and policies implemented by

governments and companies may continue to have negative implications on business and consumer spending, the supply chain, production of goods, demand for goods, transportation, the labor market, the global capital markets and the global economy, and could result in inflation, recession and prolonged economic downturn. A negative impact on our customers, spending businesses, and subscribers may cause them to go out of business, request discounts, extend payment terms, or discontinue using our services. Any of these conditions or actions may have a negative impact on our future results of operations, liquidity, and financial condition. We are unable to predict the full impact that the COVID-19 pandemic will have on our future results of operations, liquidity and financial condition due to numerous uncertainties, including the duration of the pandemic, the actions that may be taken by government authorities across the U.S. or other countries, the impact to our customers, partners, and suppliers, and other factors described in the section titled "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K.

### **Our Revenue Model**

We generate revenue primarily from subscription and transaction fees.

Our subscription revenue is primarily based on a fixed monthly or annual rate per user charged to our customers. Our transaction revenue consists of transaction fees and interchange income on a fixed or variable rate per transaction. Transactions primarily include card payments, check issuances, ACH origination, cross-border payments, and creation of invoices. Much of our revenue comes from repeat transactions, which are an important contributor to our recurring revenue.

### **Our Receivables Purchases and Servicing Model**

We market Divvy charge cards to potential spending businesses and issue business-purpose charge cards through our partnerships with card Issuing Banks. When a business applies for a Divvy card, we utilize, on behalf of the card Issuing Bank, proprietary risk management capabilities to confirm the identity of the business, and perform a credit underwriting process to determine if the business is eligible for a Divvy card pursuant to our credit policies. Once approved for a Divvy card, the spending business is provided a credit limit and can use the Divvy software to request virtual cards or physical cards.

The majority of cards on our platform are issued by Cross River Bank, an FDIC-insured New Jersey state chartered bank, and WEX Bank, an FDIC-insured Utah state chartered bank. Under our arrangements with these banks, we must comply with their respective credit policies and underwriting procedures, and the banks maintain ultimate authority to decide whether to issue a card or approve a transaction. We are responsible for all fraud and unauthorized use of a card and generally are required to hold the bank harmless from such losses unless claims regarding fraud or unauthorized use are due to the sole gross negligence of the bank.

When a spending business completes a purchase transaction, the payment to the merchant is made by the card Issuing Bank. Obligations incurred by the spending business in connection with their purchase transaction are reflected as receivables on the bank's balance sheet from the Divvy card account for the spending business. The bank then sells a 100% participation interest in the receivable to us. Pursuant to our agreements with the banks, we are obligated to purchase the participation interests in all of the receivables originated through our platform, and our obligations are secured by cash deposits. When we purchase the participation interests, the purchase price is equal to the outstanding principal balance of the receivable.

We act as the servicer for all Divvy card accounts and earn a servicing fee in connection with participation interests we sell to our funding sources. We do not sell the servicing rights on any of the loans, allowing us to control the consumer experience end-to-end.

In order to purchase the participation rights in the receivables, we maintain a variety of funding arrangements, including warehouse facilities and other purchase arrangements with a diverse set of funding sources. We typically fund some portion of these participation interest purchases by borrowing under our credit facilities, although we may also fund purchases using corporate cash. Typically, we immediately sell a portion of the participation interests we have purchased to our warehousing subsidiary which funds the purchases through loans provided by our financing partners, and we may sell a portion of our receivables to a third-party institution pursuant to a purchase arrangement.

## Our Business Model

We efficiently reach SMBs through our proven direct and indirect go-to-market strategies. We acquire customers directly through digital marketing and inside sales. We also acquire customers indirectly by partnering with leading companies that are trusted by our current and prospective customers, including accounting firms, financial institutions, and software companies.

Our revenue from our existing customers is visible and predictable. For fiscal 2022, over 82% of our subscription and transaction revenue from Bill.com customers came from customers who were acquired prior to the start of the fiscal year. See "-- *Key Business Metrics — Number of Customers*" below for the definition of customer. We expand within our existing customer base by adding more users, increasing transactions per customer, launching additional products, and through pricing and packaging our services. We make it easy for SMBs to try our platform through our risk-free trial program. Should an SMB choose to become a customer after the trial period, it can take several months to adapt their financial operations to fully leverage our platform. Even with a transition period, however, we believe our customer retention is strong. Excluding those customers of our financial institution partners, approximately 86% of customers as of June 30, 2021 were still customers as of June 30, 2022.

### **Net Dollar-Based Retention Rate**

Net dollar-based retention rate is an important indicator of customer satisfaction and usage of our platform, as well as potential revenue for future periods. We calculate our net dollar-based retention rate at the end of each fiscal year. We calculate our net dollar-based retention rate by starting with the revenue billed to Bill.com customers in the last quarter of the prior fiscal year (Prior Period Revenue). We then calculate the revenue billed to these same customers in the last quarter of the current fiscal year (Current Period Revenue), excluding interest earned on customer funds held in trust. See "*Key Business Metrics — Number of Customers*" below for the definition of customer. Current Period Revenue includes any upsells and is net of contraction or attrition, but excludes revenue from new customers and excludes interest earned on funds held on behalf of customers. We then repeat the calculation of Prior Period Revenue and Current Period Revenue with respect to each of the preceding three quarters, and aggregate the four Prior Period Revenues (the Aggregate Prior Period Revenue) and the four Current Period Revenues (the Aggregate Current Period Revenue). Our net dollar-based retention rate equals the Aggregate Current Period Revenue divided by Aggregate Prior Period Revenue.

Our net dollar-based retention rate was 131%, 124% and 121% during fiscal 2022, 2021 and 2020, respectively. These consecutive increases are primarily attributable to increases in the number of users, more transactions per customer, and selling additional products to those customers.

### **Customer Acquisition Efficiency**

Our efficient direct and indirect go-to-market strategy, combined with our recurring revenue model, results in our short payback period. We define "payback period" as the number of quarters it takes for the cumulative non-GAAP gross profit we earn from Bill.com customers acquired during a given quarter to exceed our total sales and marketing spend in that same quarter, excluding customers acquired through financial institutions and the related sales and marketing spend. See "-- *Key Business Metrics — Number of Customers*" below for the definition of customer. For customers acquired during fiscal 2021, the average payback period was approximately four quarters.

## Key Business Metrics

We regularly review several metrics, including the metrics presented in the table below, to measure our performance, identify trends affecting our business, prepare financial projections, and make strategic decisions. We periodically review and revise these metrics to reflect changes in our business. Historically, we have presented the number of customers, TPV and transactions processed of and by the Bill.com business as we believe that these key business metrics provide meaningful supplemental information for management and investors in assessing the historical and future operating performance of the Bill.com business. We have presented these key metrics below with respect to the Bill.com business, together with certain supplemental information related to the businesses of Divvy and Invoice2go. As a result of the Divvy and Invoice2go

acquisitions, we are considering which metrics best reflect the performance of our consolidated business, and may determine to provide new or revised key business metrics in our future reports. Our key business metrics are defined following the table below. Our key business metrics track our Bill.com products and exclude Divvy and Invoice2go products. Relevant metrics for Divvy and Invoice2go are set forth in the footnotes to the table. The calculation of the key metrics and other measures discussed below may differ from other similarly-titled metrics used by other companies, securities analysts or investors.

	As of June 30,			% Growth as of June 30,	
	2022	2021	2020	2022	2021
Number of customers <sup>(1)</sup>	157,800	121,200	98,100	30 %	24 %

	Year ended June 30,			% Growth Year ended June 30,	
	2022	2021	2020	2022	2021
Total Payment Volume (amounts in millions) <sup>(2)</sup>	\$ 219,080	\$ 140,304	\$ 96,489	56 %	45 %

	Year ended June 30,			% Growth Year ended June 30,	
	2022	2021	2020	2022	2021
Transactions processed <sup>(3)</sup>	38,560,000	29,159,400	23,852,000	32 %	22 %

(1) As of June 30, 2022, the total number of spending businesses that used Divvy's spend and expense management products was approximately 20,700 and the total number of Invoice2go subscribers was approximately 221,600.

(2) The total card payment volume transacted by spending businesses that used Divvy cards was approximately \$8.1 billion during fiscal 2022. The total payment volume transacted by Invoice2go subscribers was approximately \$932.1 million from the date of acquisition on September 1, 2021 to June 30, 2022.

(3) The total transactions executed by spending businesses that used Divvy cards were approximately 23.2 million during fiscal 2022. The total transactions executed by Invoice2go subscribers were approximately 1.1 million from the date of acquisition on September 1, 2021 to June 30, 2022.

### Number of Customers

For the purposes of measuring our key business metrics, we define customers as entities that are either billed directly by us or for which we bill our partners for Bill.com products during a particular period. Customers who are using Bill.com products during a trial period are not counted as new customers during that period. If an organization has multiple entities billed separately for the use of our platform, each entity is counted as a customer. The number of customers in the table above represents the total number of customers at the end of each fiscal year. Spending businesses that use Divvy's spend and expense management products and Invoice2go subscribers, and in each case that do not also use Bill.com products, are not included for purposes of measuring Number of Customers.

### Total Payment Volume (TPV)

To grow revenue from customers we must deliver a product experience that helps them automate their back-office financial operations. The more they use the product and rely upon our features to automate their operations, the more transactions they process on our platform. This metric provides an important indication of the value of transactions that customers are completing on the platform and is an indicator of our ability to generate revenue from our customers. We define TPV as the value of Bill.com customer transactions that we process on our platform during a particular period. Our calculation of TPV includes payments that are subsequently reversed. Such payments comprised of less than 2% of TPV during fiscal 2022, 2021, and 2020. The TPV in the table above does not include transactions made by spending businesses using Divvy cards or by our Invoice2go subscribers.

## **Transactions Processed**

We define transactions processed as the number of Bill.com customer payments initiated and processed through our platform during a particular period. Payment transactions include checks, ACH items, real-time payments, wire transfers and card payments. The transactions processed in the table above do not include transactions made by spending businesses using Divvy cards or by Invoice2go subscribers.

## **Components of Results of Operations**

### **Revenue**

We generate revenue primarily from subscription and transaction fees.

Subscription fees are fixed monthly or annually and charged to our customers for the use of our platform to process transactions. Subscription fees are generally charged either on a per user or per customer account per period basis, normally monthly or annually. Transaction fees are fees collected for each transaction processed, on either a fixed or variable fee basis. Transaction fees primarily include processing of payments in the form of checks, ACH, cross-border payments, and the creation of invoices. Transaction fees also include interchange fees paid by suppliers accepting card payments.

Our contracts with SMB and accounting firm customers provide them with access to the functionality of our cloud-based payments platform to process transactions. These contracts are either monthly contracts paid in arrears or upfront, or annual arrangements paid up front. We charge our SMB and accounting firm customers subscription fees to access our platform either based on the number of users or per customer account and the level of service. We generally also charge these customers transaction fees based on transaction volume and the category of transaction. The contractual price for subscription and transaction services is based on either negotiated fees or the rates published on our website. Revenue recognized excludes amounts collected on behalf of third parties, such as sales taxes collected and remitted to governmental authorities.

We facilitate the extension of credit to spending businesses through our Divvy product in the form of Divvy cards, which are originated through our agreements with our Issuing Banks. The agreements with the Issuing Banks allow for card transactions on the Mastercard and Visa networks. The spending businesses utilize the credit on the Divvy cards as a means of payment for goods and services provided by their suppliers. For each transaction, the suppliers are required to pay interchange fees to the issuer of the credit. Based on our agreements with the Issuing Banks, we recognize the interchange fees as revenue gross or net of rebates received from the Issuing Bank based on our determination of whether we are the principal or the agent under the agreements.

We also enter into multi-year contracts with financial institution customers to provide them with access to our cloud-based payments platform. These contracts typically include fees for initial implementation services that are paid during the period the implementation services are provided as well as fees for subscription and transaction processing services, which are subject to guaranteed monthly minimum fees that are paid monthly over the contract term. These contracts enable the financial institutions to provide their customers with access to online bill pay services through the financial institutions' online platforms. Implementation services are required up-front to establish an infrastructure that allows the financial institutions' online platforms to communicate with our online platform. A financial institution's customers cannot access online bill pay services until implementation is complete. The total consideration in these contracts varies based on the number of users and transactions to be processed.

### **Service Costs and Expenses**

*Service costs* – Service costs consists primarily of personnel-related costs, including stock-based compensation expenses, for our customer success and payment operations teams, outsourced support services for our customer success team, costs that are directly attributed to processing customers' and spending businesses' transactions (such as the cost of printing checks, postage for mailing checks, fees associated with the issuance and processing of card transactions, fees for processing payments, such as ACH, check, and cross-border wires), direct and amortized costs for implementing and integrating our cloud-based platform into our customers' systems, costs for maintaining, optimizing, and securing our cloud payments

infrastructure, amortization of capitalized internal-use developed software, fees on the investment of customer funds, and allocation of overhead costs. We expect that service costs will increase in absolute dollars, but may fluctuate as a percentage of revenue from period to period, as we continue to invest in growing our business.

*Research and development* – Research and development expenses consist primarily of personnel-related expenses, including stock-based compensation expenses, for our research and development teams, incurred in developing new products or enhancing existing products, and allocated overhead costs. We expense a substantial portion of research and development expenses as incurred. We believe that delivering new and enhanced functionality is critical to attract new customers and expand our relationship with existing customers. We expect to continue to make investments in and expand our offerings to enhance our customers' experience and satisfaction, and to attract new customers. We expect our research and development expenses to increase in absolute dollars, but they may fluctuate as a percentage of revenue from period to period as we expand our research and development team to develop new products and product enhancements. We capitalize certain software development costs that are attributable to developing new products and adding incremental functionality to our platform and amortize such costs over the estimated life of the new product or incremental functionality, which is generally three years.

*Sales and marketing* – Sales and marketing expenses consist primarily of personnel-related expenses, including stock-based compensation expenses, for our sales and marketing teams, rewards expense in connection with our card rewards programs, sales commissions, marketing program expenses, travel-related expenses, and costs to market and promote our platform through advertisements, marketing events, partnership arrangements, direct customer acquisition, and allocated overhead costs. Sales commissions that are incremental to obtaining new customer contracts are deferred and amortized ratably over the estimated period of our relationship with new customers.

We focus our sales and marketing efforts on generating awareness of our company, platform, and products, creating sales leads, and establishing and promoting our brand. We plan to continue investing in sales and marketing efforts by driving our go-to-market strategies, building our brand awareness, and sponsoring additional marketing events; however, we will adjust our sales and marketing spend level as needed, as the spend may fluctuate from period to period, in response to changes in the economic environment.

*General and administrative* – General and administrative expenses consist primarily of personnel-related expenses, including stock-based compensation expenses, for finance, corporate business operations, risk management, legal and compliance, human resources, information technology, costs incurred for external professional services, provision for credit losses, losses from fraud, and allocated overhead costs. We expect to incur additional general and administrative expenses as we explore various growth initiatives, which include incurring higher costs for professional services. We also expect to increase the size of our general and administrative functions to support the growth in our business. As a result, we expect that our general and administrative expenses will increase in absolute dollars but may fluctuate as a percentage of revenue from period to period.

*Depreciation and amortization of intangible assets* - Depreciation and amortization of intangible assets expenses consist of depreciation of property and equipment, and amortization of developed technology, customer relationship, and trade names.

*Other expenses, net* – Other expenses, net consist primarily of the lower of cost or market adjustment on card receivables sold and held for sale, and interest expense on our borrowings (including amortization of debt discount and issuance costs in connection with our Notes), partially offset by interest income on our corporate funds.

*Benefit from income taxes* – Benefit from income taxes consists primarily of the tax benefit of the net loss incurred during the period, reduction of valuation allowance in connection with the acquisitions of Invoice2go and Divvy, and change in deferred tax liability relating to our 2025 Notes.

## Results of Operations

The following table sets forth our results of operations together with the dollar and percentage change for the periods presented (amounts in thousands):

	Year ended June 30,			Change (2022 compared to 2021)		Change (2021 compared to 2020)	
	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020	Amount	%	Amount	%
Revenue	\$ 641,959	\$ 238,265	\$ 157,600	\$ 403,694	169 %	\$ 80,665	51 %
Cost of revenue							
Service costs <sup>(3)</sup>	105,496	56,576	37,049	48,920	86 %	19,527	53 %
Depreciation and amortization of intangible assets <sup>(4)</sup>	39,508	5,230	2,095	34,278	655 %	3,135	150 %
Total cost of revenue	145,004	61,806	39,144	83,198	135 %	22,662	58 %
Gross profit	496,955	176,459	118,456	320,496	182 %	58,003	49 %
Operating expenses							
Research and development <sup>(3)</sup>	219,818	89,503	52,996	130,315	146 %	36,507	69 %
Sales and marketing <sup>(3)</sup>	307,151	67,935	45,070	239,216	352 %	22,865	51 %
General and administrative <sup>(3)</sup>	241,174	128,116	53,450	113,058	88 %	74,666	140 %
Depreciation and amortization of intangible assets <sup>(4)</sup>	45,630	4,872	1,138	40,758	837 %	3,734	328 %
Total operating expenses	813,773	290,426	152,654	523,347	180 %	137,772	90 %
Loss from operations	(316,818)	(113,967)	(34,198)	(202,851)	178 %	(79,769)	233 %
Other income (expense), net	(13,861)	(25,370)	3,160	11,509	(45)%	(28,530)	(903)%
Loss before (benefit from) provision for income taxes	(330,679)	(139,337)	(31,038)	(191,342)	137 %	(108,299)	349 %
(Benefit from) provision for income taxes	(4,318)	(40,617)	53	36,299	(89)%	(40,670)	(76736)%
Net loss	\$ (326,361)	\$ (98,720)	\$ (31,091)	\$ (227,641)	231 %	\$ (67,629)	218 %

<sup>(1)</sup>Includes the results of Invoice2go from the acquisition date on September 1, 2021.

<sup>(2)</sup>Includes the results of Divvy from the acquisition date on June 1, 2021.

<sup>(3)</sup>Includes stock-based compensation expense as follows (in thousands):

	Year ended June 30,			Change (2022 compared to 2021)		Change (2021 compared to 2020)	
	2022	2021	2020	Amount	%	Amount	%
Cost of revenue - service costs	\$ 5,144	\$ 2,938	\$ 1,257	\$ 2,206	75 %	\$ 1,681	134 %
Research and development	54,907	16,091	5,495	38,816	241 %	10,596	193 %
Sales and marketing	60,237	8,547	2,777	51,690	605 %	5,770	208 %
General and administrative	76,869	44,411	8,535	32,458	73 %	35,876	420 %
Total	\$ 197,157	\$ 71,987	\$ 18,064	\$ 125,170	174 %	\$ 53,923	299 %

<sup>(4)</sup>Depreciation expense does not include amortization of capitalized internal-use software costs.

The following table presents the components of our consolidated statements of operations for the periods presented as a percentage of revenue:

	Year ended June 30,		
	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020
Revenue	100 %	100 %	100 %
Cost of revenue			
Service costs	16 %	24 %	24 %
Depreciation and amortization of intangible assets	7 %	2 %	1 %
Total cost of revenue	23 %	26 %	25 %
Gross profit	77 %	74 %	75 %
Operating expenses			
Research and development	34 %	38 %	34 %
Sales and marketing	48 %	29 %	29 %
General and administrative	38 %	54 %	34 %
Depreciation and amortization of intangible assets	7 %	1 %	— %
Total operating expenses	127 %	122 %	97 %
Loss from operations	(50)%	(48)%	(22)%
Other income (expense), net	(2)%	(11)%	2 %
Loss before (benefit from) provision for income taxes	(52)%	(59)%	(20)%
(Benefit from) provision for income taxes	(1)%	(17)%	— %
Net loss	(51)%	(42)%	(20)%

<sup>(1)</sup> Includes the results of Invoice2go from the acquisition date on September 1, 2021.

<sup>(2)</sup> Includes the results of Divvy from the acquisition date on June 1, 2021.

### Comparison of Fiscal 2022 and 2021

#### Revenue

Revenue consisted mainly of subscription and transactions fees. Subscription revenue increased by \$81.9 million, or 73%, during fiscal 2022 as compared to fiscal 2021, primarily due to the increase in customers and average subscription revenue per customer due to an increase in the number of users. Transaction fee revenue increased by \$319.2 million, or 265%, during fiscal 2022 as compared to fiscal 2021, primarily due to increased adoption of new product offerings and the mix of transaction revenues shifting to variable-priced products.

Our revenue could be impacted by fluctuations in foreign currency rates in the future, especially if our revenue through our international operations grows as a percentage of our revenue or our international operations increase.



### Cost of Revenue, Gross Profit, and Gross Margin

Cost of revenue, gross profit, and gross margin were as follows (amounts in thousands):

	Year ended June 30,		Change	
	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	Amount	%
Cost of revenue:				
Service costs	\$ 105,496	\$ 56,576	\$ 48,920	86 %
Depreciation and amortization of intangible assets <sup>(3)</sup>	39,508	5,230	34,278	655 %
Total cost of revenue	\$ 145,004	\$ 61,806	\$ 83,198	135 %
Gross profit	\$ 496,955	\$ 176,459	\$ 320,496	182 %
Gross margin	77 %	74 %		

<sup>(1)</sup> Includes the results of Invoice2go from the acquisition date on September 1, 2021.

<sup>(2)</sup> Includes the results of Divvy from the acquisition date on June 1, 2021.

<sup>(3)</sup> Consists of depreciation of property and equipment and amortization of developed technology, excluding amortization of capitalized internal-use software costs.

Service costs increased by \$48.9 million during fiscal 2022 as compared to fiscal 2021, primarily due to:

- a \$23.2 million increase in direct costs associated with the processing of our customers' payment transactions, use of software applications and equipment, bank fees for funds held for customers, and data hosting services, which were driven by the increase in the number of customers, increased adoption of new product offerings, and an increase in the volume of transactions;
- a \$17.8 million increase in personnel-related costs, including stock-based compensation expense and amortization of increased deferred service costs, due to the hiring of additional personnel and added headcount from our acquisitions of Divvy and Invoice2go, who were directly engaged in providing implementation and support services to our customers; and
- a \$7.9 million increase in costs for consultants, temporary contractors, shared overhead, and other costs.

Gross margin increased to 77% during fiscal 2022 from 74% during fiscal 2021, primarily due to a higher mix of variable-priced transaction revenue.

### Research and Development Expenses

Research and development expenses increased by \$130.3 million during fiscal 2022 as compared to fiscal 2021, primarily due to the following:

- a \$111.3 million increase in personnel-related costs, including stock-based compensation expense, resulting from the hiring of additional personnel and added headcount from our acquisitions of Divvy and Invoice2Go, who were directly engaged in developing new product offerings;
- a \$13.2 million increase in costs for engaging consultants and temporary contractors who provided product development services, and increase in computer-related expenses and software costs; and
- a \$5.8 million increase in shared overhead and other costs.

Our research and development expenses decreased to 34% as a percentage of revenue during fiscal 2022 from 38% during fiscal 2021, primarily due to a higher revenue growth rate but a relatively lower increase

in personnel-related expenses and consulting services as a percentage of revenue during fiscal 2022 compared to fiscal 2021.

We expect research and development expenses to be affected by fluctuations in foreign currency rates in the future, especially if our international operations increase.

### ***Sales and Marketing Expenses***

Sales and marketing expenses increased by \$239.2 million during fiscal 2022 as compared to fiscal 2021, primarily due to the following:

- a \$103.2 million increase in personnel-related costs, including stock-based compensation expense, due to the hiring of additional personnel and added headcount from our acquisitions of Divvy and Invoice2go, who were directly engaged in acquiring new customers and in marketing our products and services;
- a \$90.7 million increase in rewards expense in connection with our rewards programs mainly due to recording a full-year reward expense during fiscal 2022, compared to one month of reward expense recorded during fiscal 2021. We offer promotion programs whereby spending businesses that use our spend and expense management products can earn rewards based on transaction volume on the cards issued to them. Rewards can be redeemed by spending businesses through cash back, statement credit, gift cards and travel. Rewards expense is driven by transaction volume and an estimate of the cost of earned rewards that are expected to be redeemed;
- a \$36.0 million increase in advertising spend and various marketing initiatives and activities, such as engaging consultants and attending marketing events, as we increased our efforts in promoting our products and services and in increasing brand awareness; and
- a \$9.3 million increase in software subscription and computer-related expenses, shared overhead, and other costs.

Our sales and marketing expenses increased to 48% as a percentage of revenue during fiscal 2022 from 29% during fiscal 2021, primarily due to the increase in rewards expense and a higher stock-based compensation expense recognized during fiscal 2022.

### ***General and Administrative Expenses***

General and administrative expenses increased by \$113.1 million during fiscal 2022 as compared to fiscal 2021, primarily due to the following:

- a \$73.9 million increase in personnel-related costs, including stock-based compensation expense, resulting from the hiring of additional general and administrative personnel, and added headcount from our acquisitions of Divvy and Invoice2go;
- a \$24.3 million increase in provision for card and fraud losses mainly due to recording a full-year of credit card and fraud losses from card receivables related to our spending businesses that used Divvy cards during fiscal 2022, compared to one month of losses recorded during fiscal 2021; and
- a \$14.9 million increase in software subscription and computer-related expenses, temporary contractors, shared overhead and other costs.

Our general and administrative expenses decreased to 38% as a percentage of revenue during fiscal 2022 from 54% during fiscal 2021, primarily due to a higher revenue growth rate but a relatively lower increase in stock-based compensation expense and consulting costs as a percentage of revenue.

### ***Depreciation and Amortization of Intangible Assets***

Depreciation and amortization of intangible assets increased by \$75.0 million during fiscal 2022 as compared to fiscal 2021, primarily due to a full-year amortization of intangible assets associated with the

acquisition of Divvy in June 2021 and due to amortization of intangible assets associated with the acquisition of Invoice2go in September 2021.

#### **Other Expenses, Net**

Other expenses, net decreased by \$11.5 million during fiscal 2022 as compared to fiscal 2021, primarily due to the following:

- an \$18.7 million decrease in interest expense from the amortization of debt discount and issuance costs associated with our 2025 Notes due to the adoption of ASU 2020-06; and
- a \$3.7 million increase in interest income; and partially offset by
- a \$10.9 million increase in discount associated with the measurement of cards receivable sold and held for sale at a lower of cost or market.

#### **Benefit from Income Taxes**

Benefit from income taxes during fiscal 2022 pertained mainly to the tax benefit of the net loss incurred during the period, and a reduction of valuation allowance in connection with the acquisition of Invoice2go. Benefit from income taxes during fiscal 2021 pertained mainly to a partial reversal of net deferred income tax liability, a majority of which was established in connection with our issuance of the 2025 Notes.

### **Comparison of Fiscal 2021 and 2020**

#### **Revenue**

Revenue consists mainly of subscription and transactions fees. Subscription fees increased by \$27.8 million or 33% during fiscal 2021 as compared to fiscal 2020, driven primarily by the increase in customers and average subscription revenue per customer. Transaction fees increased by \$68.1 million or 129% during fiscal 2021 as compared to fiscal 2020 due mainly to increased adoption of new product offerings, the mix of transaction revenues shifting to variable-priced products, and Divvy's transaction revenue from the acquisition date.

#### **Cost of Revenue, Gross Profit, and Gross Margin**

Cost of revenue, gross profit, and gross margin during fiscal 2022 were as follows (amounts in thousands):

	Year ended June 30,		Change	
	2021 <sup>(1)</sup>	2020	Amount	%
Cost of revenue				
Service costs	\$ 56,576	\$ 37,049	\$ 19,527	53 %
Depreciation and amortization of intangible assets <sup>(2)</sup>	5,230	2,095	3,135	150 %
Total cost of revenue	\$ 61,806	\$ 39,144	\$ 22,662	58 %
Gross profit	\$ 176,459	\$ 118,456	\$ 58,003	49 %
Gross margin	74 %	75 %		

<sup>(1)</sup>Includes the results of Divvy from the acquisition date on June 1, 2021.

<sup>(2)</sup> Consists of depreciation of property and equipment and amortization of developed technology, excluding amortization of capitalized internal-use software costs.

Service costs increased by \$19.5 million during fiscal 2021 compared to fiscal 2020, primarily due to the following:

- a \$9.2 million increase in direct costs associated with the processing of our customers' payment transactions, use of software applications and equipment, bank fees for funds held for customers, and data hosting services, which were driven by the increase in the number of customers, increased adoption of new product offerings, and an increase in the volume of transactions;
- a \$7.5 million increase in personnel-related costs, including stock-based compensation expense and amortization of increased deferred service costs, due to the hiring of additional personnel who were directly engaged in providing implementation and support services to our customers; and
- a \$2.9 million increase in costs for consultants, temporary contractors, and shared overhead and other costs.

Gross margin decreased to 74% during fiscal 2021 from 75% during fiscal 2020, a decrease of 1% due primarily to the amortization of acquired developed technologies.

### **Research and Development Expenses**

Research and development expenses increased \$36.5 million, primarily due to the following:

- a \$27.1 million increase in personnel-related costs, including stock-based compensation expense, resulting from the hiring of additional personnel, who were directly engaged in developing new product offerings, and the acquisition of Divvy;
- a \$4.9 million increase in costs for engaging consultants and temporary contractors who provided product development services; and
- a \$4.5 million increase in shared overhead and other costs.

As a percentage of revenue, research and development expenses increased to 38% during fiscal 2021 from 34% during fiscal 2020, primarily due to the increase in stock-based compensation expense.

### **Sales and Marketing Expenses**

Sales and marketing expenses increased by \$22.9 million, primarily due to the following:

- an \$11.4 million increase in personnel-related costs, including stock-based compensation expense, due to the hiring of additional personnel, who were directly engaged in acquiring new customers and in marketing our products and services, and the acquisition of Divvy;
- a \$5.2 million increase in advertising spend and various marketing initiatives and activities, such as engaging consultants and attending marketing events, as we increased our effort in promoting our products and services and in increasing brand awareness;
- a \$4.5 million increase in rewards expense in connection with our rewards programs, whereby spending businesses earn rewards when they spend using cards issued to them; and
- a \$1.8 million increase in shared overhead and other costs.

As a percentage of revenue, sales and marketing expenses during fiscal 2021 was consistent with fiscal 2020.

### **General and Administrative Expenses**

General and administrative expenses increased by \$74.7 million, primarily due to the following:

- a \$44.9 million increase in personnel-related costs, including stock-based compensation expense, resulting from the hiring of additional executive employees and administrative personnel and the acquisition of Divvy;
- a \$25.4 million increase in professional and consulting fees as we obtained additional external assistance to support certain corporate initiatives, including the acquisition of Divvy;
- a \$4.3 million increase in provision for credit losses, money transfer license fees, shared overhead and other costs; and
- a \$2.6 million increase in corporate insurance costs (mainly pertaining to costs associated with insurance policies for our directors and officers); partially offset by,
- a \$2.5 million decrease in sales and use tax reserves.

As a percentage of revenue, general and administrative expenses increased to 54% during fiscal 2021 from 34% during fiscal 2020, primarily due to the increase in stock-based compensation expense and professional and consulting fees.

### **Depreciation and Amortization of Intangible Assets**

Depreciation and amortization of intangible assets increased by \$6.9 million during fiscal 2021 as compared to fiscal 2020, primarily due to the amortization of intangible assets associated with the acquisition of Divvy.

### **Other (Expense) Income, Net**

The change in other (expense) income, net during fiscal 2021 compared to fiscal 2020 was primarily due to the following:

- a \$27.9 million increase in interest expense mainly due to the amortization of debt discount and issuance costs of our 2025 Notes;
- a \$1.1 million decrease in interest income due to the decrease in interest rates; and
- a \$0.7 million loss on revaluation of redeemable convertible preferred stock warrant liabilities that was reported during fiscal 2020, but none during fiscal 2021.

### **(Benefit from) Provision for Income Taxes**

Benefit from income taxes during fiscal 2021 primarily resulted from the release of our valuation allowance for deferred tax assets following the recording of a deferred income tax liability as part of our accounting for the acquisition of Divvy. In addition, during fiscal 2021 we partially reversed the deferred tax liability established in connection with our issuance of the 2025 Notes.

### **Non-GAAP Financial Measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly-titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important metrics used by our management for financial and operational

decision-making. We are presenting these non-GAAP metrics to assist investors in seeing our financial performance using a management view. We believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

### Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit as gross profit minus depreciation and amortization of intangible assets, and stock-based compensation and related payroll taxes recognized in cost of revenue. Non-GAAP gross margin is defined as non-GAAP gross profit, divided by revenue. We believe non-GAAP gross profit and non-GAAP gross margin provide our management and investors' consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations. The following table presents a reconciliation of our non-GAAP gross profit and non-GAAP gross margin to our gross profit and gross margin for the periods presented (amounts in thousands):

	Year ended June 30,		
	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020
Revenue	\$ 641,959	\$ 238,265	\$ 157,600
Gross profit	\$ 496,955	\$ 176,459	\$ 118,456
Add:			
Depreciation and amortization of intangible assets <sup>(3)</sup>	39,508	5,230	2,095
Stock-based compensation and related payroll taxes	5,599	3,309	1,296
Non-GAAP gross profit	\$ 542,062	\$ 184,998	\$ 121,847
Gross margin	77.4 %	74.1 %	75.2 %
Non-GAAP gross margin	84.4 %	77.6 %	77.3 %

<sup>(1)</sup> Includes the results of Invoice2go from the acquisition date on September 1, 2021.

<sup>(2)</sup> Includes the results of Divvy from the acquisition date on June 1, 2021.

<sup>(3)</sup> Consists of depreciation of property and equipment and amortization of developed technology, excluding amortization of capitalized internal-use software cost.

### Free Cash Flow

Free cash flow is defined as net cash used in operating activities, adjusted by purchases of property and equipment and capitalization of internal-use software costs. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment and capitalization of internal-use software costs, for operational expenses and investment in our business. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth. The following table presents a reconciliation of our free cash flow to net cash provided by (used in) operating activities for the periods presented (in thousands):

	Year ended June 30,		
	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020
Net cash (used in) provided by operating activities	\$ (18,093)	\$ 4,623	\$ (4,430)
Purchases of property and equipment	(5,377)	(18,902)	(11,437)
Capitalization of internal-use software costs	(10,259)	(2,304)	(639)
Free cash flow	\$ (33,729)	\$ (16,583)	\$ (16,506)

<sup>(1)</sup> Includes the results of Invoice2go from the acquisition date on September 1, 2021.

<sup>(2)</sup> Includes the results of Divvy from the acquisition date on June 1, 2021.

## Liquidity and Capital Resources

As of June 30, 2022, our principal sources of liquidity were our cash and cash equivalents of \$1.6 billion, our available-for-sale short-term investments of \$1.1 billion, and our lines of credit, of which we borrowed the maximum amount of \$75.0 million. Our cash equivalents are comprised primarily of money market funds and investments in debt securities with original maturities of three months or less at the time of purchase. Our short-term investments are comprised primarily of available-for-sale investments in corporate bonds, certificates of deposit, asset-backed securities, municipal bonds, and U.S. treasury securities with original maturities of more than three months. We have a total borrowing commitment of \$75.0 million from our line of credit and have drawn the maximum amount as of June 30, 2022. Our principal uses of cash are funding our operations and other working capital requirements, including the contractual and other obligations discussed below.

A significant portion of our cash, cash equivalents, and short-term investments as of June 30, 2022 were derived from the public offering of our common stock and issuance of 2027 Notes in a private offering on September 24, 2021, in which we received combined aggregate net proceeds of approximately \$1.9 billion, after deducting discounts, commissions and other offering costs.

We believe that our cash, cash equivalents, and available-for sale short-term investments will be sufficient to meet our working capital requirements for at least the next 12 months. In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements to fund future operations or obligations, including the repayment of the principal amount of the Notes in the event that the Notes become convertible and the noteholders opt to exercise their right to convert. We may also seek to raise additional capital from these offerings or financings on an opportunistic basis when we believe there are suitable opportunities for doing so. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may have terms that could be unfavorable to equity investors. There can be no assurances that we will be able to raise additional capital. The inability to raise capital would adversely affect our ability to achieve our business objectives.

Our principal commitments to settle our contractual obligations consist of our 2027 Notes, 2025 Notes, and outstanding borrowings from our line of credit as further discussed below. For additional discussion about our senior convertible notes and line of credit borrowings, refer to Note 10 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. In addition, we have minimum commitments under our noncancellable operating lease agreements and agreements with certain vendors. For additional discussion about our operating leases and other commitments, refer to Note 15 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

## Cash Flows

Below is a summary of our consolidated cash flows for the periods presented (in thousands):

	Year ended June 30,		
	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020
Net cash provided by (used in):			
Operating activities	\$ (18,093)	\$ 4,623	\$ (4,430)
Investing activities	(1,127,302)	(1,426,890)	(249,487)
Financing activities	2,878,566	1,639,583	863,126

<sup>(1)</sup> Includes the results of Invoice2go from the acquisition date on September 1, 2021.

<sup>(2)</sup> Includes the results of Divvy from the acquisition date on June 1, 2021.

### Net Cash Provided by (Used in) Operating Activities

Our primary source of cash provided by our operating activities is our revenue from subscription and transaction fees. Our subscription revenue is primarily based on a fixed monthly or annual rate per user charged to our customers. Our transaction revenue is comprised of transaction fees on a fixed or variable rate per type of transaction. Our primary uses of cash in our operating activities include payments for employee salary and related costs, payments to third parties to fulfill our payment transactions, payments to sales and marketing partners, payments for card rewards expenses, and other general corporate expenditures.

Net cash used in operating activities was \$18.1 million during fiscal 2022 compared to a net cash provided of \$4.6 million during fiscal 2021. The net cash used during fiscal 2022 was due mainly to the timing of the payments for costs of our services and operating expenses, partially offset by the increase in our revenue.

Net cash provided in operating activities increased to \$4.6 million during fiscal 2021 from a net cash used of \$4.4 million during fiscal 2020 due mainly to the increase in subscription and transaction fees revenue; partially offset by the increase in payments for costs of services and operating expenses. In addition, the net increase was partially due to the timing of usage of funds to pay our corporate expenditures.

### Net Cash Used in Investing Activities

Our cash proceeds from our investing activities consist primarily of proceeds from the maturities and sale of corporate and customer fund available-for-sale investments. Our cash usage for our investing activities consists primarily of purchases of corporate and customer fund available-for-sale investments, business acquisitions, capitalization of internal-use software, and purchases of property and equipment. Additionally, the increase or decrease in our net cash from investing activities is impacted by the net change in acquired participation interests in card receivable balances.

Our net cash used in investing activities decreased to \$1.1 billion during fiscal 2022 from \$1.4 billion during fiscal 2021 due primarily to the increase in proceeds from maturities of corporate and customer short-term investments, partially offset by the increase in purchases of corporate and customer fund short-term investments, and increase in acquired participation interests in card receivables. Additionally, our payment to acquire Invoice2go during fiscal 2022 was lower compared to our payment to acquire Divvy during fiscal 2021.

Our net cash used in investing activities increased to \$1.4 billion during fiscal 2021 from \$249.5 million during fiscal 2020 due primarily to the increase in purchases of corporate and customer fund short-term investments, payment made to acquire Divvy, increase in acquired participation interests in card receivables, and increase in purchases of property and equipment; partially offset by the increase in proceeds from the maturities and sale of corporate and customer short-term investments.

### Net Cash Provided by Financing Activities



Our cash proceeds from our financing activities consist primarily of proceeds from public offerings of our common stock, issuance of convertible notes, exercises of stock options, and employee purchases of our common stock under our Employee Stock Purchase Plan (ESPP). In addition, our cash proceeds from our financing activities during fiscal 2020 included net proceeds from our IPO and follow-on offering. Our cash usage for our financing activities consists primarily of payments of costs related to public offerings of our common stock and issuance of debt. Additionally, the increase or decrease in our net cash from financing activities is impacted by the change in customer fund deposits liability.

Our net cash provided by financing activities increased to \$2.9 billion during fiscal 2022 from \$1.6 billion during fiscal 2021 due primarily to the proceeds from the public offering of our common stock and increase in customer funds liability.

Our net cash provided by financing activities increased to \$1.6 billion during fiscal 2021 from \$863.1 million during fiscal 2020 due primarily to the proceeds from the issuance of the 2025 Notes, increase in exercises of stock options, increase in employee purchases of common stock under our ESPP, and an increase in customer funds liability; offset by the purchase of Capped Calls in connection with the issuance of the 2025 Notes and repayment of our line of credit borrowings. Additionally, our cash from financing activities during fiscal 2020 included the net proceeds from our IPO and follow-on offering.

### **2027 Notes**

On September 24, 2021, we issued \$575.0 million in aggregate principal amount of our 0% convertible senior notes due on April 1, 2027. The 2027 Notes are senior, unsecured obligations, will not accrue interest unless we determine to pay special interest, and are convertible on or after January 1, 2027 until the close of business on the second scheduled trading day immediately preceding the maturity date on April 1, 2027. The 2027 Notes are convertible by the holders at their option during any calendar quarter after December 31, 2021 under certain circumstances, including if the last reported sale price of our 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 \$414.80 per share initial conversion price. If the note holders exercise their right to convert, our current intent is to settle such conversion through a combination settlement involving a repayment of the principal portion in cash and the balance in shares of common stock. For additional discussion about our 2027 Notes and the capped call transactions, refer to Note 10 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### **2025 Notes**

On November 30, 2020, we issued \$1.15 billion in aggregate principal amount of our 0% convertible senior notes due on December 1, 2025. The 2025 Notes are senior, unsecured obligations, will not accrue interest unless we determine to pay special interest, and are convertible on or after September 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date on December 1, 2025. The 2025 Notes are convertible by the holders at their option during any calendar quarter after March 31, 2021 under certain circumstances, including if the last reported sale price of our 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 \$160.88 per share initial conversion price. If the note holders exercise their right to convert, our current intent is to settle such conversion through a combination settlement involving a repayment of the principal portion in cash and the balance in shares of common stock. For additional discussion about our 2025 Notes and the capped call transactions, refer to Note 10 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### **2021 Revolving Credit Agreement**

We have a total borrowing commitment of \$75.0 million under the Class A facility of the 2021 Revolving Credit Agreement, of which we borrowed the maximum amount of \$75.0 million as of June 30, 2022. Our 2021 Revolving Credit Agreement matures in June 2023 or earlier pursuant to such agreement and the outstanding borrowings are payable on or before the maturity date. For additional discussion about our Credit Agreements,

refer to Note 10 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### **Off-Balance Sheet Arrangements**

We are contractually obligated to purchase participation interests in all card receivables from U.S. based card Issuing Banks (Issuing Banks) including authorized transactions that have not cleared. The transactions that have been authorized but not cleared totaled \$55.2 million as of June 30, 2022 and have not been recorded on our consolidated balance sheets. We have off-balance sheet credit exposures with these authorized but not cleared transactions; however, our expected credit losses with respect to these transactions was not material as of June 30, 2022.

Other than our expected credit loss exposure on the card transactions that have not cleared, we had no other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources as of June 30, 2022.

### **Critical Accounting Estimates**

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (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 consolidated financial statements, as well as the reported revenue generated, and reported 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.

While our significant accounting policies are described in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, we believe that the following critical accounting estimates are most important to understanding and evaluating our reported financial results.

### **Revenue recognition**

Our contracts with our customers require us to provide multiple services comprising subscription, transaction and implementation services. We identify performance obligations in these contracts by evaluating whether individual services are distinct. Services that are not distinct are combined into a single performance obligation. The evaluation of whether a service is distinct involves judgment and could impact the timing of revenue recognition. We determine the transaction price in these contracts based on the amount of consideration we expect to be entitled to, which are typically variable. The transaction price is then allocated to each separate performance obligation on a relative standalone selling price basis. Each performance obligation is analyzed to determine if it is satisfied over time or at a point in time. Our performance obligations are generally recognized as revenue over the period each performance obligation is satisfied using an attribution method that best reflects the measure of progress in satisfying the performance obligation. The attribution method used involves judgment and impacts the timing of revenue recognition.

Our implementation services, included in certain contracts with our financial institution customers, consist of the development of interfaces between our online platform and the financial institutions' online platform. The financial institution's customers cannot access online bill pay services until implementation is complete. As a result, initial implementation services are not capable of being distinct from subscription and transaction processing services, and are combined into a single performance obligation. We also evaluate the ability of financial institution customers to renew contracts without having to pay up-front implementation fees again to determine if it provides them a material right. Material rights, which have not been significant to date, are treated as separate performance obligations and are recognized over the expected period of benefit. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price.

## **Business Combinations**

We account for acquisitions using the acquisition method of accounting, which requires assigning the fair value of purchase consideration to the assets acquired and liabilities assumed by the acquiree at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired and liabilities assumed in the acquiree is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed in the acquiree, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing intangible assets include, but are not limited to, expected future cash flows, which includes consideration of future growth rates and margins, attrition rates, future changes in technology and brand awareness, loyalty and position, and discount rates. Fair value estimates are based on the assumptions management believes a market participant would use in pricing the asset or liability. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

## **Leases**

The Company determines if an arrangement is a lease, or contains a lease, by evaluating whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. The Company determines the classification of the lease, whether operating or financing, at the lease commencement date, which is the date the leased assets are made available for use.

The Company uses the non-cancelable lease term when recognizing the right-of-use (ROU) assets and lease liabilities, unless it is reasonably certain that a renewal or termination option will be exercised. The Company accounts for lease components and non-lease components as a single lease component. Modifications are assessed to determine whether incremental differences result in new contract terms and accounted for as a new lease or whether the additional right of use should be included in the original lease and continue to be accounted with the remaining ROU asset.

Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Lease payments consist of the fixed payments under the arrangement, less any lease incentives. Variable costs, such as common area maintenance costs, are not included in the measurement of the ROU assets and lease liabilities, but are expensed as incurred. As the implicit rate of the leases is not determinable, the Company uses an incremental borrowing rate in determining the present value of the lease payments. Lease expenses are recognized on a straight-line basis over the lease term.

The Company does not recognize ROU assets on lease arrangements with a term of 12 months or less. Lease expense for such arrangements is recognized on a straight-line basis over the term of the lease.

## **Credit Losses on Acquired Card Receivables**

We acquire card receivables pursuant to our contracts with certain Issuing Banks. The acquired card receivable portfolio consists of a large group of smaller balances from spending businesses across a wide range of industries. We establish an allowance for credit losses based on an estimate of uncollectible balances resulting from credit losses and such allowance could fluctuate depending on certain factors. An estimate of lifetime expected credit losses is performed by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period beyond the balance sheet date. In estimating expected credit losses, we use models that entail a significant amount of judgment. The primary areas of judgment used in measuring the quantitative components of our reserves relate to the attributes used to segment the portfolio, the determination of the historical loss experience look-back period, and the weighting of historical loss experience by monthly cohort. We use these models and assumptions to determine the reserve rates applicable to the outstanding acquired card receivable balances to estimate reserves for expected credit losses. Based on historical loss experience, the probability of default decreases over time, therefore the attribute used to segment the portfolio is the length of time since an account's credit limit origination. Our models use past loss experience to estimate the probability of default and exposure at default by aged balances. We also estimate the likelihood and magnitude of recovery of previously written off card receivables based on historical recovery experience. Additionally, we evaluate whether to include qualitative reserves to cover losses that are expected but may not be adequately represented in the quantitative methods or the

economic assumptions. The qualitative reserves address possible limitations within the models or factors not included within the models, such as external conditions, changes in underwriting strategies, the nature and volume of the portfolio, and the volume and severity of past due accounts.

We review our assumptions periodically and the amount of allowance that we recorded may be impacted by actual performance of the acquired card receivables and changes in any of the assumptions used. In general, we write-off card receivables after the balance substantially becomes 120 days delinquent.

### **Customer Rewards**

We offer a promotion program whereby users of our spend and expense management products can earn rewards based on the volume of their card transactions. Users can redeem those rewards for cash, travel, and gift cards, among other things. We establish a rewards liability that represents management's estimate of the cost for earned rewards. The portion of our liability related to points earned is determined based on an estimate of the redemption cost and an estimate of expected redemption (net of breakage). Our estimated liability could fluctuate based on the changes on the input used to make our estimate.

### **Stock-based Compensation**

Stock-based compensation expense related to stock option awards and purchase rights issued under our Employee Stock Purchase Plan (ESPP) is measured at fair value on the date of grant using the Black-Scholes option-pricing model. Stock-based compensation expense related to market-based RSU awards is measured at fair value on the date of grant using the Monte Carlo simulation model. Stock-based compensation expense for performance-based awards is measured at fair value on the date of grant using the Black-Scholes valuation option-pricing model or other valuation technique depending on the nature of the award. Awards that are classified as liabilities are remeasured at fair value at the end of each reporting period. These valuation methods require inputs that are based on estimates, which are highly subjective.

Estimates used in the Black-Scholes option-pricing model include:

*Expected term* – represents the period that stock option awards are expected to be outstanding. The expected term for stock option awards is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.

*Expected volatility* – represents the historical volatility of our common stock. The expected volatility that we used for stock option awards assumed in an acquisition was estimated based on the average volatility for comparable publicly traded companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the lifecycle or area of specialty.

*Risk-free interest rate* – The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of stock option awards for periods corresponding with the expected term of the option.

*Expected dividend yield* – We have never paid dividends on our common stock and have no plans to pay dividends on our common stock.

Estimates used in the Monte Carlo simulation model include (i) expected volatility, (ii) risk-free interest rate, and (iii) performance period of the market-based RSU award.:

We recognize the compensation costs for stock option awards, purchase rights issued under our ESPP, market-based RSUs over the requisite service period of the awards, which is generally the vesting term, reduced for estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We estimate the forfeiture rate based on the historical experience. We recognize compensation costs for performance-based awards over the vesting period if it is probable that the performance condition will be achieved.

## **Recent Accounting Pronouncements**

See Note 1 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of June 30, 2022.

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

Our overall investment portfolio is comprised of corporate investments and customer fund assets that have been collected from customers, but not yet remitted to the applicable supplier or deposited into our customers' accounts. Our corporate investments are invested in cash and cash equivalents and highly liquid, investment-grade fixed income marketable securities. These assets are available for corporate operating purposes and mature within 24 months from the date of purchase. Our customer funds assets are invested with safety of principal, liquidity, and diversification as the primary objectives. As a secondary objective, we seek to maximize interest income. Our customer funds assets are invested in money market funds that maintain a constant net asset value, other cash equivalents, and highly liquid, investment-grade fixed income marketable securities, with maturities of up to 13 months from the time of purchase. Our investment policy governs the types of investments we make. We classify all of our investments in marketable securities as available-for-sale.

As part of our customer funds investment strategy, we use funds collected daily from our customers to satisfy the obligations of other unrelated customers, rather than liquidating investments purchased with previously collected funds. There is risk that we may not be able to satisfy customer obligations in full or on time due to insufficient liquidity or due to a decline in value of our investments. However, the liquidity risk is minimized by collecting the customer's funds in advance of the payment obligation and by maintaining significant investments in bank deposits and constant net asset value money market funds that allow for same-day liquidity. The risk of a decline in investment value is minimized by our restrictive investment policy allowing for only short-term, high quality fixed income marketable securities. We also maintain other sources of liquidity including our corporate cash balances.

### ***Interest Rate and Credit Risk***

We are exposed to interest-rate risk relating to our investments of corporate cash and funds held for customers that we process through our bank accounts. Our corporate investment portfolio consists principally of interest-bearing bank deposits, money market funds, certificates of deposit, commercial paper, other corporate notes, asset-backed securities, and U.S. Treasury securities. Funds that we hold for customers are held in non-interest and interest-bearing bank deposits, money market funds, certificates of deposit, commercial paper, other corporate notes, and U.S. Treasury securities. We recognize interest earned from funds held for customers as revenue. We do not pay interest to customers.

Factors that influence the rate of interest we earn include the short-term market interest rate environment and the weighting of our balances by security type. The annualized interest rate earned on our corporate investment portfolio and funds held for customers slightly increased to 0.29% during fiscal 2022 compared to 0.27% during fiscal 2021 due primarily to the changes in the short-term interest rate environment during fiscal 2022.

Unrealized gains or losses on our marketable debt securities are due primarily to interest rate fluctuations from the time the securities were purchased. We account for both fixed and variable rate securities at fair value with unrealized gains and losses recorded in accumulated other comprehensive income since we classify our marketable debt securities as available for sale. Our investments in marketable debt securities are generally held through maturity with minimal sales before maturity barring unforeseen circumstances, and thus unrealized gains or losses on fixed-income securities from market interest rate decreases or increases are not realized as the securities mature at par.

We are also exposed to interest-rate risk relating to borrowings from our line of credit. As of June 30, 2022, we borrowed the maximum commitment amount of \$75.0 million from our line of credit. Because the interest rate on our borrowings is indexed to LIBOR, which is a floating rate mechanism, our interest cost may increase if market interest rates rise. A hypothetical 100 basis point increase or decrease in interest rates would not have a material effect on our financial results.

In addition to interest rate risks, we also have exposure to risks associated with changes in laws and regulations that may affect customer fund balances. For example, a change in regulations that restricts the permissible investment alternatives for customer funds would reduce our interest earned revenue.

We are exposed to credit risk in connection with our investments in securities through the possible inability of the borrowers to meet the terms of the securities. We limit credit risk by investing in investment-grade securities as rated by Moody's, Standard & Poor's, or Fitch, by investing only in securities that mature in the near-term, and by limiting concentration in securities other than U.S. Treasuries. Investment in securities of issuers with short-term credit ratings must be rated A-2/P-2/F2 or higher. Investment in securities of issuers with long-term credit ratings must be rated A- or A3, or higher. Investment in asset-backed securities and money market funds must be rated AAA or equivalent. Investment in repurchase agreements will be at least 102 percent collateralized with securities issued by the U.S. government or its agencies. Securities in our corporate portfolio may not mature beyond two years from purchase, and securities held in our customer fund accounts may not mature beyond 13 months from purchase. No more than 5% of invested funds, either corporate or customer, may be held in the issues of a single corporation.

We are also exposed to credit risk related to the timing of payments made from customer funds collected. We typically remit customer funds to our customers' suppliers in advance of having good or confirmed funds collected from our customers and if a customer disputes a transaction after we remit funds on their behalf, then we could suffer a credit loss. Furthermore, our customers generally have three days to dispute transactions, and if we remit funds in advance of receiving confirmation that no dispute was initiated by our customer, then we could suffer a credit loss. We mitigate this credit exposure by leveraging our data assets to make credit underwriting decisions about whether to accelerate disbursements, managing exposure limits, and various controls in our operating systems.

We continually evaluate the credit quality of the securities in our portfolios. If a security holding is downgraded below our credit rating threshold or we otherwise believe the security's payment performance may be compromised, we will evaluate the relevant risks, remaining time to maturity, amount of principal, as well as other factors, and we will make a determination of whether to continue to hold the security or promptly sell it.

We are exposed to credit risk from card receivable balances we have with our spending businesses. Spending businesses may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Although we regularly review our credit exposure to specific spending businesses and to specific industries that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. In addition, our ability to manage credit risk or collect amounts owed to us may be adversely affected by legal or regulatory changes (such as restrictions on collections or changes in bankruptcy laws, and minimum payment regulations). We rely principally on the creditworthiness of spending businesses for repayment of card receivables and therefore have limited recourse for collection. Our ability to assess creditworthiness may be impaired if the criteria or models we use to manage our credit risk prove inaccurate in predicting future losses, which could cause our losses to rise and have a negative impact on our results of operations. Any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. Although we make estimates to provide for credit losses in our outstanding portfolio of card receivables, these estimates may not be accurate.

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

We are exposed to foreign currency exchange risk relating to our cross-border payment service, which allows customers to pay their international suppliers in foreign currencies. When customers make a cross-border payment, customers fund those payments in U.S. dollars based upon an exchange rate that is quoted on the initiation date of the transaction. Subsequently, when we convert and remit those funds to our customers' suppliers primarily through our global payment partners, the exchange rate may differ, due to foreign exchange fluctuation, from the exchange rate that was initially quoted. Our transaction fees to our customers are not adjusted for changes in foreign exchange rates between the initiation date of the transaction and the date the funds are converted.

We are also exposed to foreign currency exchange risk relating to the operations of our subsidiary in Australia. A change in foreign currency exchange rate, particularly the Australian dollar, can affect our financial results due to transaction gains or losses related to the remeasurement of certain monetary asset and monetary

liability balances that are denominated in currencies other than the functional currency of our Australian subsidiary, which is U.S. dollars.

If the value of the U.S. dollar weakens relative to the foreign currencies, this may have an unfavorable effect on our cash flows and operating results. We do not believe that a 10% change in the relative value of the U.S. dollar to other foreign currencies would have a material effect on our cash flows and operating results.

***Inflation Risk***

We do not believe that inflation had a material effect on our cash flows and operating results during fiscal 2022. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through increase in prices of our product offerings.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Bill.com Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bill.com Holdings, Inc. (the Company) as of June 30, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, 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 June 30, 2022, 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 August 22, 2022 expressed an unqualified opinion thereon.

### 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.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Funds Held for Customers and Customer Fund Deposits***

##### ***Description of the Matter***

As discussed in Note 1 to the consolidated financial statements, funds held for customers and the corresponding customer fund deposits liability represent the Company's contractual obligations to remit funds to customers or customers' suppliers, to satisfy customers' fund obligations and are recorded as an asset and corresponding liability at the time the Company collects funds from customers or on behalf of customers. At June 30, 2022, the Company reported a funds held for customers and corresponding customer fund deposit liability of \$3.1 billion. The Company processes a high volume of transactions comprising of funds that are collected from customers for payments to their suppliers and funds that are collected on behalf of customers.

Auditing the funds held for customers and corresponding customer fund deposits liability was complex and involved increased audit effort due to the subjectivity in applying audit procedures, the significance of the balances, and the high volume of transactions and the complexity of the account reconciliations.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's funds held for customers and customer funds deposits. For example, we tested controls over management's review of the completeness and accuracy of the account reconciliations.

To test the funds held for customers and corresponding customer fund deposits liability, our audit procedures included, among others, obtaining external confirmations for the cash and investment balances and testing the account reconciliations. We sampled funding and disbursement transactions prior to and subsequent to period end and evaluated whether funds were properly included or excluded from the funds held for customers and customer fund deposit balances and evaluated the aging of balances. We evaluated the reasonableness of the customer fund deposits liability balance by performing analytical procedures using transactional data for a period of time prior to and subsequent to period end.

**Valuation of an Acquired Customer Relationships Intangible Asset**

*Description of the Matter*

As described in Note 3 to the consolidated financial statements, in September 2021, the Company completed the acquisition of Invoice2go for net consideration of \$674.3 million. The transaction was accounted for as a business combination. The Company's accounting for the acquisition included determining the fair value of an acquired customer relationships intangible asset.

Auditing the Company's accounting for its acquisition of Invoice2go was complex due to the significant estimation in determining the fair value of the customer relationships intangible asset of \$61 million. The significant estimation was primarily due to the judgmental nature of the underlying significant assumptions of the valuation method used to measure the fair value of the customer relationships intangible asset, as well as the sensitivity of the fair value to the underlying significant assumptions. The Company used an income approach by applying the discounted cash flow method to measure the fair value of the customer relationships. The significant assumptions used to estimate the fair value of the customer relationships included projected revenue and the discount rate. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for determining the fair value of the acquired customer relationships intangible asset. For example, we tested controls over management's review of the valuation of the customer relationships intangible asset, including the review of the valuation method and the significant assumptions used in the valuation, as described above.

To test the fair value of the customer relationships intangible asset, our audit procedures included, among others, evaluating the appropriateness of the Company's selected valuation method, evaluating the reasonableness of the projected revenue and discount rate and testing the completeness and accuracy of underlying data. We involved our valuation specialists to assist in testing the significant assumptions described above. For example, we evaluated the projected revenue by comparing it to the historical results of the acquired business. We evaluated the discount rate by comparing the rate to those of the acquired business's weighted average cost of capital, internal rate of return and weighted-average return on assets. We also performed sensitivity analyses of the significant assumptions described above to evaluate the change in the fair value resulting from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

San Francisco, California

August 22, 2022

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Bill.com Holdings, Inc.

### Opinion on Internal Control Over Financial Reporting

We have audited Bill.com Holdings, Inc.'s internal control over financial reporting as of June 30, 2022, 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, Bill.com Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Annual 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 of Invoice2go, Inc., which is included in the June 30, 2022 consolidated financial statements of the Company and constituted 5% and 11% of total and net assets, respectively, as of June 30, 2022 and 5% and 6% of revenues and net loss, respectively, 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 of Invoice2go, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2022, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated August 22, 2022 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

We have served as the Company's auditor since 2018.

San Francisco, California

August 22, 2022

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share amounts)

	June 30,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,596,542	\$ 509,615
Short-term investments	1,108,493	655,314
Accounts receivable, net	24,045	18,222
Acquired card receivables, net	256,392	147,093
Prepaid expenses and other current assets	151,258	67,195
Funds held for customers	3,142,660	2,208,598
Total current assets	6,279,390	3,606,037
Non-current assets:		
Operating lease right-of-use assets, net	76,445	71,925
Property and equipment, net	56,985	48,902
Intangible assets, net	432,583	417,341
Goodwill	2,362,893	1,772,043
Other assets	47,730	52,925
Total assets	\$ 9,256,026	\$ 5,969,173
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,948	\$ 11,904
Accrued compensation and benefits	29,004	20,287
Deferred revenue	31,868	12,848
Other accruals and current liabilities	120,080	72,022
Borrowings from credit facilities, net	75,097	—
Customer fund deposits	3,142,660	2,208,598
Total current liabilities	3,408,657	2,325,659
Non-current liabilities:		
Deferred revenue	2,159	2,926
Operating lease liabilities	82,728	86,639
Borrowings from credit facilities, net	—	79,534
Convertible senior notes, net	1,697,985	909,847
Other long-term liabilities	20,803	34,978
Total liabilities	5,212,332	3,439,583
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock; \$0.00001 par value per share; 10,000 shares authorized; none issued and outstanding	—	—
Common stock; \$0.00001 par value per share; 500,000 shares authorized; 104,731 and 94,504 shares issued and outstanding at June 30, 2022 and 2021, respectively	2	2
Additional paid-in capital	4,598,737	2,777,155
Accumulated other comprehensive loss	(10,217)	(100)
Accumulated deficit	(544,828)	(247,467)
Total stockholders' equity	4,043,694	2,529,590
Total liabilities and stockholders' equity	\$ 9,256,026	\$ 5,969,173

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)

	Year ended June 30,		
	2022	2021	2020
Revenue	\$ 641,959	\$ 238,265	\$ 157,600
Cost of revenue			
Service costs	105,496	56,576	37,049
Depreciation and amortization of intangible assets <sup>(1)</sup>	39,508	5,230	2,095
Total cost of revenue	<u>145,004</u>	<u>61,806</u>	<u>39,144</u>
Gross profit	496,955	176,459	118,456
Operating expenses			
Research and development	219,818	89,503	52,996
Sales and marketing	307,151	67,935	45,070
General and administrative	241,174	128,116	53,450
Depreciation and amortization of intangible assets <sup>(1)</sup>	45,630	4,872	1,138
Total operating expenses	<u>813,773</u>	<u>290,426</u>	<u>152,654</u>
Loss from operations	(316,818)	(113,967)	(34,198)
Other income (expense), net	(13,861)	(25,370)	3,160
Loss before (benefit from) provision for income taxes	(330,679)	(139,337)	(31,038)
(Benefit from) provision for income taxes	(4,318)	(40,617)	53
Net loss	<u>\$ (326,361)</u>	<u>\$ (98,720)</u>	<u>\$ (31,091)</u>
Net loss per share attributable to common stockholders:			
Basic and diluted	<u>\$ (3.21)</u>	<u>\$ (1.19)</u>	<u>\$ (0.70)</u>
Weighted-average number of common shares used to compute net loss per share attributable to common stockholders:			
Basic and diluted	<u>101,753</u>	<u>82,813</u>	<u>44,106</u>

<sup>(1)</sup> Depreciation expense does not include amortization of capitalized internal-use software costs.

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands)

	Year ended June 30,		
	2022	2021	2020
Net loss	\$ (326,361)	\$ (98,720)	\$ (31,091)
Other comprehensive (loss) income:			
Net unrealized (loss) gain on investments in available-for-sale securities	(10,117)	(2,520)	2,094
Comprehensive loss	<u>\$ (336,478)</u>	<u>\$ (101,240)</u>	<u>\$ (28,997)</u>

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK**  
**AND STOCKHOLDERS' EQUITY (DEFICIT)**  
(In thousands)

	Redeemable convertible preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total stockholders' (deficit) equity
	Shares	Amount	Shares	Amount				
<b>Balance at June 30, 2019</b>	52,435	\$ 276,307	8,154	\$ 1	\$ 14,672	\$ 326	\$ (117,656)	\$ (102,657)
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(52,435)	(276,307)	52,435	1	276,306	—	—	276,307
Reclassification of redeemable convertible preferred stock warrant liabilities to additional paid-in capital upon initial public offering	—	—	—	—	1,405	—	—	1,405
Issuance of common stock upon initial public offering, net of underwriting discounts and commissions and other offering costs	—	—	11,297	—	225,481	—	—	225,481
Issuance of common stock upon follow-on public offering, net of underwriting discounts and commissions and other offering costs	—	—	4,330	—	307,512	—	—	307,512
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	3,298	—	13,460	—	—	13,460
Issuance of common stock upon exercise of stock warrants	—	—	121	—	144	—	—	144
Stock-based compensation	—	—	—	—	18,064	—	—	18,064
Other comprehensive income	—	—	—	—	—	2,094	—	2,094
Net loss	—	—	—	—	—	—	(31,091)	(31,091)
<b>Balance at June 30, 2020</b>	—	—	79,635	2	857,044	2,420	(148,747)	710,719
Issuance of common stock as consideration for an acquisition, net of issuance costs	—	—	10,767	—	1,603,031	—	—	1,603,031
Fair value of replacement awards	—	—	—	—	55,275	—	—	55,275
Equity component of 2025 Notes, net of issuance costs and taxes	—	—	—	—	245,066	—	—	245,066
Purchase of capped calls	—	—	—	—	(87,860)	—	—	(87,860)
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	3,656	—	26,981	—	—	26,981
Issuance of common stock under the employee stock purchase plan	—	—	446	—	8,864	—	—	8,864
Stock-based compensation	—	—	—	—	68,754	—	—	68,754
Other comprehensive loss	—	—	—	—	—	(2,520)	—	(2,520)
Net loss	—	—	—	—	—	—	(98,720)	(98,720)
<b>Balance at June 30, 2021</b>	—	—	94,504	2	2,777,155	(100)	(247,467)	2,529,590
Cumulative effect of the accounting change upon the adoption of ASU 2020-06	—	—	—	—	(245,066)	—	29,000	(216,066)
Issuance of common stock upon public offering, net of underwriting discounts and other offering costs	—	—	5,074	—	1,341,122	—	—	1,341,122
Issuance of common stock as consideration for the acquisition, net of issuance costs	—	—	1,788	—	488,263	—	—	488,263
Fair value of replacement awards	—	—	—	—	26,710	—	—	26,710
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	3,283	—	34,024	—	—	34,024
Issuance of common stock under the employee stock purchase plan	—	—	82	—	12,849	—	—	12,849
Purchase of capped calls	—	—	—	—	(37,893)	—	—	(37,893)
Stock-based compensation	—	—	—	—	201,573	—	—	201,573
Other comprehensive loss	—	—	—	—	—	(10,117)	—	(10,117)
Net loss	—	—	—	—	—	—	(326,361)	(326,361)
<b>Balance at June 30, 2022</b>	—	—	\$ 104,731	\$ 2	\$ 4,598,737	\$ (10,217)	\$ (544,828)	\$ 4,043,694

See accompanying notes to consolidated financial statements



**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year ended June 30,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net loss	\$ (326,361)	\$ (98,720)	\$ (31,091)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Stock-based compensation	197,157	68,290	18,064
Amortization of intangible assets	75,977	5,659	—
Depreciation and amortization	9,161	4,443	3,233
Amortization of capitalized internal-use software costs	2,366	907	1,024
Amortization of debt discount (accretion of debt premium) and issuance costs	4,777	27,531	—
Amortization of premium (accretion of discount) on investments in marketable debt securities	11,386	4,692	(3,815)
Provision for losses on acquired card receivables	19,879	741	—
Non-cash operating lease expense	8,601	3,813	—
Deferred income taxes	(4,075)	(40,617)	—
Other	(726)	—	717
Changes in assets and liabilities:			
Accounts receivable	(3,032)	(6,535)	(1,608)
Prepaid expenses and other current assets	(12,970)	706	(10,434)
Other assets	5,105	(12,525)	(4,928)
Accounts payable	(3,771)	7,417	(1,596)
Other accruals and current liabilities	7,460	22,980	9,755
Operating lease liabilities	(7,877)	8,395	—
Other long-term liabilities	(6,749)	592	12,991
Deferred revenue	5,599	6,854	3,258
Net cash (used in) provided by operating activities	<u>(18,093)</u>	<u>4,623</u>	<u>(4,430)</u>
<b>Cash flows from investing activities:</b>			
Cash paid for acquisition, net of acquired cash and cash equivalents	(144,349)	(556,090)	—
Purchases of corporate and customer fund short-term investments	(2,801,697)	(2,070,296)	(1,088,611)
Proceeds from maturities of corporate and customer fund short-term investments	1,902,474	1,104,532	806,000
Proceeds from sale of corporate and customer fund short-term investments	55,744	142,665	46,159
Increase in acquired card receivables and other	(130,537)	(26,495)	(959)
Purchases of property and equipment	(5,377)	(18,902)	(11,437)
Capitalization of internal-use software costs	(10,259)	(2,304)	(639)
Proceeds from beneficial interest	6,699	—	—
Net cash used in investing activities	<u>(1,127,302)</u>	<u>(1,426,890)</u>	<u>(249,487)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock upon public offering, net of underwriting discounts and other offering costs	1,341,122	—	—
Proceeds from issuance of convertible senior notes, net of discounts and issuance costs	560,075	1,129,379	—
Purchase of capped calls	(37,893)	(87,860)	—
Proceeds from issuance of common stock upon initial public offering, net of underwriting discounts and commissions and other offering costs	—	—	225,481
Proceeds from issuance of common stock upon follow-on public offering, net of underwriting discounts and commissions and other offering costs	—	—	308,176
Increase in customer fund deposits liability and other	970,889	563,291	314,937
Proceeds from line of credit borrowings	37,500	—	2,300
Payments on line of credit and bank borrowings	(40,000)	(2,300)	—
Proceeds from exercise of stock options	34,024	28,209	12,232
Proceeds from issuance of common stock under the employee stock purchase plan	12,849	8,864	—
Net cash provided by financing activities	<u>2,878,566</u>	<u>1,639,583</u>	<u>863,126</u>
<b>Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<u>(149)</u>	<u>—</u>	<u>—</u>
<b>Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<u>1,733,022</u>	<u>217,316</u>	<u>609,209</u>
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year</b>	<u>1,809,693</u>	<u>1,592,377</u>	<u>983,168</u>
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year</b>	<u>\$ 3,542,715</u>	<u>\$ 1,809,693</u>	<u>\$ 1,592,377</u>
<b>Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents within the consolidated balance sheets to the amounts shown in the consolidated statements of cash flows above:</b>			
Cash and cash equivalents	\$ 1,596,542	\$ 509,615	\$ 573,643
Restricted cash included in other current assets	85,252	10,977	35
Restricted cash included in other assets	6,724	6,875	—
Restricted cash and restricted cash equivalents included in funds held for customers	1,854,197	1,282,226	1,018,699
<b>Total cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year</b>	<u>\$ 3,542,715</u>	<u>\$ 1,809,693</u>	<u>\$ 1,592,377</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 4,867	\$ 112	\$ 174
<b>Noncash investing and financing activities:</b>			
Fair value of shares issued as consideration for acquisition	\$ 488,494	\$ 1,603,543	\$ —
Fair value of stock-based awards assumed in acquisition	\$ 21,724	\$ 55,275	\$ —
Recognition of beneficial interest	\$ 4,690	\$ —	\$ —
Payable on purchases of property and equipment	\$ 1,936	\$ 664	\$ —
Conversion of redeemable convertible preferred stock into common stock upon initial public offering	\$ —	\$ —	\$ 276,307
Reclassification of redeemable convertible preferred stock warrant liabilities into additional paid-in capital upon initial public offering	\$ —	\$ —	\$ 1,405
Receivable from broker-assisted exercises of stock options	\$ —	\$ —	\$ 1,228
Accrued stock and debt issuance costs	\$ —	\$ 120	\$ 664

See accompanying notes to consolidated financial statements.



**BILL.COM HOLDINGS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES**

Bill.com, Inc. was incorporated in the State of Delaware in April 2006. In November 2018, Bill.com, Inc. consummated a reorganization with Bill.com Holdings, Inc., which resulted in the latter becoming the parent entity of Bill.com, Inc. Bill.com, Inc. was subsequently converted into a limited liability company and renamed Bill.com, LLC. Bill.com Holdings, Inc., which was incorporated in the State of Delaware in August 2018, and its subsidiaries are collectively referred to as the “Company.”

The Company is a provider of software-as-a-service, cloud-based payments and spend and expense management products, which allow users to automate accounts payable and accounts receivable transactions, enable businesses to easily connect with their suppliers and/or customers to do business, eliminate expense reports, manage cash flows and improve back office efficiency.

**Initial Public Offering and Follow-on Offering**

On December 16, 2019, the Company closed its initial public offering (IPO), in which it issued 11,297,058 shares of common stock at a public offering price of \$22.00 per share, which included 1,473,529 shares of common stock issued pursuant to the exercise in full of the over-allotment option by the underwriters. The Company received \$225.5 million in net proceeds from the IPO, after deducting underwriting discounts and commissions of \$17.4 million and other offering costs of \$5.6 million. Upon the completion of the IPO, all shares of the Company's outstanding redeemable convertible preferred stock were converted into 52,434,505 shares of common stock. Additionally, the Company's redeemable convertible preferred stock warrants were converted into common stock warrants and the associated redeemable convertible preferred stock warrant liabilities were re-measured to its fair value of \$1.4 million and reclassified to additional paid-in capital.

On June 15, 2020, the Company closed a follow-on public offering in which it issued 4,330,000 shares of common stock at a public offering price of \$74.25 per share, which included 1,080,000 shares of common stock issued pursuant to the exercise in full of the over-allotment option by the underwriters. The Company received \$307.5 million in net proceeds from the follow-on public offering, after deducting underwriting discounts and commissions of \$12.9 million and other offering costs of \$1.1 million.

On September 24, 2021, the Company closed a public offering in which the Company issued and sold a total of 5,073,529 shares of common stock at a public offering price of \$272.00 per share. The Company received \$1.3 billion in net proceeds from this public offering, after deducting underwriting discounts, commissions and other offering costs of \$38.9 million.

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and were prepared in conformity with U.S. generally accepted accounting principles (GAAP). All intercompany accounts and transactions have been eliminated.

**Reclassification**

Certain accounts in the prior period consolidated statements of operation were reclassified to conform with the current year presentation.

**Segment Reporting**

The Company operates as one operating segment because its chief operating decision maker, who is the Chief Executive Officer, reviews its financial information on a consolidated basis for purposes of making decisions regarding allocating resources and assessing performance. The Company's long-lived assets are mainly located in the United States (U.S.) and revenue is mainly generated in the U.S. Long-lived assets and revenue generated outside the U.S. are not material.

## **Business Combination**

The Company accounts for acquisitions using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of the identifiable assets and liabilities is recorded as goodwill.

The determination of the fair value of assets acquired and liabilities assumed involves assessments of factors such as the expected future cash flows associated with individual assets and liabilities and appropriate discount rates at the date of the acquisition. Significant management inputs used in the estimation of fair value of assets acquired and liabilities assumed include, but are not limited to, expected future cash flows, future changes in technology, estimated replacement costs, discount rates and assumptions about the period of time the brand will continue to be used in the Company's product portfolio. Where appropriate, external advisers are consulted to assist in the determination of fair value. For non-observable market values, fair value has been determined using acceptable valuation methods (e.g., relief from royalty methods). The results of operations for businesses acquired are included in the financial statements from the acquisition date. Acquisition-related expenses and post-acquisition integration costs are recognized separately from the business combination and are expensed as incurred. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the tangible and intangible assets acquired and liabilities assumed, including the fair value of acquired intangible assets, an indemnification asset related to certain assumed liabilities, net lease liabilities, uncertain tax positions, tax-related valuation allowances and pre-acquisition contingencies with a corresponding offset to goodwill. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations.

## **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make various estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Management regularly assesses these estimates, including, but not limited to useful lives of long-lived assets; capitalization of internal-use software costs; incremental borrowing rates for right-of-use operating lease assets and operating lease liabilities; the estimate of credit losses on accounts receivable, acquired card receivables and other financial assets; accrual for rewards; variable consideration used in revenue recognition for certain contracts; benefit periods used to amortize deferred commissions; reserve for losses on funds held for customers; inputs used to value certain stock-based compensation awards; inputs used to estimate beneficial interest derivative on card receivables sold, and valuation of deferred income tax assets. The Company evaluates these estimates and assumptions and adjusts them accordingly. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

## **Funds held for customers and customer fund deposits**

Funds held for customers and the corresponding liability on customer fund deposits represent funds that are collected from customers for payments to their suppliers and funds that are collected on behalf of customers. Generally, these funds held for customers are initially deposited in separate bank accounts until remitted to the customers' suppliers or to the customers. Funds held for customers also include amounts that are held by or deposited into the accounts of payment processing companies and receivables from customers. The funds held for customers are restricted for the purpose of satisfying the customers' fund obligations and are not available for general business use by the Company. The Company partially invests funds held for customers in highly liquid investments with maturities of three months or less and in marketable debt securities with maturities of more than three months up to thirteen months at the time of purchase. Funds held for customers that are invested in marketable debt securities are classified as available-for-sale. These investments are carried at fair value, with unrealized gains or losses included in accumulated other comprehensive (loss) income on the consolidated balance sheets and as a component of the consolidated statements of comprehensive loss. The Company contractually earns interest on funds held for customers with associated counterparties.

**Cash, cash equivalents, restricted cash and restricted cash equivalents**

Cash and cash equivalents consist of cash in banks, highly liquid investments with maturities of three months or less at the time of purchase, and securities purchased under overnight reverse repurchase agreements.

Restricted cash consists of (i) amounts restricted under deposit account control agreements, (ii) minimum cash balances that are required to be maintained by certain banks, (iii) cash collateral required by the Company's lessors to satisfy letter of credit requirements under its lease agreements, (iv) cash collateral required by a bank in connection with the Company's money transmission activities, and (v) cash in bank and cash deposits held by payment processing companies included in funds held for customers.

Restricted cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase that are included in funds held for customers.

Except for the restricted cash included in funds held for customers, the current and non-current portion of the restricted cash is included in prepaid expenses and other current assets and in other assets, respectively, in the accompanying consolidated balance sheets.

**Short-term investments**

The Company invests excess cash in marketable debt securities with maturities of more than three months. These securities are classified as available-for-sale and recorded at fair value. The Company determines the appropriate classification of investments in marketable debt securities at the time of purchase and reevaluates such designation at each balance sheet date. After consideration of risk versus reward attributes and liquidity requirements, the Company may sell these debt securities prior to their stated maturities. As the Company views these securities as available to support current operations, the Company classifies highly liquid securities with maturities beyond 12 months as current assets. Unrealized gains or losses are included in accumulated other comprehensive income (loss) on the consolidated balance sheets and as a component of the consolidated statements of comprehensive loss. An impairment loss is recognized when the decline in fair value of the marketable debt securities is determined to be other than temporary. The Company periodically evaluates its investments to determine if impairment charges are required. The Company determined that there was no other-than-temporary impairment on short-term investments during the years ended June 30, 2022, 2021 and 2020.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, restricted cash, restricted cash equivalents, short-term investments, accounts receivable, acquired card receivables, and card receivables held for sale (collectively referred to as Financial Assets). The Company maintains its cash, cash equivalents, restricted cash, restricted cash equivalents, and short-term investments with major financial institutions that may at times exceed federally insured limits. Management believes that these financial institutions are financially sound with minimal credit risk.

The Company performs credit evaluations to verify the credit quality of its financial assets and determine any at-risk receivables. An allowance for potential credit losses on Financial Assets is recognized, if material. As of June 30, 2022 and 2021, the allowance for potential credit losses related to accounts receivable and acquired card receivables totaled approximately \$5.8 million and \$1.9 million, respectively. These amounts do not include the immaterial allowance for potential credit losses on purchase of card receivables that have been authorized but not cleared at the end of the periods (see Note 15).

There were no customers that exceeded 10% of the Company's total revenue during the years ended June 30, 2022, 2021 and 2020.

**Foreign Currency**

The Company has a foreign subsidiary whose functional currency is the U.S. dollar, which is the Company's reporting currency. Gains and losses from the remeasurement of transactions denominated in foreign currencies other than the functional currency of the foreign subsidiary are included in other (expense) income, net in the accompanying statements of operations.

### **Accounts receivable and unbilled revenue**

Accounts receivable, which consist primarily of fees from customers, including accounting firm and financial institution customers, are recorded at the invoiced amount, net of an allowance for credit losses. Unbilled revenue is recorded based on amounts that the Company expects to invoice to customers in the subsequent period. The allowance for credit losses related to accounts receivable and unbilled revenue is based on the Company's assessment of the collectability of the receivables. The Company regularly reviews the adequacy of the allowance for credit losses by considering the age of each outstanding invoice and the collection history of each customer to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectable are charged against the allowance for credit losses when identified. For all periods presented, the allowance for credit losses related to accounts receivable and unbilled revenue was not material.

### **Acquired card receivables**

The portfolios of acquired card receivables are commercial accounts diversified across various geographies and industries. The Company manages credit risk based on common risk characteristics including macroeconomic factors such as unemployment rates and financial condition of the users of the spend and expense management application.

Acquired card receivables are reported at their principal amounts and include uncollected fees outstanding net of allowance for credit losses. Acquired card receivables are deemed to be held for investment when such receivables are not acquired specifically for resale.

As part of the onboarding process, users of the Company's free spend and expense management application are provided with a credit limit subject to a credit policy and underwriting process which is periodically re-performed based on risk indicators and the size of the credit limit.

Spending businesses may over fund their accounts through payments in excess of the outstanding balance. Such over funded amounts are recorded as prepaid card deposits, which are included in other accruals and current liabilities in the accompanying consolidated balance sheets.

Acquired card receivables represent amounts due on card transactions integrated with the spend and expense management application. The Company is contractually obligated to purchase all card receivables from U.S. based card Issuing Banks (Issuing Banks) including authorized transactions that have not cleared at the Issuing Banks. Acquired card receivables are recorded at the time a transaction clears the Issuing Banks and generally payment for the card receivables is made on the day the transaction clears the Issuing Banks.

The acquired card receivables portfolio consists of a large group of smaller balances from spending businesses across a wide range of industries. The allowance for credit losses reflects the Company's estimate of uncollectible balances resulting from credit and fraud losses and is based on the determination of the amount of expected losses inherent in the acquired card receivable as of the reporting date. An estimate of lifetime expected credit losses is performed by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period beyond the balance sheet date. In estimating expected credit losses, the Company uses models that entail a significant amount of judgment. The primary areas of judgment used in measuring the quantitative components of the Company's reserves relate to the attributes used to segment the portfolio, the determination of the historical loss experience look-back period, and the weighting of historical loss experience by monthly cohort. The Company uses these models and assumptions to determine the reserve rates applicable to the outstanding acquired card receivable balances to estimate reserves for expected credit losses. Based on historical loss experience, the probability of default decreases over time, therefore the attribute used to segment the portfolio is the length of time since an account's credit limit origination. The Company's models use past loss experience to estimate the probability of default and exposure at default by aged balances. The Company also estimates the likelihood and magnitude of recovery of previously written off loans based on historical recovery experience. Additionally, management evaluates whether to include qualitative reserves to cover losses that are expected but may not be adequately represented in the quantitative methods or the economic assumptions. The qualitative reserves address possible limitations within the models or factors not included within the models, such as external conditions, changes in underwriting strategies, the nature and volume of the portfolio, and the volume and severity of past due accounts. In general, acquired card receivables are written off after substantially the entire balance

becomes 120 days delinquent. Assumptions regarding expected losses are reviewed periodically and may be impacted by actual performance of the acquired card receivables and changes in any of the factors discussed above. As of June 30, 2022 and 2021, the allowance for potential credit losses on acquired card receivables shown on the consolidated balance sheets totaled \$5.4 million and \$1.7 million, respectively. These amounts do not include the immaterial allowance for potential credit losses on purchase of card receivables that have been authorized but not cleared at the end of the periods (see Note 15).

### **Derivative Instruments**

The Company retains a beneficial interest derivative in the form of a deferred purchase price on card receivables sold. This derivative is not designated as a hedging instrument, and is initially recorded at fair value, with subsequent changes in fair value recorded through other gains and losses. The Company does not use derivative instruments for speculative or trading purposes. The beneficial interest derivative is a residual interest in collections on card receivables sold, and serves to align the economic interests of the Company as servicer with those of the Purchasing Bank.

### **Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, generally one to four years. Leasehold improvements are amortized over the shorter of estimated useful lives of the assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is reflected in the consolidated statements of operations.

The Company capitalizes internal and external direct costs incurred related to obtaining or developing internal-use software. Costs incurred during the application development stage are capitalized and are amortized using the straight-line method over the estimated useful lives of the software, generally three years commencing on the first day of the month following when the software is ready for its intended use. Costs related to planning and post-implementation activities are expensed as incurred.

### **Goodwill**

Goodwill represents the excess of the purchase price of the acquisition over the net fair value of identifiable assets acquired and liabilities assumed. Goodwill amounts are not amortized.

### **Intangible Assets**

The Company generally recognizes assets for customer relationships, developed technology, and finite-lived trade names from an acquisition. Finite-lived intangible assets are carried at acquisition cost less accumulated amortization. Such amortization is recorded on a straight-line basis over the estimated useful lives of the respective assets, generally from 3 to 10 years. Amortization for developed technology is recognized in cost of revenue. Amortization for customer relationships and trade names is recognized in sales and marketing expenses.

### **Impairment**

The valuation of goodwill at the reporting unit level is reviewed annually during the fourth fiscal quarter or more frequently if facts or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The Company has one reporting unit; therefore, all of its goodwill is associated with the entire company. Management has the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the Company is less than the carrying amount, including goodwill. If it is determined that it is more likely than not that the fair value of the Company is less than the carrying amount, a quantitative assessment is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. The Company also has the option to bypass the qualitative assessment and perform the quantitative assessment.

Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value.

The Company reviews the valuation of long-lived assets, including property and equipment and finite-lived intangible assets, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverability of long-lived assets or asset groups is calculated based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. Impairment testing is performed at the asset group level.

Based on management's assessment, the Company did not recognize any impairment losses on its goodwill, finite-lived intangible assets, or other long-lived assets during the periods presented herein.

## **Leases**

The Company determines if an arrangement is a lease, or contains a lease, by evaluating whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. The Company determines the classification of the lease, whether operating or financing, at the lease commencement date, which is the date the leased assets are made available for use.

The Company uses the non-cancelable lease term when recognizing the right-of-use (ROU) assets and lease liabilities, unless it is reasonably certain that a renewal or termination option will be exercised. The Company accounts for lease components and non-lease components as a single lease component. Modifications are assessed to determine whether incremental differences result in new contract terms and accounted for as a new lease or whether the additional right of use should be included in the original lease and continue to be accounted with the remaining ROU asset.

Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Lease payments consist of the fixed payments under the arrangement, less any lease incentives. Variable costs, such as common area maintenance costs, are not included in the measurement of the ROU assets and lease liabilities, but are expensed as incurred. As the implicit rate of the leases is not determinable, the Company uses an incremental borrowing rate in determining the present value of the lease payments. Lease expenses are recognized on a straight-line basis over the lease term.

The Company does not recognize ROU assets on lease arrangements with a term of 12 months or less. Lease expense for such arrangements is recognized on a straight-line basis over the term of the lease.

## **Accrued Rewards**

Spending businesses participate in rewards programs based on card transactions. The Company records a rewards liability that represents the estimated cost for rewards owed to spending businesses. Rewards liabilities are impacted over time by redemption costs and by spending businesses meeting eligibility requirements. Changes in the rewards liabilities during the period are recognized as an increase or decrease to sales and marketing expense in the accompanying consolidated statements of operations. The accrued rewards liability, which was \$36.2 million and \$19.2 million as of June 30, 2022 and 2021, respectively, is included in other accruals and current liabilities in the accompanying consolidated balance sheets. The rewards expense, which was \$95.2 million and \$4.5 million during the years ended June 30, 2022 and 2021, respectively, is included in sales and marketing expenses in the accompanying consolidated statements of operations.

## **Revenue recognition**

### ***Arrangements with SMBs and Accounting Firms***

The Company enters into contracts with SMB and accounting firm customers to provide access to the functionality of the Company's cloud-based payments platform to process transactions. These contracts are either monthly contracts paid in arrears or upfront, or annual arrangements paid up front. The Company charges



its SMB and accounting firm customers subscription fees for access to its platform either based on the number of users or per customer account and the level of service. The Company generally also charges these customers transaction fees based on transaction volume and the category of transaction. The contractual price for subscription and transaction services is based on either negotiated fees or the rates published on the Company's website.

The Company accounts for its annual and monthly contracts as a series of distinct services that are satisfied over time. The Company determines the transaction price for such contracts by estimating the total consideration to be received over the contract term from subscription and transaction fees. The Company recognizes the transaction price as a single performance obligation based on the proportion of transactions processed to the total estimated transactions to be processed over the contract period. Revenues recognized exclude amounts collected on behalf of third parties, such as sales taxes collected and remitted to governmental authorities.

#### ***Arrangements with Spending Businesses***

The Company facilitates the extension of credit to spending businesses through the Divvy product in the form of Divvy cards, which are originated through agreements with its Issuing Banks. The agreements with the Issuing Banks allow for card transactions on the MasterCard and Visa networks. Spending businesses utilize the credit on the Divvy cards as a means of payment for goods and service provided by their suppliers. For each transaction, the suppliers are required to pay interchange fees to the issuer of the credit. Based on the Company's agreements with its Issuing Banks, the Company recognizes the interchange fees as revenue gross or net of rebates received from the Issuing Bank based on the Company's determination of whether it is the principal or agent under the agreements.

#### ***Arrangements with Financial Institutions***

The Company enters into multi-year contracts with financial institution customers to provide access to the Company's cloud-based payments platform to process transactions. These contracts typically include fees for initial implementation services that are paid during the period the implementation services are provided as well as fees for subscription and transaction processing services, which are subject to guaranteed monthly minimum fees that are paid monthly over the contract term. These contracts enable the financial institutions to provide their customers with access to online bill pay services through the financial institutions' online platforms. Implementation services are required up-front to establish an infrastructure that allows the financial institutions' online platforms to communicate with the Company's online platform. A financial institution's customers cannot access online bill pay services until implementation is complete.

Initial implementation services and transaction processing services are not capable of being distinct from the subscription for online bill pay services and are combined into a single performance obligation. The total consideration in these contracts varies based on the number of users and transactions to be processed. The Company has determined it meets the variable consideration allocation exception and therefore recognizes guaranteed monthly payments and any overages as revenue in the month they are earned. Implementation fees are recognized based on the proportion of transactions processed to the total estimated transactions to be processed over the contract period. The ability of the financial institution customers to renew their contracts without having to pay up-front implementation fees again could provide them a material right. Material rights, which have not been significant to date, are treated as separate performance obligations and are recognized over the expected period of benefit. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price.

#### **Deferred revenue**

Subscription and transaction fees from customers for which the Company has annual or multi-year contracts are generally billed in advance. These fees are initially recorded as deferred revenue and subsequently recognized as revenue as the performance obligation is satisfied.

#### **Deferred costs**

Deferred costs consist of (i) deferred sales commissions that are incremental costs of obtaining customer contracts and (ii) deferred service costs, primarily direct payroll costs, for implementation services

provided to customers prior to the launching of the Company's products for general availability (go-live) to customers. Sales commissions paid on renewals are not material and are not commensurate with sales commissions paid on the initial contract. Deferred sales commissions are amortized ratably over 4 to 10 years, taking into consideration the initial contract term and expected renewal periods. Deferred service costs are amortized ratably over the estimated benefit period of the capitalized costs starting on the go-live date of the service.

### **Service Costs**

Service costs consist primarily of personnel-related costs, including stock-based compensation expenses, for the Company's customer success and payment operations teams, outsourced support services for our customer success team, costs that are directly attributed to processing customers' and spending businesses' transactions (such as the cost of printing checks, postage for mailing checks, fees associated with the issuance and processing of card transactions, fees for processing payments, such as ACH, check and cross-border wires), direct and amortized costs for implementing and integrating the Company's platform into the customers' systems, costs for maintaining, optimizing, and securing the Company's cloud payments infrastructure, amortization of capitalized internal-use software, fees on the investment of customer funds, and allocation of overhead costs.

### **Research and development**

Costs incurred in research and development, excluding development costs eligible for capitalization as internal-use software, are expensed as incurred.

### **Stock-based compensation**

The Company measures stock-based compensation for stock options and purchase rights issued under the Employee Stock Purchase Plan (ESPP) at fair value on the date of grant using the Black-Scholes option-pricing model. The Company measures stock-based compensation for restricted stock units (RSUs) and market-based RSUs based on the closing price of the Company's stock and using the Monte Carlo simulation model, respectively, on the date of grant. The Company measures stock-based compensation for performance-based awards at fair value on the date of grant by using the Black-Scholes valuation option-pricing model or other valuation technique depending on the nature of the award. Awards that are classified as liabilities are remeasured at fair value at the end of each reporting period.

The Company recognizes compensation costs on a straight-line basis over the requisite service period, which is generally the vesting term of four years for stock options and RSUs, the offering period of one year for purchase rights under the ESPP, and the requisite period of one to three years for market-based RSUs. Stock compensation costs are reduced by the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates the forfeiture rate based on its historical experience for annual grant years where the majority of the vesting terms have been satisfied. The Company recognizes compensation costs for performance-based awards over the vesting period if it is probable that the performance condition will be achieved.

The Black-Scholes option-pricing model and Monte Carlo simulation model require the use of highly subjective assumptions which determine the fair value of stock-based awards.

The main assumptions used in the Black-Scholes option-pricing model include:

*Expected term* – The expected term represents the period that stock-based awards are expected to be outstanding. The expected term for option grants is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.

*Expected volatility* – Prior to the Company's IPO, the expected volatility was estimated based on the average volatility for comparable publicly traded companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle or area of specialty. For grants made after the Company's IPO, the expected volatility was estimated based on the historical volatility of the Company's common stock.

*Risk-free interest rate* – The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

*Expected dividend yield* – The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

The main assumptions used in the Monte Carlo simulation model include (i) expected volatility, (ii) risk-free interest rate, and (iii) performance period of the market-based RSU award, which represents the period that the Company's stock price condition has to be achieved in order for the award to vest.

### **Advertising**

The Company expenses the costs of advertising, including promotional expenses, as incurred. Advertising expenses during the years ended June 30, 2022, 2021 and 2020 were \$29.4 million, \$8.5 million and \$5.8 million, respectively.

### **Income taxes**

The Company accounts for income taxes using the asset and liability method, which requires that deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the Company's assets and liabilities, net operating loss (NOL) and tax credit carryforwards. A valuation allowance is established to reduce deferred tax assets to the amount expected to be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies any liabilities for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

### **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 of potentially dilutive securities. Diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders for all periods presented since the effect of potentially dilutive securities is anti-dilutive given the net loss of the Company.

### **New accounting pronouncements:**

#### ***Adopted***

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-08, Business Combinations (Topic 805)—*Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this ASU address diversity and inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination. The amendments in this ASU require that an acquirer recognize and measure contract assets and contract liabilities (e.g., deferred revenue) acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. Upon adoption, an acquirer should account for the related revenue contracts of the acquiree as if it had originated the contracts.

For public business entities, the amendments in ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. An entity that early

adopts in an interim period should apply the amendments (i) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (ii) prospectively to all business combinations that occur on or after the date of initial application. The Company early-adopted this ASU on October 1, 2021, retrospectively to September 1, 2021, the date of the Company's acquisition of Invoice2go, Inc. (Invoice2go), the Company's only acquisition since July 1, 2021, the beginning of the fiscal year of adoption.

The adoption of ASU 2021-08 resulted in an increase in deferred revenue assumed and a related increase to goodwill as of September 1, 2021 with a consequent increase in revenue during the year ended June 30, 2022, in connection with the Invoice2go acquisition.

The adoption of ASU 2021-08 had the following impact on the Company's previously reported interim condensed consolidated balance sheet as of the periods presented (in thousands):

	As previously reported, September 30, 2021	ASU 2021-08 adjustments	As adjusted, October 1, 2021
<b>Assets</b>			
Goodwill	\$ 2,354,812	\$ 8,278	\$ 2,363,090
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Deferred revenue	\$ 21,328	\$ 8,080	\$ 29,408
Non-current liabilities:			
Deferred income tax liability	\$ 3,877	\$ (1,228)	\$ 2,649
Stockholders' equity:			
Accumulated deficit	\$ (294,152)	\$ 1,426	\$ (292,726)

The adoption of ASU 2021-08 had the following impact on the Company's previously reported interim condensed consolidated statement of operations for the period presented (in thousands):

	As previously reported, three months ended September 30, 2021	ASU 2021-08 adjustments	As adjusted, three months ended September 30, 2021
Revenue	\$ 116,403	\$ 1,946	\$ 118,349
Benefit from income taxes	\$ (3,941)	\$ 520	\$ (3,421)
Net loss	\$ (75,685)	\$ 1,426	\$ (74,259)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.79)	\$ 0.01	\$ (0.78)

These adjustments are reflected in the Company's consolidated statement of operations during the year ended June 30, 2022.

On July 1, 2021, the Company early-adopted FASB ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, *Debt—Debt with Conversion and Other Options* for convertible instruments. Under this ASU, the embedded conversion features are not required to be separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument is accounted for as a single liability measured at its amortized cost and a convertible preferred stock is accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. In addition, this ASU amends the requirement for calculating diluted earnings per share for convertible instruments by using the "if-converted" method instead of the treasury stock method. The

use of the "if-converted" method will not impact the Company's diluted earnings per share because of the Company's net losses.

The Company elected to follow the modified retrospective method upon adopting this ASU with respect to the 2025 Notes, which is the convertible debt that existed at that date. As a result of the adoption, the Company accounts for the 2025 Notes as a single liability and no longer separately accounts for the liability and equity components. The adoption of this ASU also resulted in the derecognition of a deferred tax liability, which represented a basis difference in the face value of the 2025 Notes due to the previous allocation of a portion of the proceeds to the equity component. Additionally, the Company recorded a cumulative adjustment to decrease the beginning balance of the accumulated deficit at July 1, 2021, which represented a reduction in previously recorded amortization of debt discount through June 30, 2021. The following table summarizes the adjustments made to the consolidated balance sheet as of July 1, 2021 as a result of applying the modified retrospective method in adopting this ASU:

	As previously reported, June 30, 2021	ASU 2020-06 adjustments			As adjusted, July 1, 2021
		Account for the 2025 Notes as single liability	Cumulative effect of adjustments		
Convertible senior notes, net (2025 Notes)	\$ 909,847	\$ 247,231	\$ (25,316)	\$	\$ 1,131,762
Deferred income tax liability <sup>(1)</sup>	\$ 9,090	\$ (2,165)	\$ (3,684)	\$	\$ 3,241
Additional paid-in capital	\$ 2,777,155	\$ (245,066)	\$ —	\$	\$ 2,532,089
Accumulated deficit	\$ (247,467)	\$ —	\$ 29,000	\$	\$ (218,467)

<sup>(1)</sup>The balance at June 30, 2021 included \$5.8 million of deferred tax liability associated with the allocation of the 2025 Notes into equity.

On July 1, 2021, the Company adopted FASB ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provide optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting in response to concerns about structural risks of the cessation of LIBOR. It also provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. This ASU applies only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The Company's credit agreements reference both LIBOR and an alternative rate to replace LIBOR; therefore, the adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

On July 1, 2021, the Company adopted ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the second step of the goodwill impairment test that required a calculation of the implied fair value of goodwill following the procedures that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Accordingly, a goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

#### Not Yet Adopted

In March 2022 the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminates the accounting guidance for Troubled Debt Restructurings (TDRs) by creditors in Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, this ASU requires a company to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. This ASU is effective for the Company beginning July 1, 2023, and shall be applied

prospectively, except for the transition method related to the recognition and measurement of TDRs, which may be applied following a modified retrospective method. Early adoption is permitted. The Company is currently assessing the impact of this ASU on the consolidated financial statements and related disclosures.

## NOTE 2 – REVENUE

The Company generates revenue primarily from subscription and transaction fees. The Company's customers include small and midsize businesses (SMB), accounting firms, and financial institutions. The table below shows the Company's revenue from subscription and transaction fees, which are disaggregated by customer category, and revenue from interest on funds held for customers (in thousands).

	Year ended June 30,		
	2022	2021	2020
Small-to-midsize business, accounting firm customers and other	\$ 603,171	\$ 218,227	\$ 126,035
Financial institution customers	30,194	14,028	10,370
Subscription and transaction fees	633,365	232,255	136,405
Interest on funds held for customers	8,594	6,010	21,195
Revenue	\$ 641,959	\$ 238,265	\$ 157,600

### Deferred revenue

Fees from customers with which the Company has annual or multi-year contracts are generally billed in advance. These fees are initially recorded as deferred revenue and subsequently recognized as revenue as the performance obligation is satisfied. During the year ended June 30, 2022, the Company recognized \$13.0 million of revenue that was included in the deferred revenue balance as of June 30, 2021.

### Remaining performance obligations

The Company has performance obligations associated with commitments in customer contracts for future services that have not yet been recognized as revenue. As of June 30, 2022, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied), including deferred revenue, was approximately \$150.3 million. Of the total remaining performance obligations, the Company expects to recognize approximately 66% within two years and 34% over the next three to five years thereafter. The Company determines remaining performance obligations at a point of time. Actual amounts and timing of revenue recognized may differ due to subsequent contract modifications, renewals and/or terminations.

### Unbilled revenue

Unbilled revenue, which is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets, consists of revenue recognized that has not been billed to the customers yet. The unbilled revenue amounted to \$11.4 million and \$8.1 million as of June 30, 2022 and 2021, respectively.

### Deferred costs

Deferred costs consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Deferred sales commissions:		
Current	\$ 5,460	\$ 4,169
Non-current	9,187	6,542
Total deferred sales commissions	<u>\$ 14,647</u>	<u>\$ 10,711</u>
Deferred service costs:		
Current	\$ 1,706	\$ 1,539
Non-current	13,862	15,260
Total deferred service costs	<u>\$ 15,568</u>	<u>\$ 16,799</u>

The current portion of deferred costs is included in prepaid expenses and other current assets and the non-current portion is included in other assets in the accompanying consolidated balance sheets. The amortization of deferred sales commissions, which is included in sales and marketing in the accompanying consolidated statements of operations, was \$5.2 million, \$3.6 million and \$2.3 million during the years ended June 30, 2022, 2021 and 2020, respectively. The amortization of deferred service costs, which is included in the service costs in the accompanying consolidated statements of operations, was \$1.6 million, \$0.6 million and \$0.4 million during the years ended June 30, 2022, 2021 and 2020, respectively.

### NOTE 3 – BUSINESS COMBINATION

#### Fiscal 2022 acquisition

On September 1, 2021, the Company acquired 100% of the outstanding equity interests of Invoice2go. The results of Invoice2go's operations have been included in the accompanying consolidated financial statements since the acquisition date. Invoice2go provides mobile-first accounts receivable software that empowers SMBs and freelancers to grow their client base, manage invoicing and payments, and build their brand. Invoice2go has operations in the U.S. and in Australia, and serves a large global customer base of SMBs. The acquisition of Invoice2go will enhance the Company's ability to provide an expanded product solution to enable SMBs to manage accounts payable, corporate card spend, and accounts receivable all in one place. Additionally, the acquisition will expand the market opportunity for the Company by offering Invoice2go's product to its existing customers and network members and vice versa.

The acquisition purchase consideration totaled \$674.3 million, which consisted of the following (in thousands):

Equity consideration <sup>(1)</sup>	\$ 510,218
Cash	164,087
Total	<u>\$ 674,305</u>

<sup>(1)</sup>This includes 1,788,372 shares of the Company's common stock issued with a fair value based upon the opening market price on the acquisition date. This also includes the stock options assumed to replace stock options that were outstanding on the acquisition date under Invoice2go's 2014 Equity Incentive Plan (Invoice2go 2014 Plan). The fair value of these stock options was \$21.7 million, which was the amount attributable to the pre-combination requisite service period.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash and cash equivalents	\$ 19,738
Accounts receivable and other assets	4,518
Intangible assets	<u>91,219</u>

Total identifiable assets acquired	115,475
Accounts payable and other liabilities	(26,618)
Net identifiable assets acquired	88,857
Goodwill	585,448
Net assets acquired	\$ 674,305

The preliminary fair values allocated to the identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

	Preliminary fair value	Weighted average useful life (in years)
Customer relationships	\$ 61,269	10.0
Developed technology	15,908	3.0
Trade name	14,042	3.0
Total	\$ 91,219	7.7

Customer relationships were measured at fair value using the multiple-period excess earnings method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue and costs associated with existing customers, and a discount rate of 12.3%.

Developed technology was measured at fair value using the relief-from-royalty method of the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from existing technology, a pre-tax royalty rate of 15.0% and a discount rate of 12.3%.

Trade name was measured at fair value using the relief-from-royalty method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from the trade name, a pre-tax royalty rate of 2.5% and a discount rate of 12.3%.

The \$585.4 million goodwill is attributable primarily to the expected synergies and economies of scale expected from combining the operations of both entities, and intangible assets that do not qualify for separate recognition, including assembled workforce acquired through the acquisition. None of the goodwill is expected to be deductible for income tax purposes. As a result of ASU 2021-08 adoption on October 1, 2021, retrospectively to September 1, 2021, the Company recorded adjustments of \$8.0 million to increase goodwill and deferred revenue, and an immaterial amount to deferred income tax liability. The amounts recorded as measurement period adjustments from the acquisition date through June 30, 2022 were not material.

The Company recognized \$3.7 million of acquisition-related costs that were expensed during the year ended June 30, 2022. These costs are shown as part of general and administrative expenses in the accompanying consolidated statements of operations.

The amount of Invoice2go's revenue and net loss, which includes amortization of intangible assets, from the acquisition date of Invoice2go that were included in the Company's consolidated statements of operations during the year ended June 30, 2022 were approximately \$32.9 million and \$32.0 million, respectively.

#### *Unaudited Pro Forma Financial Information*

The unaudited pro forma information below summarizes the combined results (in thousands) of the Company and Invoice2go as if the Company's acquisition of Invoice2go closed on July 1, 2020, but does not necessarily reflect the combined actual results of operations of the Company and Invoice2go that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Invoice2go, including additional depreciation and amortization adjustments for the fair value of the assets acquired and liabilities assumed. The pro forma net loss for the year ended June 30, 2022 was adjusted to exclude nonrecurring acquisition-related costs of \$19.0 million. The pro forma net loss for the year ended June 30, 2021 was adjusted to exclude nonrecurring acquisition-related costs of \$20.6 million.



	Year ended June 30,	
	2022	2021
Revenue	\$ 648,476	\$ 274,842
Net loss	\$ (327,136)	\$ (149,003)

### Fiscal 2021 acquisition

On Jun 1, 2021, the Company acquired 100% of the outstanding equity interests of DivvyPay, Inc. (Divvy). The results of Divvy's operations have been included in the consolidated financial statements since the acquisition date. Divvy offers a cloud-based spend management application and smart corporate cards to SMBs in the U.S. The acquisition of Divvy will enhance the Company's ability to provide an expanded solution to enable SMBs to manage accounts payable, corporate card spend, and accounts receivable all in one place. Additionally, the acquisition will expand the market opportunity for the Company by offering a spend management application combined with smart corporate cards to its existing customers and network members.

The acquisition purchase consideration totaled \$2.3 billion, which consisted of the following (in thousands):

Equity consideration <sup>(1)</sup>	\$ 1,658,818
Cash	664,779
<b>Total</b>	<b>\$ 2,323,597</b>

<sup>(1)</sup>This includes 10,767,140 shares of the Company's common stock issued with a fair value based upon the opening market price on the acquisition date. This also includes the stock options assumed to replace stock options that were granted after May 1, 2019 under Divvy's 2016 Equity Incentive Plan (Divvy 2016 Plan) and were outstanding on the acquisition date. The fair value of these stock options was \$55.3 million, which was the amount attributable to the pre-combination requisite service period.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash	\$ 108,689
Acquired card receivables	159,784
Accounts receivable	7,435
Card receivables held for sale	12,730
Property and equipment	15,805
Intangible assets	423,000
Prepaid expenses and other assets	57,669
<b>Total identifiable assets acquired</b>	<b>785,112</b>
Accounts payable and other liabilities	(153,855)
Outstanding borrowings from credit facilities	(79,703)
<b>Total liabilities assumed</b>	<b>(233,558)</b>
<b>Net identifiable assets acquired</b>	<b>551,554</b>
Goodwill	1,772,043
<b>Net assets acquired</b>	<b>\$ 2,323,597</b>

The fair values allocated to the identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

	Fair value	Weighted average useful life (in years)
Customer relationships	\$ 198,000	10.0
Developed technology	191,000	6.0
Trade name	34,000	3.0
Total	<u>\$ 423,000</u>	7.6

Following the acquisition of Divvy, the Company had a period of not more than 12 months to finalize the fair values of assets acquired and liabilities assumed, including valuations of identifiable intangible assets and indemnification asset related to certain assumed liabilities at the acquisition date. During the 12-month measurement period, the Company remeasured the fair value of the leases acquired and the replacement stock based awards included in the purchase consideration. The effect of these measurement period adjustments resulted in a decrease of goodwill by \$2.7 million. There were no other material adjustments made during the 12-month measurement period related to the acquisition of Divvy.

Customer relationships were measured at fair value using the multiple-period excess earnings method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue and costs associated with existing customers, and a discount rate of 16.0%.

Developed technology was measured at fair value using the relief-from-royalty method of the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from existing technology, a pre-tax royalty rate of 15.0% and a discount rate of 16.0%.

Trade name was measured at fair value using the relief-from-royalty method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from the trade name, a pre-tax royalty rate of 1.0% and a discount rate of 16.0%.

The \$1.8 billion goodwill is attributable primarily to the expected synergies and economies of scale expected from combining the operations of both entities, and intangible assets that do not qualify for separate recognition, including assembled workforce acquired through the acquisition. Goodwill is not expected to be deductible for income tax purposes.

As of the acquisition date, the fair value of card receivables held for sale, which approximates the gross contractual amount, was \$12.7 million. These receivables were substantially settled as of June 30, 2021.

Pursuant to the terms of the merger agreement, the Company recognized an indemnification asset of \$13.4 million and \$20.4 million related to certain assumed liabilities at the acquisition date as of June 30, 2022 and 2021, respectively. The indemnification asset was measured and recognized on the same basis and at the same time as the indemnified liabilities.

The Company recognized \$15.5 million of acquisition-related costs that were expensed during the year ended June 30, 2021. These costs are shown as part of general and administrative expenses in the accompanying consolidated statements of operations.

The amounts of Divvy's total revenues and net loss that were included in the Company's consolidated statement of operations from the acquisition date through June 30, 2021 were \$10.3 million and \$11.4 million, respectively.

#### *Unaudited Pro Forma Financial Information*

The unaudited pro forma information does not necessarily reflect the actual results of operations of the combined entities that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Divvy, including additional depreciation and amortization adjustments for the fair value of the assets acquired and liabilities assumed. The pro forma net loss for the year ended June 30, 2021 was adjusted to exclude nonrecurring acquisition related costs of \$2.3 million. The pro forma net loss for the year ended

Jun 30, 2020 was adjusted to include nonrecurring acquisition-related costs of \$75.3 million. Below is the unaudited pro forma financial information of the combined results of operations of the Company and Divvy as if the acquisition occurred on July 1, 2019 (in thousands).

	Year ended June 30,	
	2021	2020
Total revenue	\$ 307,618	\$ 192,770
Net loss	\$ (223,470)	\$ (206,166)

#### NOTE 4 – FAIR VALUE MEASUREMENT

The Company measures and reports its cash equivalents, short-term investments, funds held for customers that are invested in money market funds and marketable debt securities, and beneficial interest derivative on card receivables sold at fair value. Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity for the related assets or liabilities and typically reflect management's estimate of assumptions that market participants would use in pricing the assets or liabilities.

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

The following tables set forth the fair value of assets that were measured at fair value on a recurring basis based on the three-tier fair value hierarchy as of the dates presented (in thousands):

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents:				
Money market funds	\$ 1,424,259	\$ —	\$ —	\$ 1,424,259
Corporate bonds	—	11,430	—	11,430
	<u>1,424,259</u>	<u>11,430</u>	<u>—</u>	<u>1,435,689</u>
Short-term investments:				
Corporate bonds	—	597,204	—	597,204
U.S. treasury securities	421,728	—	—	421,728
Asset-backed securities	—	51,406	—	51,406
Certificates of deposit	—	38,155	—	38,155
	<u>421,728</u>	<u>686,765</u>	<u>—</u>	<u>1,108,493</u>
Funds held for customers:				
Restricted cash equivalents				
Money market funds	34,703	—	—	34,703
Corporate bonds	—	133,557	—	133,557
	<u>34,703</u>	<u>133,557</u>	<u>—</u>	<u>168,260</u>
Short-term investments				
Corporate bonds	—	807,685	—	807,685
Certificates of deposit	—	397,533	—	397,533
Municipal bonds	—	6,516	—	6,516
Asset-backed securities	—	69,912	—	69,912
U.S. treasury securities	3,072	—	—	3,072
	<u>3,072</u>	<u>1,281,646</u>	<u>—</u>	<u>1,284,718</u>
Beneficial interest derivative on card receivables sold	—	—	398	398
<b>Total assets measured at fair value</b>	<u>\$ 1,883,762</u>	<u>\$ 2,113,398</u>	<u>\$ 398</u>	<u>\$ 3,997,558</u>

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents:				
Money market funds	\$ 365,550	\$ —	\$ —	\$ 365,550
Corporate bonds	—	15,499	—	15,499
	<u>365,550</u>	<u>15,499</u>	<u>—</u>	<u>381,049</u>
Short-term investments:				
Corporate bonds	—	466,459	—	466,459
U.S. treasury securities	155,674	—	—	155,674
Asset-backed securities	—	26,406	—	26,406
Certificates of deposit	—	6,775	—	6,775
	<u>155,674</u>	<u>499,640</u>	<u>—</u>	<u>655,314</u>
Funds held for customers:				
Restricted cash equivalents				
Money market funds	6,887	—	—	6,887
Corporate bonds	—	79,435	—	79,435
	<u>6,887</u>	<u>79,435</u>	<u>—</u>	<u>86,322</u>
Short-term investments				
Corporate bonds	—	516,350	—	516,350
Certificates of deposit	—	326,927	—	326,927
Municipal bonds	—	42,957	—	42,957
Asset-backed securities	—	25,085	—	25,085
U.S. treasury securities	3,009	—	—	3,009
	<u>3,009</u>	<u>911,319</u>	<u>—</u>	<u>914,328</u>
Beneficial interest derivative on card receivables sold	—	—	2,252	2,252
<b>Total assets measured at fair value</b>	<u>\$ 531,120</u>	<u>\$ 1,505,893</u>	<u>\$ 2,252</u>	<u>\$ 2,039,265</u>

There were no transfers of financial instruments between Level 1, Level 2, and Level 3 during the periods presented.

The fair values of the Company's Level 1 instruments were derived from quoted market prices and active markets for these specific instruments.

The valuation techniques used to measure the fair values of Level 2 instruments were derived from non-binding market consensus prices that were corroborated with observable market data, quoted market prices for similar instruments, or pricing models.

The initial and recurring fair value of the beneficial interest derivative on card receivables sold is estimated using a discounted cash flow model, which uses Level 3 inputs including a discount rate and a default rate. The default rate estimate is based upon the expected transferred card receivables that will ultimately default. The default rate is calculated using historical trends and ages of the outstanding card receivable balances. The default rate did not have a material impact in the estimation of fair value of the beneficial interest derivative as of June 30, 2022 and 2021. Other inputs, such as the discount rate and expected repayments, are generally considered but had no material impact in the estimation of fair value of the beneficial interest derivative as of June 30, 2022 and 2021. A ten percent increase or decrease in the discount rate or default rate used would not result in a significantly higher or lower fair value measurement.

The Company has \$575 million and \$1.15 billion in aggregate principal amount of its 0% convertible senior notes due in 2027 (2027 Notes) and in 2025 (2025 Notes, together with the 2027 Notes, the Notes), respectively, outstanding as of June 30, 2022. The Company carries the Notes at par value, less the unamortized debt discount and issuance costs in the accompanying consolidated balance sheets. The estimated fair value of the 2027 Notes and 2025 Notes, which is presented for disclosure purposes only, was approximately \$446.4 million and \$1.19 billion, respectively, as of June 30, 2022. The fair value was based on a market approach, which represents a Level 2 valuation estimate. The market approach was determined based on the actual bids and offers of the Notes in an over-the-counter market as of the last day of trading prior to the end of the period.

#### NOTE 5 – SHORT-TERM INVESTMENTS

Short-term investments consisted of the following as of the dates presented (in thousands):

	June 30, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 601,987	\$ 3	\$ (4,786)	\$ 597,204
U.S. treasury securities	424,644	1	(2,917)	421,728
Asset-backed securities	51,622	—	(216)	51,406
Certificates of deposit	38,155	—	—	38,155
	<u>\$ 1,116,408</u>	<u>\$ 4</u>	<u>\$ (7,919)</u>	<u>\$ 1,108,493</u>

	June 30, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 466,403	\$ 111	\$ (55)	\$ 466,459
U.S. treasury securities	155,663	16	(5)	155,674
Asset-backed securities	26,391	16	(1)	26,406
Certificates of deposit	6,775	—	—	6,775
	<u>\$ 655,232</u>	<u>\$ 143</u>	<u>\$ (61)</u>	<u>\$ 655,314</u>

The amortized cost and fair value amounts include accrued interest receivable of \$3.0 million and \$2.5 million at June 30, 2022 and 2021, respectively. See Note 4 for additional information about the fair value measurement of short-term investments.

As of June 30, 2022, the fair value of the Company's short-term investments that mature within one year and thereafter was \$961.8 million and \$146.7 million, respectively, or 87% and 13%, respectively, of the Company's total short-term investments. As of June 30, 2021, the fair value of the Company's short-term investments that mature within one year and thereafter was \$495.8 million and \$159.5 million, respectively, or 76% and 24%, respectively, of the Company's total short-term investments.

As of June 30, 2022, approximately 270 of about 360 investment positions were in an unrealized loss position. The following table presents the gross unrealized losses and fair values of those investments that were in an unrealized loss position as of the dates presented (in thousands):

	June 30, 2022	
	Fair value	Unrealized losses
Corporate bonds	\$ 392,699	\$ (4,786)
U.S. treasury securities	411,787	(2,917)
Asset backed securities	51,406	(216)
Total	<u>\$ 855,892</u>	<u>\$ (7,919)</u>

	June 30, 2021	
	Fair value	Unrealized losses
Corporate bonds	\$ 152,485	\$ (55)
U.S. treasury securities	85,466	(5)
Asset backed securities	8,089	(1)
Total	<u>\$ 246,040</u>	<u>\$ (61)</u>

Most of the Company investments with unrealized losses had been in a continuous unrealized loss position for less than 12 months. Investments with unrealized losses that had been in a continuous unrealized loss position for more than 12 months have been immaterial. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity. Therefore, the Company does not consider those unrealized investment losses as other-than-temporary impairment of the investments. There have been no significant realized gains or losses on the short-term investments during the years ended June 30, 2022, 2021 and 2020.

The Company has not recorded an allowance for credit losses on investments that were in an unrealized loss position as of June 30, 2022 and 2021 because they were not material.

#### NOTE 6 – FUNDS HELD FOR CUSTOMERS

Funds held for customers consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Restricted cash	\$ 1,685,937	\$ 1,195,904
Restricted cash equivalents	168,260	86,322
Funds receivable	6,747	12,694
Corporate bonds	807,685	516,350
Certificates of deposit	397,533	326,927
Municipal bonds	6,516	42,957
Asset backed securities	69,912	25,085
U.S. treasury securities	3,072	3,009
Total funds held for customers	<u>3,145,662</u>	<u>2,209,248</u>
Less - income earned by the Company included in other current assets	(3,002)	(650)
Total funds held for customers, net of income earned by the Company	<u>\$ 3,142,660</u>	<u>\$ 2,208,598</u>

Income earned by the Company that is included in other current assets represents interest income, accretion of discount (offset by amortization of premium), and net unrealized gains on customer funds that were invested in money market funds and short-term marketable debt securities. Earnings from these investments

are contractually earned by the Company and are either transferred into the Company's corporate deposit account or reinvested in the funds held for customers portfolios upon sale or settlement of the associated investment.

Below is a summary of the fair value of funds held for customers that were invested in short-term marketable debt securities as of the dates presented (in thousands):

	June 30, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 809,113	\$ 1	\$ (1,429)	\$ 807,685
Certificates of deposit	397,533	—	—	397,533
Municipal bonds	6,542	—	(26)	6,516
Asset backed securities	70,574	—	(662)	69,912
U.S. treasury securities	3,082	—	(10)	3,072
Total	<u>\$ 1,286,844</u>	<u>\$ 1</u>	<u>\$ (2,127)</u>	<u>\$ 1,284,718</u>

	June 30, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 516,364	\$ 24	\$ (38)	\$ 516,350
Certificates of deposit	326,927	—	—	326,927
Municipal bonds	42,952	5	—	42,957
Asset backed securities	25,081	4	—	25,085
U.S. treasury securities	3,010	—	(1)	3,009
Total	<u>\$ 914,334</u>	<u>\$ 33</u>	<u>\$ (39)</u>	<u>\$ 914,328</u>

The amortized cost and estimated fair value amounts include accrued interest receivable of \$3.0 million and \$1.9 million at June 30, 2022 and 2021, respectively. See Note 4 for additional information about the fair value measurement of short-term investments.

As of June 30, 2022, approximately 95%, or \$1.2 billion, of the total funds held for customers invested in marketable debt securities mature within one year and approximately 5% or \$69.9 million mature thereafter. As of June 30, 2021, 97%, or \$882.4 million, of the funds held for customers invested in short-term marketable debt securities matured within one year and approximately 3% or \$31.9 million mature thereafter.

As of June 30, 2022, approximately 180 of the more than 400 investment positions were in an unrealized loss position. The following tables present the gross unrealized losses and fair values of those investments that were in an unrealized loss position as of the dates presented (in thousands):

	June 30, 2022	
	Fair value	Unrealized losses
Corporate bonds	\$ 301,625	\$ (1,429)
Municipal bonds	6,516	(26)
Asset backed securities	64,361	(662)
U.S. treasury securities	3,072	(10)
Total	<u>\$ 375,574</u>	<u>\$ (2,127)</u>



	June 30, 2021	
	Fair value	Unrealized losses
Corporate bonds	\$ 79,359	\$ (38)
U.S. treasury securities	2,501	(1)
Total	<u>\$ 81,860</u>	<u>\$ (39)</u>

Investments with unrealized losses have been in a continuous unrealized loss position for less than 12 months. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity. Therefore, the Company does not consider those unrealized investment losses as other-than-temporary impairment of the investments. There have been no significant realized gains or losses on the short-term investments during the years ended June 30, 2022, 2021 and 2020.

The Company has not recorded an allowance for credit losses on investments that were in an unrealized loss position as of June 30, 2022 and 2021 because they were not material.

## NOTE 7 – ACQUIRED CARD RECEIVABLES

### Acquired Card Receivables

Acquired card receivables consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Gross amount of acquired card receivables	\$ 261,806	\$ 148,833
Less: allowance for credit losses	(5,414)	(1,740)
Total	<u>\$ 256,392</u>	<u>\$ 147,093</u>

Certain lines of credit and acquired card receivable balances are collateralized by cash deposits held by the Issuing Banks. Before an account is charged off, the Company obtains any available cash collateral from the Issuing Banks. As of June 30, 2022, approximately \$115.8 million of the acquired card receivable balance served as collateral for the Company's borrowings from the 2021 Revolving Credit Agreement (see Note 10).

The Company also incurred losses related to card transactions disputed by spending businesses, which amounted to \$4.3 million during the year ended June 30, 2022 and an immaterial amount during the year ended June 30, 2021.

The acquired card receivable balances above do not include purchases of card receivables from the Issuing Banks that have not cleared at the end of the reporting period. Purchases of card receivables that have not cleared as of June 30, 2022 totaled \$55.2 million. The Company recognized an immaterial amount of expected credit losses on the purchased card receivables that have not cleared yet as of June 30, 2022 and 2021 (see Note 15).

### Credit Quality Information

The Company regularly reviews collection experience, delinquencies, and net charge-offs in determining allowance for credit losses related to acquired card receivables. Historical collections rates have shown that days past due is the primary indicator of the likelihood of loss. The Company elected to use the delinquency trends or past due status of the acquired card receivables as the credit quality indicator. Acquired card receivables are considered past due if full payment is not received on the bill date or within a grace period,

which is generally limited to five days. Below is a summary of the acquired card receivables by class (i.e., past due status) as of the dates presented (in thousands):

	June 30,	
	2022	2021
Current and less than 30 days past due	\$ 257,618	\$ 145,993
30 ~ 59 days past due	1,677	1,188
60 ~ 89 days past due	1,199	580
90 ~ 119 days past due	1,186	713
Over 119 days past due	126	359
Total	<u>\$ 261,806</u>	<u>\$ 148,833</u>

The amount of outstanding balance of acquired card receivables that is (i) 90 days or more past due that continue to accrue fees and have an allowance for outstanding balance and fees, and (ii) classified as nonperforming was not material as of June 30, 2022 and 2021.

#### *Allowance for Credit Losses*

Below is a summary of the allowance for credit losses as of the dates presented and the changes during the years ended June 30, 2022 and 2021 (in thousands):

	June 30,	
	2022	2021 <sup>(1)</sup>
Balance, beginning	\$ 1,740	\$ —
Initial allowance for credit losses on purchased card receivables with credit deterioration	313	2,082
Provision for expected credit losses	19,566	462
Charge-off amounts	(18,005)	(828)
Recoveries collected	1,800	24
Balance, ending	<u>\$ 5,414</u>	<u>\$ 1,740</u>

<sup>(1)</sup> Amounts from the acquisition date of Divvy on June 1, 2021.

Card receivables acquired from the Issuing Banks and held for investment during the years ended June 30, 2022 and 2021 were \$6.6 billion and \$370.6 million, respectively. The allowance for credit losses related to acquired card receivables increased during the year ended June 30, 2022 due to portfolio growth, a decrease in the estimate of recoveries of previously written off card receivables based on current collection performance, and due to qualitative assumptions for macroeconomic factors.

#### *Purchased Financial Assets with Credit Deterioration*

A financial asset acquired is considered a purchased credit deteriorated (PCD) asset if, as of the acquisition date, such financial asset has experienced a more-than-insignificant deterioration in credit quality since origination. The Company used certain indicators, such as the past due status and charge-off status of the balances, in identifying and assessing whether the acquired card receivables are considered PCD assets.

The acquired card receivables that were considered PCD assets were not material during the year ended June 30, 2022. Below is a summary of the acquired card receivables that were considered PCD assets from the acquisition of Divvy on June 1, 2021 through June 30, 2021 (in thousands):

Purchase price	\$	3,855
Allowance for credit losses		2,082
Less: discount attributable to other factors		(79)
Par value	\$	<u>5,858</u>

#### Card Receivables Held for Sale

The Company sells a portion of acquired card receivables to a Purchasing Bank at a discount. Card receivables held for sale, which are carried at the lower of cost or estimated market value at the individual user account level based on pricing agreed upon with the Purchasing Bank plus an estimate of the deferred purchased card receivables held for sale, are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets, amounted to \$8.7 million and \$2.6 million as of June 30, 2022 and 2021, respectively.

#### Card Receivables Sold and Related Servicing and Beneficial Interest Derivative Retained

The Company accounts for the transfer of card receivables as a sale if all of the following conditions are met:

- the financial asset is isolated from the transferor and its consolidated affiliates as well as its creditors, even in bankruptcy or other receivership;
- the transferee or beneficial interest holders have the right to pledge or exchange the transferred financial asset; and
- the transferor, its consolidated affiliates and its agents do not maintain effective control over the transferred financial asset

The card receivables that the Company transferred to the Purchasing Bank during the years ended June 30, 2022 and 2021 met all of the requirements described above; therefore, the Company accounted for the transfer as a sale of financial assets. Accordingly, the Company measures gain or loss on the sales of financial assets as the net proceeds less the carrying amount of the card receivables sold. The net proceeds represent the fair value of any assets obtained or liabilities incurred as part of the transfer, including, but not limited to, servicing assets, servicing liabilities, or beneficial interest derivatives.

The Company has an agreement with the Purchasing Bank to sell its acquired card receivables. The Company has continuing involvement under this agreement as servicer, and by retaining a beneficial interest derivative in the form of a deferred purchase price. The beneficial interest derivative represents the Company's right to receive a portion of collections based on the performance of each cohort of card receivables sold to the Purchasing Bank. The fair value of the beneficial interest derivative was immaterial as of June 30, 2022 and 2021, respectively, and is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. The servicing fee income was not material during the years ended June 30, 2022 and 2021. The initial fair value of the beneficial interest derivative includes key inputs and assumptions that qualify as Level 3 inputs in the fair value hierarchy including discount rates and delinquency rates. See Note 4 for additional information about the fair value measurement of the beneficial interest derivative as of June 30, 2022 and 2021.

Below is a summary of the fair value of consideration received from the transfer of card receivables accounted for as a sale during the periods presented (in thousands):

	Year ended June 30,	
	2022	2021 <sup>(1)</sup>
Initial fair value of consideration received:		
Cash	\$ 1,483,481	\$ 59,105
Beneficial interest derivative	4,690	187
Total	\$ 1,488,171	\$ 59,292

<sup>(1)</sup> Amounts from the acquisition date of Divvy on June 1, 2021.

The Company could experience losses on the beneficial interest derivative if the performance of the cohorts of card receivables sold to the Purchasing Bank is less than expected. The Company could also experience losses on card receivables sold if it were required to repurchase delinquent receivables due to a breach in representations and warranties associated with its sales of receivables.

Card receivable repurchases during the years ended June 30, 2022 and 2021 were not material.

Below is a summary of outstanding transferred card receivables by class (i.e., past due status) that have not been charged-off and have not been recorded on the Company's consolidated balance sheets, but with which the Company has a continuing involvement through its servicing agreements, as of the dates presented (in thousands):

	June 30,	
	2022	2021
Current and less than 30 days past due	\$ 56,162	\$ 25,098
30 ~ 59 days past due	292	240
60 ~ 89 days past due	375	165
90 ~ 119 days past due	422	301
Over 119 days past due	30	132
Total	\$ 57,281	\$ 25,936

The difference between the outstanding balance of transferred card receivables as of June 30, 2022 and 2021 and the amount derecognized for which the Company has a continuing involvement as a servicer as of June 30, 2022 and 2021 was not material.

#### NOTE 8 – PROPERTY AND EQUIPMENT

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

	June 30,	
	2022	2021
Software and equipment	\$ 20,102	\$ 17,508
Capitalized software	21,457	6,794
Furniture and fixtures	10,608	8,926
Leasehold improvements	35,105	34,606
Property and equipment, gross	87,272	67,834
Less: accumulated depreciation and amortization	(30,287)	(18,932)
Property and equipment, net	\$ 56,985	\$ 48,902

Depreciation and amortization expense, which includes the amortization of capitalized software, during the years ended June 30, 2022, 2021 and 2020 was \$11.5 million, \$5.4 million and \$4.3 million, respectively.

As of June 30, 2022 and 2021, the unamortized capitalized software cost was \$15.7 million and \$3.7 million, respectively.

## NOTE 9 – GOODWILL AND INTANGIBLE ASSETS

### Goodwill

Goodwill, which is primarily attributable to expected synergies from acquisitions and is not deductible for U.S. federal and state income tax purposes, consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Balance, beginning	\$ 1,772,043	\$ —
Addition related to acquisition during the period	585,448	1,772,043
Measurement period adjustments	(2,876)	—
Adoption of ASU 2021-08	8,278	—
Balance, ending	<u>\$ 2,362,893</u>	<u>\$ 1,772,043</u>

### Intangible Assets

Intangible assets consisted of the following as of the dates presented (amounts in thousands):

	June 30, 2022			Weighted average remaining useful life (In years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 259,269	\$ (26,556)	\$ 232,713	9.0
Developed technology	206,908	(38,909)	167,999	4.7
Trade name	48,042	(16,171)	31,871	2.0
Total	<u>\$ 514,219</u>	<u>\$ (81,636)</u>	<u>\$ 432,583</u>	6.8

	Jun 30, 2021			Weighted average remaining useful life (In years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 198,000	\$ (2,062)	\$ 195,938	9.9
Developed technology	191,000	(2,653)	\$ 188,347	5.9
Trade name	34,000	(944)	\$ 33,056	2.9
Total	<u>\$ 423,000</u>	<u>\$ (5,659)</u>	<u>\$ 417,341</u>	7.5

Amortization of finite-lived intangible assets was as follows during the years ended June 30, 2022 and 2021 (in thousands):

	June 30,	
	2022	2021
Cost of revenue	\$ 36,256	\$ 2,653
Sales and marketing	39,721	3,006
Total	<u>\$ 75,977</u>	<u>\$ 5,659</u>

As of June 30, 2022, future amortization of finite-lived intangible assets that will be recorded in cost of revenue and operating expenses is estimated as follows (in thousands):

Fiscal years ending June 30:	Amount
2023	\$ 79,075
2024	78,147
2025	59,425
2026	57,763
2027	55,094
Thereafter	103,079
Total	<u>\$ 432,583</u>

#### NOTE 10 – DEBT AND BANK BORROWINGS

Debt and borrowings consisted of the following as of the dates present (in thousands):

	June 30,	
	2022	2021
Convertible senior notes:		
2027 Notes, principal	\$ 575,000	\$ —
2025 Notes, principal	1,150,000	1,150,000
Total principal amount of convertible senior notes	1,725,000	1,150,000
Credit facilities:		
2021 revolving credit agreement (Class A)	75,000	37,500
2021 revolving credit agreement (Class B)	—	10,000
2019 credit agreement	—	30,000
Total principal borrowings from credit facilities	75,000	77,500
Total principal amount of debt and borrowings	1,800,000	1,227,500
Less: unamortized debt discount and issuance costs	(26,918)	(238,119)
Net carrying value of debt and borrowings	<u>\$ 1,773,082</u>	<u>\$ 989,381</u>
Net carrying value of debt and borrowings consisted of:		
Current liabilities:		
Borrowings from credit facilities (including unamortized debt premium)	\$ 75,097	\$ —
Non-current liabilities:		
2027 Notes, net	562,127	—
2025 Notes, net	1,135,858	909,847
Borrowings from credit facilities (including unamortized debt premium)	—	79,534
Total	<u>\$ 1,773,082</u>	<u>\$ 989,381</u>

#### 2027 Notes

On September 24, 2021, the Company issued \$575.0 million in aggregate principal amount of its 0% convertible senior notes due on April 1, 2027, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2027 Notes are subject to the terms and conditions of the Indenture governing the 2027 Notes between the Company and Wells Fargo Bank, N.A., as

trustee (Trustee). The net proceeds from the issuance of the 2027 Notes were \$560.1 million, after deducting debt discount and debt issuance costs totaling \$14.9 million.

The 2027 Notes are senior, unsecured obligations of the Company, and will not accrue interest unless the Company determines to pay special interest as a remedy for failure to timely file any reports required to be filed with the SEC, certain trading restrictions, or failure to deliver reports to the Trustee. The 2027 Notes rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated to the 2027 Notes and rank equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated, including the 2025 Notes. In addition, the 2027 Notes are subordinated to any of the Company's secured indebtedness and to all indebtedness and other liabilities of the Company's subsidiaries.

The 2027 Notes have an initial conversion rate of 2.4108 shares of common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$414.80 per share of the Company's common stock and approximately 1.4 million shares issuable upon conversion. The conversion rate is subject to customary adjustments for certain events as described below. 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. The Company's current intent is to settle conversions of the 2027 Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock.

The Company may redeem for cash, all or any portion of the 2027 Notes, at the Company's option, on or after October 5, 2024 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid special interest to, but excluding, the redemption date. No sinking fund is provided for the 2027 Notes.

The holders of the 2027 Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2027 in multiples of 100% principal amount, under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, and only during such calendar quarter, if the last reported sale price of the Company's 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 periods after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2027 Notes for each trading day of that period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls such notes for redemption, at any time 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.

The conversion rate is subject to adjustment upon the occurrence of certain events or if the Company's Board of Directors determines it is in the best interest of the Company. Additionally, holders of the 2027 Notes that convert their notes in connection with a make-whole fundamental change or during the redemption period, may be eligible to receive a make-whole premium through an increase of the conversion rate based on the estimated fair value of the 2027 Notes for the given date and stock price. The make-whole premium is designed to compensate the holder for lost "time-value" of the conversion option. The maximum number of additional shares that may be issued under the make-whole premium is 1.2656 per \$1,000 principal (the lowest price of \$272.00 in the make whole).

The Indenture governing the 2027 Notes contains customary events of default with respect to the 2027 Notes and provides that upon certain events of default occurring and continuing, the holders of the 2027 Notes will have the right, at their option, to require the Company to repurchase for cash all or a portion of their outstanding notes, at a price equal to 100% of the principal amount of the 2027 Notes to be repurchased, plus any accrued and unpaid interest.

## 2025 Notes

On November 30, 2020, the Company issued \$1.15 billion in aggregate principal amount of its 0% convertible senior notes due on December 1, 2025, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2025 Notes are subject to the terms and conditions of the Indenture governing the 2025 Notes between the Company and the Trustee. The net proceeds from the issuance of the 2025 Notes were \$1.13 billion, after deducting debt discount and debt issuance costs totaling \$20.6 million.

The 2025 Notes are senior, unsecured obligations of the Company, and will not accrue interest unless the Company determines to pay special interest as a remedy for failure to timely file any reports required to be filed with the SEC, certain trading restrictions, or failure to deliver reports to the Trustee. The 2025 Notes rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated to the 2025 Notes and rank equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated, including the 2027 Notes. In addition, the 2025 Notes are subordinated to any of the Company's secured indebtedness and to all indebtedness and other liabilities of the Company's subsidiaries.

The 2025 Notes have an initial conversion rate of 6.2159 shares of common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$160.88 per share of the Company's common stock and approximately 7.1 million shares issuable upon conversion. The conversion rate is subject to customary adjustments for certain events as described below. 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. The Company's current intent is to settle conversions of the 2025 Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock.

The Company may redeem for cash, all or any portion of the 2025 Notes, at the Company's option, on or after December 5, 2023 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid special interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Notes.

The holders of the 2025 Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding September 1, 2025 in multiples of \$1,000 principal amount, under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2021, and only during such calendar quarter, if the last reported sale price of the Company's 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 periods after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2025 Notes for each trading day of that period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls such notes for redemption, at any time 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.

The conversion rate is subject to adjustment upon the occurrence of certain events or if the Company's Board of Directors determines it is in the best interest of the Company. Additionally, holders of the 2025 Notes that convert their notes in connection with a make-whole fundamental change or during the redemption period, may be eligible to receive a make-whole premium through an increase of the conversion rate based on the estimated fair value of the 2025 Notes for the given date and stock price. The make-whole premium is designed to compensate the holder for lost "time-value" of the conversion option (i.e., the difference between the



conversion option's fair value and the intrinsic value). The maximum number of shares that may be issued under the make-whole premium is 2.9525 per \$1,000 principal (the lowest price of \$109.07 in the make whole).

The Indenture governing the 2025 Notes contains customary events of default with respect to the 2025 Notes and provides that upon certain events of default occurring and continuing, the holders of the 2025 Notes will have the right, at their option, to require the Company to repurchase for cash all or a portion of their outstanding notes, at a price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus any accrued and unpaid interest.

#### **Additional Information About the Notes**

Prior to the adoption of ASU 2020-06 on July 1, 2021, the Company separated the 2025 Notes into liability and equity components upon the issuance of the 2025 Notes. 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 using a discounted cash flow model with a discount rate determined using observable yields for stand-alone debt instruments with a comparable credit rating and term. 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 2025 Notes as a whole. The difference between the principal amount of the 2025 Notes and the liability component was initially recorded as a debt discount and was amortized as interest expense using the effective interest method over the term of the 2025 Notes. The equity component of the 2025 Notes, which was included in additional paid-in capital, was not required to be remeasured. The total amount of debt issuance costs of \$20.6 million was allocated between the liability and equity components based on the respective values of the liability and equity components. The debt issuance costs allocated to the liability component was amortized as interest expense over the term of the 2025 Notes using the effective interest method. The debt issuance costs allocated to the equity component were included as a reduction of additional paid-in capital.

As discussed in Note 1, effective July 1, 2021, the Company early-adopted ASU 2020-06 using the modified retrospective method which resulted in the accounting for the 2027 Notes and 2025 Notes as a single liability and no longer required to be accounted for separately between liability and equity components.

As of June 30, 2022 and 2021, the Notes consisted of the following (in thousands):

	June 30, 2022		June 30, 2021
	2027 Notes	2025 Notes	2025 Notes
Liability component:			
Principal	\$ 575,000	\$ 1,150,000	\$ 1,150,000
Less: unamortized debt discount and issuance costs	\$ (12,873)	\$ (14,142)	\$ (240,153)
Net carrying amount	\$ 562,127	\$ 1,135,858	\$ 909,847
Amount allocated to equity component, net of issuance costs and tax	\$ —	\$ —	\$ 245,066

The debt discount and issuance costs of the Notes are being amortized using the effective interest method. During the years ended June 30, 2022 and 2021, the Company recognized \$6.1 million and \$27.7 million, respectively, of interest expense related to the amortization of the debt discount and issuance costs of the Notes. The effective interest rates during the year ended June 30, 2022, which consisted of the 2027 Notes and the 2025 Notes after the adoption of ASU 2020-06 beginning July 1, 2021 were 0.48% and 0.36%, respectively. The effective interest rate during the year ended June 30, 2021, which includes the 2025 Notes and prior to the adoption of ASU 2020-06 was 5.37% and was based on the interest rate of similar debt instruments, at the time of the offering, that do not have associated convertible features.

As of June 30, 2022, the weighted-average remaining life of the Notes was 3.9 years.

The "if-converted" value of the Notes did not exceed the principal amount of \$1.7 billion as of June 30, 2022.

## **Capped Call Transactions**

In conjunction with the issuance of the 2025 Notes and the 2027 Notes, the Company entered into Capped Call transactions (Capped Calls) with certain of the initial purchasers of the Notes and/or their respective affiliates or other financial institutions at a cost of \$125.8 million. The Capped Calls are separate transactions and are not part of the terms of the Notes. The total amount paid for the Capped Calls was recorded as a reduction to additional paid-in capital. The Company used the proceeds from the Notes to pay for the cost of the Capped Call premium. The cost of the Capped Calls is not expected to be tax-deductible as the Company did not elect to integrate the Capped Calls into the Notes for tax purposes.

The Capped Calls associated with the 2027 Notes and 2025 Notes have an initial strike price of approximately \$414.80 per share and \$160.88 per share, respectively, subject to certain adjustments, which corresponds to the respective initial conversion price of the 2027 Notes and 2025 Notes, and have an initial cap price of \$544.00 per share and \$218.14 per share, respectively, subject to certain adjustments; provided that such cap price shall not be reduced to an amount less than their respective strike price. The Capped Calls associated with the Notes cover, subject to anti-dilution adjustments, a total of approximately 8.5 million shares of the Company's common stock. The Capped Calls are expected to generally reduce the potential dilution of the Company's common stock upon any conversion of the Notes and/or offset any cash payments that the Company is required to make in excess of the principal amount of such converted notes, as the case may be, with such reduction and/or offset subject to a cap.

## **2021 Revolving Credit Agreement (as amended) and 2019 Credit Agreement (as amended)**

The 2021 Revolving Credit Agreement was executed in March 2021, and was most recently amended in October 2021, to finance the acquisition of card receivables. The 2021 Revolving Credit Agreement matures in June 2023 or earlier pursuant to the agreement and had a total commitment of \$95.0 million consisting of a Class A facility amounting to \$75.0 million and a Class B facility amounting to \$20.0 million. As of June 30, 2021, the outstanding borrowings from the Class A facility and Class B facility were \$37.5 million and \$10.0 million, respectively. In June 2022, the Company paid off the previous balance of \$10.0 million under the Class B facility and cancelled the total commitment of \$20.0 million. As of June 30, 2022, the Company increased its borrowings under the Class A facility to \$75.0 million. Borrowings from the Class A facility, which are secured by acquired card receivables, bear interest at 2.75% per annum plus LIBOR (subject to a floor rate of 0.25%). As of June 30, 2022, the interest rate on borrowings from the Class A facility was 4.35% per annum. The Company is required to comply with certain restricted covenants, including liquidity requirements. As of June 30, 2022, the Company was in compliance with those covenants.

The 2019 Credit Agreement, which originally matures in January 2023, had a total commitment of \$60.0 million. As of June 30, 2021, the outstanding borrowings from the 2019 Credit Agreement was \$30.0 million. In June 2022, the Company paid off the total amount outstanding and terminated the 2019 Credit Agreement.

The debt premium associated with the 2021 Revolving Credit Agreement was amortized over the remaining term of the agreements using the effective interest method. The unamortized debt premium associated with the 2019 Credit Agreement and the Class B facility under the 2021 Revolving Credit Agreement was written off as of June 30, 2022 as a result of the debt prepayment and an immaterial extinguishment gain was recorded and included in other expense, net in the accompanying consolidated statements of operations. The unamortized debt premium under the Class A facility under the 2021 Revolving Credit Agreement has a remaining amortization period of approximately 1 year. Interest income related to the amortization of the debt premium during the years ended June 30, 2022 and 2021 was not material.

## **NOTE 11 – STOCKHOLDERS' EQUITY**

### ***Equity Incentive Plans***

On November 26, 2019, the Company's board of directors approved the 2019 Equity Incentive Plan (2019 Plan), which became effective on December 10, 2019. The 2019 Plan authorizes the award of stock options, restricted stock units (RSUs), restricted stock awards, stock appreciation rights, performance awards, cash awards, and stock bonus awards, as determined by the Company's board of directors.

The Company's 2016 Equity Incentive Plan (2016 Plan), which was adopted in February 2016, was terminated concurrent to the effective date of the 2019 Plan. The Company's 2006 Equity Incentive Plan (2006

Plan), which was adopted in April 2006, was terminated upon the adoption of the 2016 Plan. There were no equity-based awards granted under the 2016 Plan and the 2006 Plan after their termination; however, all outstanding awards under the 2016 Plan and the 2006 Plan continue to remain subject to the terms of the respective Equity Incentive Plan until such awards are exercised or until they terminate or expire by their terms. The 2019 Plan, 2016 Plan and 2006 Plan are collectively referred to as the "Equity Incentive Plans."

The 2019 Plan authorizes the award of stock options, restricted stock units (RSUs), restricted stock awards, stock appreciation rights, performance-based awards, cash awards, and stock bonus awards. The Company initially reserved 7,100,000 shares of its common stock, plus any reserved shares not issued or subject to outstanding grants under the 2016 Plan, for issuance pursuant to awards granted under the Company's 2019 Plan. The number of shares reserved for issuance under the 2019 Plan increases automatically on July 1 of each of 2020 through 2029 by the number of shares equal to the lesser of 5% of the total number of outstanding shares of the Company's common stock as of the immediately preceding June 30, or a number as may be determined by the Company's board of directors. In addition, the following shares of common stock from the 2016 Plan and the 2006 Plan will be available for grant and issuance under the 2019 Plan:

- shares issuable upon the exercise of options or subject to other awards under the 2016 Plan or 2006 Plan that cease to be subject to such options or other awards by forfeiture or after the effective date of the 2019 Plan; and
- shares issued pursuant to outstanding awards under the Company's 2016 Plan and 2006 Plan that are forfeited or repurchased after the effective date of the 2019 Plan.

The total number of common shares available for issuance under the Equity Incentive Plans was 12,332,663 shares as of June 30, 2022.

### ***Equity Awards Assumed in Acquisitions***

The Company assumed and replaced the outstanding stock options of Invoice2go and Divvy upon their acquisition. The assumed equity awards will be settled in shares of the Company's common stock and will retain the terms and conditions under which they were originally granted. No additional equity awards will be granted under equity incentive plans of the acquired companies.

### ***Stock Options***

The Company may grant incentive and non-statutory stock options to employees, nonemployee directors, and consultants of the Company under the Equity Incentive Plans. Stock options granted generally vest and become exercisable ratably over a requisite service period of four years following the date of the grant and expire ten years from the date of the grant. The Company may grant stock options with early exercise provisions, but subject to repurchase conditions. There were no outstanding unvested stock options that had been early exercised as of June 30, 2022.

The Company may also grant stock options with double-trigger vesting conditions. The unvested shares of options granted with double trigger vesting conditions will vest 50% in the event of a sale of the Company and the termination of the holder of the stock options.

The exercise price of incentive stock options granted must be at least equal to 100% of the fair value of the Company's common stock at the date of grant. The exercise price of non-statutory options granted must be at least equal to 85% of the fair value of the Company's common stock at the date of grant.

A summary of stock option activity as of June 30, 2022, and changes during the year ended June 30, 2022, is presented below:

	Number of shares (in thousands)	Weighted average exercise price per share	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at June 30, 2021	6,552	\$ 13.31	7.87	\$ 1,113,025
Granted <sup>(1)</sup>	280	\$ 83.40		
Exercised	(2,747)	\$ 12.39		
Forfeited	(227)	\$ 26.66		
Outstanding at June 30, 2022	3,858	\$ 18.28	6.97	\$ 361,053
Vested and expected to vest at June 30, 2022 <sup>(2)</sup>	3,624	\$ 18.22	6.94	\$ 339,548
Vested and exercisable at June 30, 2022	2,189	\$ 12.59	6.63	\$ 213,987

<sup>(1)</sup> Includes approximately 184,000 shares of outstanding stock options that were assumed upon the acquisition of Invoice2go. The weighted average exercise price of options assumed was \$25.60 per share and the weighted average grant date fair value on the date of assumption was approximately \$248.43 per share.

<sup>(2)</sup> The expected to vest options are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The weighted-average grant date fair value of options granted during the years ended June 30, 2022, 2021 and 2020 was \$207.07, \$132.04 and \$11.04 per share, respectively. The total intrinsic value of options exercised during the years ended June 30, 2022, 2021 and 2020 was \$640.0 million, \$387.1 million and \$191.3 million, respectively. The intrinsic value was calculated as the difference between the estimated fair value of the Company's common stock at exercise and the exercise price of the in-the-money options.

The fair value of options granted during the years ended June 30, 2022, 2021 and 2020 was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year ended June 30,		
	2022	2021	2020
Expected term (in years)	2.00 to 7.05	4.00 to 6.25	6.25
Expected volatility	30.0% to 81.2%	35.0% to 85.1%	50.0% to 100.6%
Risk-free interest rate	0.20% to 2.88%	0.38% to 1.03%	0.35% to 1.88%
Expected dividend yield	0 %	0 %	0 %

Prior to the IPO, the fair value of the shares of common stock underlying stock options had historically been determined by the Company's Board of Directors. Because there had been no public market for the Company's common stock, the Board of Directors determined fair value of the common stock at the time of grant of the option by considering a number of objective and subjective factors including important developments in the Company's operations, valuations performed by an independent third party, sales of preferred stock, actual operating results and financial performance, the conditions in the industry and the economy in general, the stock price performance and volatility of comparable public companies, and the lack of liquidity of the Company's common stock, among other factors.

As of June 30, 2022, the total unamortized stock-based compensation cost related to the unvested stock options was approximately \$61 million, which the Company expects to amortize over a weighted-average period of 1.89 years. The Company received approximately \$34.0 million, \$28.2 million and \$12.2 million from options exercised during the years ended June 30, 2022, 2021 and 2020, respectively.

## Restricted Stock Units

A summary of RSU activity as of June 30, 2022, and changes during the year ended June 30, 2022, is presented below.

	Number of shares (in thousands)	Weighted average grant date fair value
Nonvested at June 30, 2021	1,176	\$ 90.20
Granted	2,929	\$ 202.79
Vested	(535)	\$ 122.82
Forfeited	(291)	\$ 164.74
Nonvested at June 30, 2022	<u>3,279</u>	<u>\$ 178.85</u>

The fair value of the RSU grant is determined based upon the market closing price of the Company's common stock on the date of grant. The RSUs vest over the requisite service period, which ranges between 1 year and 4 years from the date of grant, subject to the continued employment of the employees and services of the nonemployee board members. The total fair value of RSUs that vested during the years ended June 30, 2022, 2021 and 2020 was approximately \$118.9 million, \$40.0 million and \$0.2 million, respectively.

As of June 30, 2022, the total unamortized stock-based compensation expense related to the unvested RSUs was approximately \$413.8 million, which the Company expects to amortize over a weighted-average period of 2.9 years.

## Market-based RSUs

In December 2021, the Company granted a total of 50,000 market-based RSUs to one executive employee that vest based on appreciation of the price of the Company's common stock over a multi-year period and upon continued service. The Company estimated the fair value of the market-based RSUs award on the grant date using the Monte Carlo simulation model with the following assumptions: (i) expected volatility of 60%, (ii) risk-free interest rate of 1.08% to 1.21%, and (iii) total performance period of three to five years. The weighted-average grant date fair value of the market-based RSUs award was \$182.15 per share. The Company recognizes expense for market-based RSUs over the requisite service period of 1 to 3 years. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant is recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the achievement of the specified market criteria.

As of June 30, 2022, the total unrecognized compensation expense related to the market-based RSUs was approximately \$5.9 million, which is expected to be amortized over a weighted-average period of 1.6 years.

## Employee Stock Purchase Plan

On November 26, 2019, the Company's board of directors approved the 2019 Employee Stock Purchase Plan (ESPP), which became effective on December 11, 2019. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code of 1986 (as amended) and will provide eligible employees a means to acquire shares of common stock through payroll deductions. Under the ESPP, the Company initially reserved for issuance 1,400,000 shares of common stock, which will increase automatically on July 1 of each fiscal year during the term of the ESPP by the number of shares equal to 1% of the total number of shares of common stock and preferred stock (on as-converted basis) outstanding as of the immediately preceding June 30th, unless the board of directors elects to authorize a lesser number of shares; provided, that, the total number of shares issued under the ESPP may not exceed 14,000,000 shares of common stock.

The ESPP provides for consecutive offering periods during which eligible employees can participate in the ESPP and be granted the right to purchase shares.

The offering periods shall be for a 12-month period commencing on February 7th and September 7th, with each such offering period consisting of two separate purchase periods ending on September 6th and February 6th, and February 6th and September 6th, respectively.

Eligible employees can contribute up to 15% of their eligible compensation, subject to limitation as provided for in the ESPP, and purchase the common stock at a purchase price per share equal to 85% of the lesser of the fair market value of the common stock on (i) the offering date or (ii) the purchase date.

The fair value of ESPP offerings during the years ended June 30, 2022, 2021 and 2020 was estimated at the date of the offering using the Black-Scholes option-pricing model with the following assumptions:

	Year ended June 30,		
	2022	2021	2020
Expected term (in years)	0.4 to 1.0	0.5 to 1.0	0.5 to 1.17
Expected volatility	76.0% to 77.3%	81.0% to 88.4%	50.0%
Risk-free interest rate	0.06% to 0.88%	0.05% to 0.13%	1.47% to 1.56%
Expected dividend yield	0 %	0 %	0 %

As of June 30, 2022, the total unrecognized compensation expense related to the ESPP was \$3.9 million, which is expected to be amortized over the next 12 months.

#### **Warrants**

The Company has an agreement with a customer to issue warrants for up to 5.6 million shares of the Company's common stock at an exercise price of \$4.50 per share over a period of five years, ending in September 2023. Issuance of the warrants is contingent upon certain performance conditions and subject to certain limits. As of June 30, 2022, there were no warrants issued or issuable under this agreement. The Company has concluded that the performance conditions for the issuance of this warrant are not probable of being met.

#### **Stock Based Compensation Cost**

Stock-based compensation cost from stock options, RSUs and ESPP was included in the following line items in the accompanying consolidated statements of operations and consolidated balance sheets (in thousands):

	Year ended June 30,		
	2022	2021	2020
Cost of revenue - service costs	\$ 5,144	\$ 2,938	\$ 1,257
Research and development	54,907	16,091	5,495
Sales and marketing	60,237	8,547	2,777
General and administrative	76,869	44,411	8,535
Total amount charged to expense	197,157	71,987	18,064
Property and equipment (capitalized internal-use software)	4,405	464	—
Total stock-based compensation cost	\$ 201,562	\$ 72,451	\$ 18,064

**NOTE 12 – OTHER INCOME (EXPENSE), NET**

Other income (expense), net consisted of the following for the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Interest expense	\$ (9,419)	\$ (28,158)	\$ (229)
Lower of cost or market adjustment on card receivables sold and held for sale	(11,460)	(691)	—
Interest income	6,691	2,992	4,092
Other	327	487	(703)
<b>Total</b>	<b>\$ (13,861)</b>	<b>\$ (25,370)</b>	<b>\$ 3,160</b>

**NOTE 13 – INCOME TAXES**

The components of loss before (benefit from) provision for income taxes were as follows during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Domestic	\$ (304,508)	\$ (139,337)	\$ (31,038)
Foreign	(26,171)	—	—
<b>Total</b>	<b>\$ (330,679)</b>	<b>\$ (139,337)</b>	<b>\$ (31,038)</b>

The components of (benefit from) provision for income taxes were as follows during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
<b>Current:</b>			
Federal	\$ (247)	\$ —	\$ —
State	—	—	53
Foreign	—	—	—
<b>Total current</b>	<b>(247)</b>	<b>—</b>	<b>53</b>
<b>Deferred:</b>			
Federal	(1,115)	(27,529)	—
State	(2,956)	(13,088)	—
Foreign	—	—	—
<b>Total deferred</b>	<b>(4,071)</b>	<b>(40,617)</b>	<b>—</b>
<b>(Benefit from) provision for income taxes</b>	<b>\$ (4,318)</b>	<b>\$ (40,617)</b>	<b>\$ 53</b>

The items accounting for the difference between the income taxes computed at the federal statutory rate and the (benefit from) provision for income taxes consisted of the following during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Expected benefit at U.S. federal statutory rate	\$ (69,443)	\$ (29,261)	\$ (6,518)
State income taxes, net of federal benefit	13,509	(54)	—
Stock-based compensation	(93,705)	(70,262)	(31,047)
Research and development tax credits	(22,061)	(8,846)	(6,411)
Change in valuation allowance related to acquisition <sup>(1)</sup>	(2,831)	(34,749)	—
Change in valuation allowance <sup>(2)</sup>	174,477	94,244	43,716
Unrecognized tax benefit	(10,975)	6,766	—
Acquisition-related costs	553	1,484	—
Foreign rate differential	5,496	—	—
Other	662	61	313
<b>(Benefit from) provision for income taxes</b>	<b>\$ (4,318)</b>	<b>\$ (40,617)</b>	<b>\$ 53</b>

<sup>(1)</sup> The rate impact during the years ended June 30, 2022 and 2021 pertains to the income tax benefit recorded as a result of the acquisitions of Invoice2go of Divvy, which allowed the Company to release a portion of its valuation allowance due to the net deferred tax liabilities that were recorded as a result of such acquisitions.

<sup>(2)</sup> The rate impact during the year ended June 30, 2022 and 2021 pertains to (i) an increase in valuation allowance due to the increase in deferred tax assets associated with losses and tax credits generated during the year, (ii) a change in deferred tax liability related to the 2025 Notes, and (iii) a change in deferred tax liability related to the acquisitions of Invoice2go and Divvy.



The components of deferred tax assets and liabilities were as follows as of the dates presented (in thousands):

	June 30,	
	2022	2021
<b>Deferred tax assets:</b>		
Accruals and reserves	\$ 9,325	\$ 8,677
Deferred revenue	1,794	1,109
Stock-based compensation	25,897	16,626
Net operating loss carryforwards	410,849	218,783
Research and development credits	46,013	15,864
Accrued rewards	2,867	1,342
Operating lease liabilities	24,203	25,122
Other	3,247	514
Total deferred tax assets before valuation allowance	524,195	288,037
Valuation allowance	(384,158)	(107,836)
Deferred tax assets	<u>\$ 140,037</u>	<u>\$ 180,201</u>
<b>Deferred tax liabilities:</b>		
Deferred contract costs	\$ (3,745)	\$ (2,763)
Property and equipment	(19,316)	(3,133)
Intangible assets	(99,483)	(107,631)
Operating right of use assets	(19,490)	(18,551)
Convertible notes	—	(57,213)
Total deferred tax liabilities	<u>\$ (142,034)</u>	<u>\$ (189,291)</u>
Net deferred tax liabilities	<u>\$ (1,997)</u>	<u>\$ (9,090)</u>

ASC 740 requires that the tax benefit of net operating losses, temporary differences, and credit carryforwards be recorded as an asset to the extent that management assesses that realization is “more likely than not.” Realization of the future tax benefits is dependent on the Company’s ability to generate sufficient taxable income within the carryforward period. Because of the Company’s recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a valuation allowance. The change in valuation allowance was approximately \$276.3 million, \$22.3 million and \$52.3 million during the years ended June 30, 2022, 2021 and 2020, respectively. The increase in the June 30, 2022 valuation allowance is a result of current year losses, offset by a reduction in a deferred tax liabilities.

The Tax Cuts and Job Act subjects a U.S. company to tax on its Global Intangible Low Tax Income (GILTI). Under U.S.GAAP, the Company can make an accounting policy election to either treat taxes due on the GILTI inclusion as a current period expense or factor such amounts into the measurement of deferred taxes. The Company elected the period expense method.

The Company does not currently operate under any tax holiday in any country in which it operates.

The Company does not have foreign earnings available to distribute. As such, there is no unrecorded deferred tax liability associated with an outside basis of foreign subsidiaries.

As of June 30, 2022, the Company had net operating loss (NOL) carryforwards of \$1.5 billion, \$1.1 billion, and \$61.3 million for federal, state tax and foreign tax purposes, respectively, that are available to reduce future taxable income. If not utilized, the federal and state NOL carryforwards will begin to expire in 2027. As of June 30, 2022, approximately \$1.4 billion and \$61.3 million of federal and foreign NOL carryforwards, respectively, do not expire and will carry forward indefinitely until utilized. As of June 30, 2022, the Company also had research and development tax credit carryforwards of approximately \$40.1 million and

\$27.1 million for federal and state tax purposes, respectively. If not utilized, the federal tax credits will expire at various dates beginning in 2028. The state tax credits do not expire and will carry forward indefinitely until utilized.

Utilization of the net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and other similar state provisions. The annual limitation may result in the expiration of net operating losses and tax credits before utilization.

Below is the reconciliation of the unrecognized tax benefits related to federal and California R&D credits during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Balance at the beginning of the year	\$ 22,185	\$ 5,787	\$ 2,692
Add:			
Tax positions related to the current year	7,354	8,267	3,078
Increase from business combination	160	668	—
Tax positions related to the prior year	—	7,463	17
Less:			
Tax positions related to the prior year	(12,761)	—	—
Statute of limitations lapse	(214)	—	—
Balance at the end of the year	<u>\$ 16,724</u>	<u>\$ 22,185</u>	<u>\$ 5,787</u>

The amount of interest and penalties accrued as of June 30, 2022 and June 30, 2021 were not material.

If the balance of gross unrecognized tax benefits of \$16.7 million as of June 30, 2022 were realized, this would result in an immaterial tax benefit within the provision for income taxes at that time.

The Company files U.S. federal, California, and other various state income tax returns. All U.S. federal and state net operating losses and tax credits generated to date are subject to adjustments. The Company does not anticipate any material change on its unrecognized tax benefits over the next twelve months. If the unrecognized tax benefits as of June 30, 2022 is recognized, it will not have an impact to the effective tax rate due to the Company's valuation allowance. The Company's U.S. federal and state tax returns for all years remain subject to examination by taxing authorities as a result of unused tax attributes being carried forward.

#### NOTE 14 – LEASES

The Company has non-cancelable operating leases for office and other facilities in various locations, and certain equipment, which expire through 2031. Also, the Company subleases part of its office facility in Draper, Utah under a non-cancellable operating lease that expires in December 2025. The Company's leases do not contain any material residual value guarantees.

As of June 30, 2022, the weighted average remaining term of these operating leases is 8.2 years and the weighted-average discount rate used to estimate the net present value of the operating lease liabilities was 5.1%.

The total payment for amounts included in the measurement of operating lease liabilities was \$13.8 million and \$2.1 million during the years ended June 30, 2022 and 2021, respectively.

The total amount of right-of-use assets obtained in exchange for new operating lease liabilities was \$5.3 million and \$31.6 million during the years ended June 30, 2022 and 2021, respectively.

The components of lease expense during the years ended June 30, 2022 and 2021 are shown in the table below (in thousands), while the lease expense during the year ended June 30, 2020 was \$5.3 million.

	Year ended June 30	
	2022	2021
Operating lease expense	\$ 12,906	\$ 7,444
Short-term lease expense	77	382
Variable lease expense, net of credit	2,909	2,252
Sublease income	(712)	(55)
Total lease cost	\$ 15,180	\$ 10,023

## NOTE 15 – COMMITMENTS AND CONTINGENCIES

### Commitments

The Company has non-cancelable operating leases for office and other facilities in various locations, and certain equipment, which expire through 2031. Future minimum lease payments as of June 30, 2022 are as follows (in thousands):

Fiscal years ending June 30:	Amount
2023	\$ 13,987
2024	13,650
2025	13,424
2026	13,292
2027	13,226
Thereafter	49,510
Gross lease payments	117,089
Less - present value adjustments	(22,222)
Total operating lease liabilities, net	\$ 94,867

The current portion of operating lease liabilities, which is included in other accruals and current liabilities in the accompanying consolidated balance sheets, was \$12.1 million and \$10.8 million as of June 30, 2022 and 2021, respectively. The non-current portion of operating lease liabilities was \$82.7 million and \$86.6 million as of June 30, 2022 and 2021, respectively

In addition to the minimum lease payments above, the Company has multi-year agreements with certain third parties and financial institution partners, expiring through 2029, which require the Company to pay fees over the term of the respective agreements. Future payments under these other agreements as of June 30, 2022 are as follows (in thousands).

Fiscal years ending June 30:	Amount
2023	\$ 24,761
2024	11,833
2025	6,969
2026	4,750
2027	4,750
Thereafter	34,250
Total	\$ 87,313

### Card Receivable Repurchase Obligations with Purchasing Bank

The Company is obligated to repurchase card receivables sold to the Purchasing Bank if representations and warranties made with respect to such card receivables are breached. The Company is also obligated to repurchase card receivables for which a user fails to make the first payment within ten days when it becomes due. The obligation to repurchase card receivables meeting the previously specified criteria is limited to card receivables transferred to the Purchasing Bank, less related spending business payments remitted to the Purchasing Bank. The amount of payable to repurchase card receivables is generally offset against the proceeds from the sale of new card receivables to the Purchasing Bank. See Note 7 for additional discussion about acquired card receivables.

### Purchase of Card Receivables That Have Not Cleared

The Company is contractually obligated to purchase all card receivables from the Issuing Banks including authorized transactions that have not cleared. The transactions that have been authorized but not cleared totaled \$55.2 million as of June 30, 2022 and have not been recorded on the accompanying consolidated balance sheets. The Company has credit exposures with these authorized but not cleared transactions; however, the expected credit losses recorded was not material as of June 30, 2022. See Note 7 for additional discussion about acquired card receivables.

### Litigation

From time to time, the Company is involved in lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. The Company records a provision for a liability when management believes that it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of June 30, 2022 and 2021, the Company's reserve for litigation is immaterial. The Company reviews these provisions periodically and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable.

### NOTE 16 – NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders during the periods presented (in thousands, except per share amounts):

	Year ended June 30,		
	2022	2021	2020
<b>Numerator:</b>			
Net loss attributable to common stockholders	\$ (326,361)	\$ (98,720)	\$ (31,091)
<b>Denominator:</b>			
Weighted-average shares used to compute net loss per share attributable to common stockholders			
Basic and diluted	101,753	82,813	44,106
<b>Net loss per share attributable to common stockholders:</b>			
Basic and diluted	\$ (3.21)	\$ (1.19)	\$ (0.70)

Potentially dilutive securities, which were excluded from the diluted net loss per share calculations because they would have been antidilutive, are as follows as of the dates presented (in thousands):

	June 30,		
	2022	2021	2020
Stock options	3,858	6,552	9,019
Restricted stock units	3,279	1,176	1,141
Total	7,137	7,728	10,160

In addition, approximately 8.5 million shares underlying the conversion option of the Notes are not considered in the calculation of diluted net loss per share. Such number of shares issuable under the Notes is subject to adjustment up to approximately 12.7 million shares if certain corporate events occur prior to the maturity date of the Notes or if the Company issues a notice of redemption. The Company's current intent is to settle conversions of the Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock. The Company uses the "as-if converted" method for calculating any potential dilutive effect of the conversion option on diluted earnings per share, if applicable. During the period from the issuance of the 2027 Notes on September 21, 2021 through June 30, 2022, the average market price of the Company's common stock did not exceed the initial conversion price of the 2027 Notes. During the year ended June 30, 2022, the average market price of the Company's stock exceeded the initial conversion price of the 2025 Notes of \$160.88 per share. However, the market price during the 30 consecutive trading days ended June 30, 2022 did not exceed the initial conversion price; therefore, the criteria for early conversion of the 2025 Notes was not met as of June 30, 2022.

## **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **Item 9A. CONTROLS AND PROCEDURES**

#### ***Evaluation of disclosure controls and procedures***

Our management, with the participation and supervision of our chief executive officer (“CEO”) and our chief financial officer (“CFO”), have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of June 30, 2022, the end of the period covered by this Annual Report on Form 10-K. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective at a reasonable assurance level. As permitted by SEC guidance for newly acquired businesses, management’s assessment of our internal control over financial reporting did not include an assessment of internal control over financial reporting of Invoice2go. Invoice2go accounted for approximately 5% of total assets as of June 30, 2022 and 5% of revenues and 6% of net loss for the fiscal year ended on June 30, 2022.

#### ***Management’s Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Management, with the participation of its CEO and CFO, has assessed the effectiveness of our internal control over financial reporting as of June 30, 2022 based on the 2013 framework established in the “Internal Control-Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting as of June 30, 2022 was effective. As permitted by SEC guidance for newly acquired businesses, management’s assessment of our internal control over financial reporting did not include an assessment of internal control over financial reporting of Invoice2go. Invoice2go accounted for approximately 5% of total assets as of June 30, 2022 and 5% of revenues and 6% of net loss for the fiscal year ended on June 30, 2022.

The effectiveness of the internal control over financial reporting as of June 30, 2022 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

#### ***Material Weaknesses Remediation***

As previously reported, in connection with our management’s assessment of internal controls over financial reporting during the year ended June 30, 2021, our management identified a material weakness related to the accounting of the business combination for Divvy. The material weakness that we identified occurred due to a lack of sufficient precision in the performance of reviews of the analyses supporting the purchase price allocation accounting and other acquisition related entries and a lack of adequate documentation to provide evidence of operating effectiveness of an associated management review control.

Our management has been committed to maintaining a strong internal control environment. In response to the identified material weakness above, management, with the oversight of the Audit Committee of the Board of Directors, has taken comprehensive actions to remediate the material weakness in internal control over financial reporting. During the year ended June 30, 2022, the Company implemented measures designed to remediate the control deficiencies contributing to the material weakness, which included (i) re-evaluation of the scope, level of precision and the personnel assigned for conducting the reviews over our analyses supporting the accounting for business combinations and (ii) adoption of policies regarding retention of documentation that supports the operating effectiveness of key management review controls relating to future business combinations.

The remediation efforts are intended both to address the identified material weakness and to enhance our overall financial control environment. We believe our remediation efforts resulted in the elimination of the previously identified material weakness as of June 30, 2022. We have dedicated resources to design, implement, document and test our internal controls over financial reporting. We will continue to evaluate the effectiveness of our internal control over financial reporting and will continue to make changes that we believe will strengthen our internal control over financial reporting to ensure that our financial statements continue to be fairly stated in all material respects.

***Changes in internal control over financial reporting***

Except for the acquisition of Invoice2go as described below, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On September 1, 2021, we completed the acquisition of Invoice2go. We are currently integrating Invoice2go into our operations and internal control processes and, pursuant to the Securities and Exchange Commission's guidance that an assessment of an acquired business may be omitted from the scope of an assessment for a period not to exceed one year from the date of acquisition, the scope of our assessment of our internal controls over financial reporting at June 30, 2022 does not include Invoice2go.

***Inherent limitation on the effectiveness of internal control***

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

**Item 9B. OTHER INFORMATION**

None.

**Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

## PART III

### **Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

We maintain a Code of Business Conduct and Ethics that incorporates our code of ethics applicable to all employees (including executive officers), independent contractors, and board of directors of the Company. Our Code of Business Conduct and Ethics is published on our Investor Relations website at [investor.bill.com](http://investor.bill.com) under "Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waiver from, a provision of our Code of Business Conduct and Ethics by posting such information on the website address and location specified above.

The remaining information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.

### **Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after June 30, 2022.



**PART IV**

**Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

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

(1) Consolidated Financial Statements:

See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable or because the information required is already included in the financial statements or the notes to those financial statements.

(3) Exhibits

The documents set forth below are filed herewith or are incorporated herein by reference to the location indicated.

**EXHIBITS**

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit Number	Filing Date	
2.1	<a href="#">Agreement and Plan of Merger, dated May 6, 2021, between the Registrant, certain subsidiaries of the Registrant and DivvyPay, Inc., a Delaware corporation.</a>	S-3/ASR	333-256709	2.1	06/02/2021	
2.2	<a href="#">Agreement and Plan of Merger, dated July 16, 2021, between the Registrant and Invoice2go, Inc.</a>	S-3/ASR	333-259419	2.1	09/09/2021	
3.1	<a href="#">Restated Certificate of Incorporation.</a>	10-Q	001-39149	3.1	02/11/2020	
3.2	<a href="#">Amended and Restated Bylaws.</a>	8-K	001-39149	3.1	09/30/2020	
4.1	<a href="#">Form of Common Stock certificate.</a>	S-1/A	333-234730	4.1	12/2/2019	
4.2	<a href="#">Tenth Amended and Restated Investors' Rights Agreement, dated December 21, 2018, by and among the Registrant and certain security holders of the Registrant, as amended.</a>	S-1	333-234730	4.2	11/15/2019	
4.3	<a href="#">Description of Securities Registered Under Section 12 of the Exchange Act.</a>	10-K	001-39149	4.3	08/30/2021	
10.1†	<a href="#">Form of Indemnification Agreement.</a>	S-1	333-234730	10.1	11/15/2019	
10.2†	<a href="#">2006 Equity Incentive Plan, as amended, and forms of equity agreements thereunder.</a>	S-1	333-234730	10.2	11/15/2019	
10.3†	<a href="#">2016 Equity Incentive Plan, as amended, and forms of equity agreements thereunder.</a>	S-1	333-234730	10.3	11/15/2019	
10.4†	<a href="#">2019 Equity Incentive Plan, and forms of equity agreements thereunder.</a>	S-1/A	333-234730	10.4	12/2/2019	
10.5†	<a href="#">2019 Employee Stock Purchase Plan, and forms of subscription agreement thereunder.</a>	S-1/A	333-234730	10.5	12/2/2019	
10.6†	<a href="#">Form of Change in Control and Severance Agreement for executive officers.</a>	S-1/A	333-234730	10.6	12/2/2019	
10.7†	<a href="#">Offer Letter, by and between the Registrant and René Lacerte.</a>	S-1/A	333-234730	10.7	12/2/2019	
10.8†	<a href="#">Offer Letter, by and between the Registrant and John Rettig.</a>	S-1/A	333-234730	10.8	12/2/2019	
10.9†	<a href="#">Offer Letter, by and between the Registrant and Germaine Cota.</a>					X
10.10†	<a href="#">Offer Letter, by and between the Registrant and Blake Murray.</a>					X

10.11†+	<a href="#">Letter Agreement by and between the Registrant and Mark Lenhard, as amended.</a>					X
10.12	<a href="#">Third Amendment to Office Lease, by and between the Registrant (as Tenant) and US ER America Center 4, LLC (as Landlord).</a>					X
10.13†	<a href="#">DivvyPay, Inc. 2016 Equity Incentive Plan.</a>	10-K	001-39149	10.14	08/30/2021	
10.14†	<a href="#">Invoice2go, Inc. 2014 Stock Plan.</a>	S-8	333-259420	99.1	09/09/2021	
21.1	<a href="#">List of Subsidiaries of the Registrant.</a>					X
23.1	<a href="#">Consent of Ernst &amp; Young LLP, independent registered public accounting firm.</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1994 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1994 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
32.1*	<a href="#">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.</a>					X
32.2*	<a href="#">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.</a>					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

† Indicates management contract or compensatory plan.

+ Registrant has omitted portions of the exhibit as permitted under Item 601(b)(10) of Regulation S-K.

\* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and are not deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of the Exchange Act.

**Item 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

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

\_\_\_\_\_  
August 22, 2022  
(Date)

By: \_\_\_\_\_  
/s/ René Lacerte  
René Lacerte  
Chief Executive Officer  
(Principal Executive Officer)

\_\_\_\_\_  
August 22, 2022  
(Date)

By: \_\_\_\_\_  
/s/ John Rettig  
John Rettig  
Chief Financial Officer and Executive Vice President,  
Finance and Operations  
(Principal Financial Officer)

\_\_\_\_\_  
August 22, 2022  
(Date)

By: \_\_\_\_\_  
/s/ Germaine Cota  
Germaine Cota  
Senior Vice President, Finance and Accounting  
(Principal Accounting Officer)

## POWER OF ATTORNEY

*KNOW ALL PERSONS BY THESE PRESENTS*, that each person whose signature appears below hereby constitutes and appoints René Lacerte and John Rettig, and each of them, as his true and lawful attorneys-in-fact, proxies, and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact, proxies, and agents 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 might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies, and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ René Lacerte</u> René Lacerte	Chief Executive Officer and Director (Principal Executive Officer)	<u>August 22, 2022</u>
<u>/s/ John Rettig</u> John Rettig	Chief Financial Officer and Executive Vice President, Finance and Operations (Principal Financial Officer)	<u>August 22, 2022</u>
<u>/s/ Germaine Cota</u> Germaine Cota	Senior Vice President, Finance and Accounting (Principal Accounting Officer)	<u>August 22, 2022</u>
<u>/s/ Aida Alvarez</u> Aida Alvarez	Director	<u>August 22, 2022</u>
<u>/s/ Steven Cakebread</u> Steven Cakebread	Director	<u>August 22, 2022</u>
<u>/s/ Stephen Fisher</u> Stephen Fisher	Director	<u>August 22, 2022</u>
<u>/s/ David Hornik</u> David Hornik	Director	<u>August 22, 2022</u>
<u>/s/ Brian Jacobs</u> Brian Jacobs	Director	<u>August 22, 2022</u>
<u>/s/ Peter Kight</u> Peter Kight	Director	<u>August 22, 2022</u>
<u>/s/ Allie Kline</u> Allie Kline	Director	<u>August 22, 2022</u>

/s/ Allison Mnookin  
Allison Mnookin

Director

August 22, 2022

/s/ Rory O'Driscoll  
Rory O'Driscoll

Director

August 22, 2022

/s/ Tina Reich  
Tina Reich

Director

August 22, 2022

/s/ Scott Wagner  
Scott Wagner

Director

August 22, 2022

November 30, 2021

Germaine Cota

Re: Offer of Employment - Bill.com, LLC

Dear Germaine:

I am very pleased to confirm our employment offer to you with Bill.com, LLC ("Bill.com") as SVP, Finance & Accounting reporting to me. Your primary work location will be San Jose, CA. We have enjoyed getting to know you through our interview process, and I appreciate all the time you took to get to know our team and make sure it was a good fit. We are excited about having you join the Bill.com team. The terms of our offer and the benefits currently provided by Bill.com are as follows:

**1. Starting Salary.** Your starting base salary will be \$340,000 per year (less applicable withholding) and will be subject to periodic review. Additionally, you will have the opportunity to receive an annual performance bonus of up to 35% of base salary, paid semi-annually on achievement of company and individual performance goals. Your individual performance goals will be finalized with your manager within 45 days of your hire date. Additionally, we will provide you with a one-time sign on bonus of \$50,000 payable 30 days post start date. In the event you voluntarily resign your employment with Bill.com within twelve (12) months of your start date, you agree to repay the sign-on bonus in full.

**2. Benefits.** In addition, as a regular full-time employee, you will be eligible to participate in regular health insurance and other employee benefit plans established by Bill.com for its employees from time to time. Bill.com reserves the right to change or otherwise modify, in its sole discretion, the preceding terms of employment and benefits.

**3. Equity.** Subject to the approval of the Compensation Committee of the Board of Directors you will be granted \$4,000,000 worth of restricted stock units to acquire Company common stock ("RSUs") under the Company's 2019 Equity Incentive Plan (the "Plan"). The number of RSUs granted will be determined by dividing (\$4,000,000) by the 30 – day trailing average price through the last day of the previous month prior to the date of grant. The RSUs will vest over 4 years, 25% of the total grant on the first anniversary of your Vesting Commencement Date, and the remainder, ratably, quarterly for the subsequent 3 years, provided you remain employed through each such vesting date, as set forth in the award agreement evidencing the RSU. Your Vesting Commencement Date will be the first of the following dates which occur after your first day of work: February 28, May 28, August 28, or November 28. For example, if you start work on April 15th, your Vesting Commencement Date will be May 28th. Vested RSUs will settle, and shares issued to you, after each vesting date in accordance with the policies of the Company and the terms and conditions of the Plan and the RSU agreement. You will be responsible for applicable withholding taxes that become due upon settlement of the RSUs. The RSUs will permit payment of taxes through sale of shares.

**4. Termination Benefits.** If you are subject to a Qualifying Termination or a CIC Qualifying Termination, you will be eligible to receive certain payments and benefits as set forth in the Company's standard Change in Control and Severance Agreement (the "CIC and Severance Agreement"). "Qualifying

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Termination” and “CIC Qualifying Termination” shall have the meanings ascribed to them in the CIC and Severance Agreement.

**5. At Will Employment.** While we look forward to a long and profitable relationship, should you decide to accept our offer, you will be an at-will employee of Bill.com, which means the employment relationship can be terminated by either of us for any reason, at any time, with or without prior notice and with or without cause. Any statements or representations to the contrary (and, indeed, any statements contradicting any provision in this letter) should be regarded by you as ineffective. Further, your participation in any stock option or benefit program is not to be regarded as assuring you of continuing employment for any particular period of time. Any modification or change in your at-will employment status may only occur by way of a written agreement signed by you and an authorized representative of Bill.com.

**6. Authorization to Work.** Please note that because of employer regulations adopted in the Immigration Reform and Control Act of 1986, within three (3) business days of starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States. If you have questions about this requirement, which applies to U.S. citizens and non-U.S. citizens alike, you may contact our personnel office.

**7. Confidentiality.** As an employee of Bill.com, you will have access to certain confidential information of Bill.com and you may, during the course of your employment, develop certain information or inventions that will be the property of Bill.com. To protect the interests of Bill.com, you will need to sign Bill.com's standard Employee Invention Assignment and Confidentiality Agreement (the “**Employee Invention Assignment and Confidentiality Agreement**”) as a condition of your employment. We wish to impress upon you that we do not want you to, and we hereby direct you not to, bring with you any confidential or proprietary material of any former employer or violate any other obligations you may have to any former employer. During the period that you render services to Bill.com, you agree to not engage in any employment, business or activity that is in any way competitive with the business or proposed business of Bill.com. You will not assist any other person or organization in competing with Bill.com or in preparing to engage in competition with the business or proposed business of Bill.com.

**8. No Breach of Obligations to Prior Employers.** You represent that your signing of this offer letter, the Employee Invention Assignment and Confidentiality Agreement, any agreements concerning stock options granted under the Plan, and your commencement of employment with Bill.com will not violate any agreement currently in place between yourself and current or past employers.

**9. Background Check.** This offer is contingent upon a satisfactory verification of criminal, education, driving, employment or other background check, as may be applicable. This offer can be rescinded based upon data received in the verification.

**10. Arbitration.** You and Bill.com agree to submit to mandatory binding arbitration any and all claims arising out of or related to your employment with Bill.com and the termination thereof, including, but not limited to, claims for unpaid wages, wrongful termination, torts, stock or stock options or other ownership interest in Bill.com, and/or discrimination (including harassment) based upon any federal, state or local ordinance, statute, regulation or constitutional provision except that each party may, at its, his or her option, seek injunctive relief in court related to the improper use, disclosure or misappropriation of a party's private proprietary, confidential or trade secret information. All arbitration hearings shall be conducted in Santa Clara County, California. **THE PARTIES HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO SUCH CLAIMS.** This letter does not, however, restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties

may not restrict the employee's ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission and the Department of Labor). However, the parties agree that, to the fullest extent permitted by law, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. The arbitration shall be conducted through JAMS before a single neutral arbitrator, in accordance with the JAMS employment arbitration rules then in effect. The JAMS rules may be found and reviewed at <http://www.jamsadr.com/rules-employment-arbitration>. If you are unable to access these rules, please let me know and I will provide you with a hardcopy. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based.

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**11. Equal Employment Opportunity.** Bill.com is an equal opportunity employer and conducts its employment practices based on business needs and in a manner that treats employees and applicants on the basis of merit and experience. Bill.com prohibits unlawful discrimination on the basis of race, color, religion, sex, pregnancy, national origin, citizenship, ancestry, age, physical or mental disability, veteran status, marital status, domestic partner status, sexual orientation, or any other consideration made unlawful by federal, state or local laws.

**12. Other Provisions.** This letter, together with the Employee Invention Assignment and Confidentiality Agreement and any agreement governing the stock option described above sets forth the entire agreement between you and Bill.com with respect to your employment by Bill.com and cancels and supersedes any other oral or written agreement, discussion or understanding between you and Bill.com with respect to the subject matter hereof. This letter can only be modified in a written agreement signed by both you and Bill.com. This letter shall be governed by the laws of the state of California without regard to conflict of laws provisions thereof and may be amended only in a writing signed by you and an authorized officer of Bill.com.

**13. Acceptance.** This offer will remain open and is contingent on reference and any background checks until December 3, 2021. If you decide to accept our offer, and I hope you will, please sign the enclosed copy of this letter in the space indicated and return it to me. This offer is rescinded if you do not start your employment with Bill.com by the start date as mutually agreed, but not later than February 7, 2022. Your signature will acknowledge that you have read and understood and agreed to the terms and conditions of this letter and the attached documents, if any. Should you have anything else that you wish to discuss, please do not hesitate to call me.

We look forward to the opportunity to welcome you to Bill.com.

/s/ John Rettig

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John Rettig

CFO & EVP, Finance & Operations

I have read and understood this letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Germaine Cota

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Germaine Cota



May 6, 2021

Re: Offer of Employment - DivvyPay, LLC

Dear Blake:

I am very pleased to confirm our employment offer to you as Chief Executive Officer of DivvyPay, LLC which will be a wholly-owned subsidiary of Bill.com Holdings, Inc. ("Bill.com" or the "Company")<sup>11</sup>, reporting to Rene Lacerte, Chief Executive Officer. Your primary work location will be the Company's location in Draper, UT. As you know, Bill.com is acquiring your employer, DivvyPay, Inc., a Delaware corporation ("DivvyPay"), pursuant to the Agreement and Plan of Merger dated as of May 6, 2021 (the "Merger Agreement") by and among Bill.com, DivvyPay Merger Sub I, Inc., a Delaware corporation and direct, wholly owned subsidiary of Bill.com, DivvyPay Merger Sub II, LLC, a Delaware limited liability company and direct, wholly owned subsidiary of Bill.com, and the Agent named therein, with the result that, subject to the terms and conditions therein, DivvyPay will become a wholly owned subsidiary of Bill.com (the "Merger"). While your title will remain the same as currently at DivvyPay, you will have seniority level equivalent to Senior Vice President at Bill.com. Your employment is contingent upon and effective at the closing (the "Closing Date") of the Merger.

The terms of our offer and the benefits currently provided by Bill.com are as follows:

1. **Compensation.** a. Base Salary: In this position, the Company will pay you an annual base salary of \$360,000 per year, less applicable withholdings, payable in accordance with the Company's standard payroll schedule. Your pay will be periodically reviewed as part of the Company's regular reviews of compensation. b. Bonus. You will be eligible to receive a discretionary bonus with a target amount of \$36,000, less applicable withholdings, subject to and in accordance with the terms of the Company's bonus plan. This discretionary bonus will be prorated for your first year of employment based upon the portion of the year you were employed by the Company. Please note that bonus programs, payouts and criterion are subject to change or adjustment in the discretion of the Company to account for, among other things, the business needs of the Company.

2. **Employee Benefits.** You will be eligible to participate in a number of Company-sponsored benefits to the extent that you comply with the eligibility requirements of each such benefit plan. The Company, in its sole discretion, may amend, suspend or terminate its employee benefits at any time. It is currently anticipated that you will continue participating in DivvyPay-sponsored benefits, including with respect to

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<sup>1</sup> Any reference to "the Company" or "Bill.com" will be understood to include any direct or indirect subsidiary of the Company that employs you, including Bill.com LLC.

vacation accrual, unless and until you are transitioned to participate in the Company's employee benefits, except that DivvyPay 401k plan will be terminated the day prior to the Closing Date, subject to the Closing taking place, and you will be offered the opportunity to participate in the Company's 401k plan in accordance with its terms.

**3. Equity Grants.** RSUs. Subject to the approval of the Compensation Committee of our Board of Directors, you will be granted 635,850 restricted stock units ("RSUs") under the Company's 2019 Equity Incentive Plan (the "Plan"). The RSUs will vest over 3 years, of which 211,950 RSUs shall vest on the first anniversary of your Vesting Commencement Date and the remainder shall vest thereafter in equal installments on each quarterly anniversary of your Vesting Commencement Date, subject to your continued employment with the Company on each such vesting date, as set forth in the award agreement evidencing the RSUs. Your Vesting Commencement Date will be the first of the following dates which occur after your first day of work: February 28, May 28, August 28, or November 28. For example, if you start work on June 1 your Vesting Commencement Date will be August 28. Vested RSUs will settle, and shares issued to you, after each vesting date in accordance with the policies of the Company and the terms and conditions of the Plan and the RSU agreement. You will be responsible for applicable withholding taxes that become due upon settlement of the RSUs. The RSUs will permit payment of taxes through sale of shares.

**4. Termination Benefits / Acceleration Waivers.** During the three years after your Vesting Commencement Date, if you are subject to a Qualifying Termination or a CIC Qualifying Termination, you will be eligible to receive certain payments and benefits as set forth in the Company's standard Change in Control and Severance Agreement (the "CIC and Severance Agreement"). "Qualifying Termination" and "CIC Qualifying Termination" shall have the meanings ascribed to them in the CIC and Severance Agreement.

You hereby agree that your employment by Bill.com substantially on the terms set forth herein does not constitute a Termination in Connection with a Change in Control (as defined in any stock option agreement between you and DivvyPay) and waive all such claims to the contrary.

**5. At Will Employment.** While we look forward to a long and profitable relationship, should you decide to accept our offer, you will be an at-will employee of Bill.com, which means the employment relationship can be terminated by either of us for any reason, at any time, with or without prior notice and with or without cause. Any statements or representations to the contrary (and, indeed, any statements contradicting any provision in this letter) should be regarded by you as ineffective. Further, your participation in any stock option, equity award or benefit program is not to be regarded as assuring you of continuing employment for any particular period of time. Any modification or change in your at will employment status may only occur by way of a written agreement signed by you and an authorized representative of Bill.com.

**6. Confidentiality.** As an employee of Bill.com, you will have access to certain confidential information of Bill.com and you may, during the course of your employment, develop certain information or inventions that will be the property of Bill.com. To protect the interests of Bill.com, you will need to sign Bill.com's standard Employee Invention Assignment and Confidentiality Agreement (the "Employee Invention Assignment and Confidentiality Agreement") as a condition of your employment.

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**7. No Conflicting Obligations.** By signing this letter agreement, you represent to the Company that your performance will not breach any other agreement to which you are a party and that you have not, and will not during the term of your employment with the Company, enter into any oral or written agreement in conflict with any of the provisions of this letter or the Company's policies. Except for what is being acquired by the Company in connection with the Merger, you are not to bring with you to the Company, or use or disclose to any person associated with the Company, any confidential or proprietary information belonging to any former employer or other person or entity with respect to which you owe an obligation of confidentiality under any agreement or otherwise. The Company does not need and will not use such information and we will assist you in any way possible to preserve and protect the confidentiality of proprietary information belonging to third parties. Also, we expect you to abide by any obligations to refrain from soliciting any person employed by or otherwise associated with any former employer and suggest that you refrain from having any contact with such persons until such time as any non-solicitation obligation expires.

**8. General Obligations; Outside Activities.** As an employee, you will be expected to adhere to the Company's standards of professionalism, loyalty, integrity, honesty, reliability and respect for all. You will also be expected to comply with the Company's policies and procedures. While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company. In addition, while you render services to the Company, you will not assist any person or entity in competing with the Company, in preparing to compete with the Company or in hiring any employees or consultants of the Company.

**9. Background Check.** This offer is contingent upon a satisfactory verification of criminal, education, driving, employment or other background check, as may be applicable. This offer can be rescinded based upon data received in the verification.

**10. Arbitration.** You and Bill.com agree to submit to mandatory binding arbitration of any and all claims arising out of or related to your employment with Bill.com and the termination thereof, including, but not limited to, claims for unpaid wages, wrongful termination, torts, stock or stock options or other ownership interest in Bill.com, and/or discrimination (including harassment) based upon any federal, state or local ordinance, statute, regulation or constitutional provision except that each party may, at its, his or her option, seek injunctive relief in court related to the improper use, disclosure or misappropriation of a party's private proprietary, confidential or trade secret information. All arbitration hearings shall be conducted in Santa Clara County, California. **THE PARTIES HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO SUCH CLAIMS.** This letter does not, however, restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties may not restrict the employee's ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission and the Department of Labor). However, the parties agree that, to the fullest extent permitted by law, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. The arbitration shall be conducted through JAMS before a single neutral arbitrator, in accordance with the JAMS employment arbitration rules then in effect. The JAMS rules may be found and reviewed at <http://www.jamsadr.com/rules-employmentarbitration>. If you are unable to access these rules, please let me know and I will provide you with a hardcopy. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based.

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11. **Equal Employment Opportunity.** Bill.com is an equal opportunity employer and conducts its employment practices based on business needs and in a manner that treats employees and applicants on the basis of merit and experience. Bill.com prohibits unlawful discrimination on the basis of race, color, religion, sex, pregnancy, national origin, citizenship, ancestry, age, physical or mental disability, veteran status, marital status, domestic partner status, sexual orientation, or any other consideration made unlawful by federal, state or local laws.

12. **Non-Competition Agreement.** In addition, as a condition of your employment, and in consideration of the substantial payment you will receive upon the Company's purchase of your stock interest in DivvyPay, you agree to enter into the Non-Competition Agreement attached hereto as Exhibit A and shall return a signed copy of such agreement with this Agreement.

13. **Other Provisions.** This letter, together with the Employee Invention Assignment and Confidentiality Agreement and any agreement governing the equity grants described above sets forth the entire agreement between you and Bill.com with respect to your employment by Bill.com and cancels and supersedes any other oral or written agreement, discussion or understanding between you and Bill.com (or prior agreement with DivvyPay) with respect to the subject matter hereof. This letter can only be modified in a written agreement signed by both you and Bill.com. This letter shall be governed by the laws of the state of Utah without regard to conflict of laws provisions thereof and may be amended only in a writing signed by you and an authorized officer of Bill.com.

14. **Acceptance.** This offer will remain open and is contingent on any background checks and the closing of the Merger. If you decide to accept our offer, and I hope you will, please sign the enclosed copy of this letter in the space indicated and return it to me. This offer is rescinded if you do not start your employment with Bill.com upon the closing of the Merger. Your signature will acknowledge that you have read and understood and agreed to the terms and conditions of this letter and the attached documents, if any. Should you have anything else that you wish to discuss, please do not hesitate to call me.

This Offer Letter supersedes and replaces any prior understandings or agreements, whether oral, written or implied, between you and the Company or you and DivvyPay regarding the matters described in this Offer Letter. In the event that the Merger is not consummated, this Offer Letter, and any non competition or confidentiality agreements with the Company, shall automatically terminate and be of no further force or effect. This offer, if not accepted, will expire immediately after the Closing Date.

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We look forward to the opportunity to welcome you to Bill.com.

/s/ René Lacerte

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René Lacerte Founder and Chief Executive Officer

[SIGNATURE PAGE TO OFFER LETTER]

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I have read and understood this letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Blake Murray

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Blake Murray Founder and CEO, DivvyPay

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**Exhibit A**

**Non-Competition Agreement**

April 29, 2022

*Via Email*

Mark Lenhard

Re: Terms of Transition and Separation

Dear Mark:

This letter confirms the agreement (“*Agreement*”) between you and Bill.com Holdings, Inc. (collectively with its subsidiaries, the “*Company*”) concerning the terms of your transition and separation from employment and offers you certain benefits to which you would not otherwise be entitled, conditioned upon your provision of a general release of claims and covenant not to sue now and upon the Separation Date (defined below) as provided herein. If you agree to the terms outlined herein, please sign and return this Agreement to me in the timeframe outlined below.

1. Separation from Employment: As you know, you and the Company have mutually decided to part ways and that your employment with the Company should end. The Company has discussed with you the terms under which it is willing to continue your employment through the Transition Period, as described further below. For avoidance of doubt, by your signature below you acknowledge and agree that: (a) your separation from the Company does not constitute a Qualifying Termination or CIC Qualifying Termination (each as referenced in your July 16, 2021 offer letter with the Company (the “*Offer Letter*”) and as defined in and governed by that certain Change in Control and Severance Agreement between you and the Company dated November 17, 2021 (the “*CIC and Severance Agreement*”), and (b) Good Reason, within the meaning of the Holdback Agreement referenced in Paragraph 2(c)(i)(1) below or within the meaning of the CIC and Severance Agreement, does not exist for you to resign your employment. By its signature below the Company acknowledges and agrees that as of the date hereof it does not have Cause to terminate your employment, within the meaning of the Holdback Agreement or within the meaning of the CIC and Severance Agreement.

2. Continued Employment; Other Release Consideration: In exchange for your agreement to the general release and waiver of claims and covenant not to sue set forth below and your other promises herein, the Company agrees to continue your employment on the following terms:

- a. Separation Date; Transition Period and Services: Your last day of
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employment with the Company will be September 1, 2022 (the “**Separation Date**”) subject to the at-will nature of your employment, as described in Paragraph 2(d), below. Between now and the Separation Date (the “**Transition Period**”), you agree to carry out the duties and responsibilities of your position as directed principally by the Company’s Chief Executive Officer, to whom you will continue to report, and to provide other transition services as may reasonably be requested by the Company, including transition of the responsibilities, duties, and knowledge relative to your position (the “**Transition Services**”). During the Transition Period, up to and including June 30, 2022 you will maintain a full-time schedule unless otherwise determined by the Chief Executive Officer in his sole discretion, and following June 30, 2022 you will provide transition services on an as-needed basis as requested by the Company’s Chief Executive Officer. Notwithstanding the foregoing, in the event that between July 1, 2022 and September 1, 2022 you wish to commence full-time employment with another company, with the written consent of the Company’s Chief Executive Officer, such consent not to be unreasonably withheld, your last day of employment will be on such date after June 30, 2022 as agreed to by the Company, provided that you continue to provide Transitional Services in a cooperative and diligent manner as may be requested by the Company until September 1, 2022.

b. **Compensation and Benefits:** During the Transition Period, the Company will continue to pay you your current base salary and you will continue to be eligible to participate in benefits customarily afforded to other employees, including participation in the Company-sponsored health benefits plan and continued vesting of options and restricted stock units, to the fullest extent allowed by the governing plans, agreements, or policies; provided that you will not be eligible to receive any incentive bonus payouts in respect of the Company’s 2022 or 2023 fiscal years, nor will you be eligible to participate in the Company’s annual equity refresh grant cycle.

c. **Separation Compensation:** Consistent with Paragraph 2(a) above, provided that you cooperatively and diligently provide the Transition Services as determined by the Company in good faith and in its sole discretion, then in exchange for your agreement to the general release and waiver of claims and covenant not to sue set forth in Exhibit A (the “**Second Release**”), to be signed no earlier than the Separation Date and your other promises herein, the Company agrees as follows:

i. **Holdback Release.**

(1) In connection with the Company’s acquisition of Invoice2go, Inc. pursuant to that certain Agreement and Plan of Merger, dated July 16, 2021, among the Company, Invoice2go, Inc. and the other parties named therein (the “**Merger Agreement**”), you entered into that certain Holdback Agreement, dated July 16, 2021, with the Company (the “**Holdback Agreement**”) pursuant to which you agreed to unvest and subject to a Repurchase Option (as defined in the Holdback Agreement) Parent Assumed Options (as defined in the Holdback Agreement) consisting of 714,029 (seven hundred fourteen thousand twenty nine) Invoice2Go options outstanding under the Bill.com Holdings, Inc. - Invoice2go, Inc. 2014 Equity Incentive Plan (the “**Invoice2Go Plan**”) which upon closing of the acquisition, and following conversion into options to acquire Company stock pursuant to Section 2.4 of the Merger Agreement, comprised a total of 40,268 (forty thousand two hundred sixty eight) options.

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Pursuant to the Holdback Agreement, one-third of the Parent Assumed Options are to vest on September 1, 2022 and one-twelfth of any unvested Parent Assumed Options vest quarterly thereafter, subject to your continued employment with the Company.

(2) On the Effective Date of the Second Release, 26,846 (twenty six thousand eight hundred forty six) Parent Assumed Options (which, for the avoidance of doubt, includes the Parent Assumed Options that are to vest on September 1, 2022) as set forth in Schedule 1 (the “**Holdback Release Options**”) hereto shall vest and be released from the Repurchase Option pursuant to Section 1(d) of the Holdback Agreement. All other Parent Assumed Options, as well as all RSUs (as defined below) that have been granted to you, shall be forfeited on the Effective Date of the Second Release and shall be thereafter void, without payment of any additional consideration to you. For the avoidance of doubt, subject to Section 2(d), the vesting and release of the Holdback Release Options from the Holdback Agreement shall be conditioned on you providing the Transition Services as an employee and/or a consultant until the Separation Date. Notwithstanding any contrary provision of any option agreement, all Parent Assumed Options that vest pursuant to Paragraph 2(c)(i) of this Agreement must be exercised within 90 days after the Separation Date, and to the extent not so exercised shall expire and no longer be exercisable.

ii. COBRA: Upon your timely election to continue your existing health benefits under COBRA, and consistent with the terms of COBRA and the Company’s health insurance plan, the Company will pay the insurance premiums to continue your existing health benefits for 3 (three) months following the Separation Date. You will remain responsible for, and must continue to pay, the portion of premiums, co-payments, etc. that you would have paid had your employment continued.

d. At-Will Employment: During the Transition Period, your employment with the Company will remain at-will, meaning either you or the Company may terminate your employment at any time with or without notice or reason. However, provided that you diligently and cooperatively provide the Transition Services (as determined by the Company in good faith and in its sole discretion), in the event the Company terminates your employment prior to the Separation Date, the Company will provide you the benefits described in Paragraph 2(c), above. In the event that the Company terminates your employment prior to the Separation Date for failing to provide the Transition Services (including for failing to do so in a diligent and cooperative fashion, as determined by the Company in good faith and in its sole discretion), provided that in respect of failures to provide the Transition Services that are capable of cure you have been provided written notice by the Company of its belief that you have failed to provide the Transition Services and have not cured such failure after having been given 10 (ten) business days in which to do so, or you resign from employment with the Company for any reason prior to the Separation Date, you will not be eligible to receive, and the Company will not be obligated to offer to you, the benefits described in Paragraph 2(c), above.

By signing below, you acknowledge that you are receiving the release consideration outlined in this paragraph in consideration for waiving your rights to claims referred to in this Agreement (and the Second Release, if applicable) and that you would not otherwise be entitled to the release consideration.

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3. Final Pay: On your final day of employment, the Company will pay you for all wages, salary, reimbursable expenses previously submitted by you, accrued vacation (if applicable) and any similar payments due you from the Company as of your separation from employment. By signing below, you acknowledge that the Company does not owe you any other amounts, except as otherwise may become payable under the Agreement.

4. Return of Company Property: You hereby warrant to the Company that, no later than your final day of employment, you will return to the Company all property or data of the Company of any type whatsoever that has been in your possession or control.

5. Post-Employment Obligations: You hereby acknowledge that: (a) you continue to be bound by (i) the attached Non-Competition and Non-Solicitation Agreement (Exhibit B hereto), and (ii) the attached Employee Invention Assignment and Confidentiality Agreement (Exhibit C hereto); (b) as a result of your employment with the Company, you have had access to the Company's proprietary and/or confidential information, and you will continue to hold all such information in strictest confidence and not make use of it on behalf of anyone; and (c) you must, and by your signature below confirm that you shall, deliver to the Company, no later than the Separation Date, all documents and data of any nature containing or pertaining to such information, and not take with you, or otherwise retain in any respect, any such documents or data or any reproduction thereof.

6. Equity Compensation: During the Transition Period, the Parent Assumed Options will continue to vest according to the terms of the Holdback Agreement and your Assumed Option Agreement(s) and the Invoice2Go Plan (in each case, as modified by the Holdback Agreement, collectively, the "**Option Agreements**"), however, all vesting will cease as of your last day of employment. In addition to the Parent Assumed Options, pursuant to your Global Restricted Stock Unit Award Agreement with the Company dated September 27, 2021 and the

Company's 2019 Equity Incentive Plan (hereafter collectively referred to as the "**RSU**

**Agreements**"), you were granted 73,740 (seventy three thousand seven hundred forty) restricted stock units for shares of the Company's common stock, none of which have vested as of the date of this letter or will have vested as of the Separation Date (the "**RSUs**"). In addition, as of the date hereof you hold 32,822 (thirty two thousand eight hundred twenty two vested and unexercised options to acquire Company stock issued under the Invoice2Go Plan. During the

Transition Period, the RSUs will continue to vest according to the terms of the RSU Agreements; however, all vesting will cease as of the Separation Date (assuming your continuous employment through that date) and the RSUs shall be forfeited in accordance with Section 2(c)(i)(2). At all times, your rights concerning the Parent Assumed Options will continue to be governed by this Agreement, the Holdback Agreement (as modified by this Agreement) and the Option Agreements, and your rights concerning the RSUs will continue to be governed by the RSU Agreements. Per the Option Agreements, you will have 90 days following the Separation Date to exercise any then-vested options; after that date, you will no longer have a right to exercise the options as to any shares.

7. General Release and Waiver of Claims:

d. The payments and promises set forth in this Agreement are in full

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satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit-sharing, stock, stock options, restricted stock units or other ownership interest in the Company, termination benefits or other compensation to which you may be entitled by virtue of your employment with the Company or your separation from the Company. To the fullest extent permitted by law, you hereby release and waive any other claims you may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "**Releasees**"), whether known or not known, including, without limitation, claims of any kind under the Merger Agreement, the Offer Letter, the CIC and Severance Agreement and the Holdback Agreement, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation, benefits, equity (whether in the form of stock, stock options, RSUs or otherwise) or other ownership interest in the Company arising out of your employment or your separation of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, and/or claims based on disability or under the Americans with Disabilities Act. By signing this Agreement, you are not releasing or waiving any claims under the California Fair Employment and Housing Act or the Age Discrimination in Employment Act or Older Workers Benefit Protection Act; however, for the avoidance of doubt, you will release and waive such claims once you sign the Second Release.

e. By signing below, you expressly waive any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

f. You and the Company do not intend to release claims (i) that you may not release as a matter of law, including but not limited to claims for indemnity under California Labor Code Section 2802, (ii) of indemnification under any applicable indemnification agreement with the Company and/or the Company's Bylaws or Certificate of Incorporation or coverage under any directors & officers liability insurance policy, or (iii) for vested benefits under any Company employee benefit plans or (iv) for enforcement of this Agreement. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause below.

8. Covenant Not to Sue:

g. To the fullest extent permitted by law, at no time subsequent to the execution of this Agreement will you pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other

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tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which you may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Agreement.

h. Nothing in this paragraph shall prohibit or impair you or the Company from complying with all applicable laws, nor shall this Agreement be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

9. **Protected Rights:** You understand that nothing in the General Release and Waiver of Claims and Covenant Not to Sue paragraphs above, or otherwise in this Agreement, limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). You further understand that this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit your right to receive an award for information provided to any Government Agencies.

10. **Arbitration:** Except for any claim for injunctive relief arising out of a breach of a party's obligations to protect the other's proprietary information, the parties agree to arbitrate, in Santa Clara, California through JAMS, any and all disputes or claims arising out of or related to the validity, enforceability, interpretation, performance or breach of this Agreement, whether sounding in tort, contract, statutory violation or otherwise, or involving the construction or application or any of the terms, provisions, or conditions of this Agreement. Any arbitration may be initiated by a written demand to the other party. The arbitrator's decision shall be final, binding, and conclusive. The parties further agree that this Agreement is intended to be strictly construed to provide for arbitration as the sole and exclusive means for resolution of all disputes hereunder to the fullest extent permitted by law. The parties expressly waive any entitlement to have such controversies decided by a court or a jury.

11. **Attorneys' Fees:** If any action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs and expenses from the other party, in addition to any other relief to which the prevailing party may be entitled.

12. **Confidentiality:** The contents, terms and conditions of this Agreement must be kept confidential by you and may not be disclosed except to your immediate family, accountant or attorneys or pursuant to subpoena or court order. You agree that if you are asked for information concerning this Agreement, you will state only that you and the Company reached an amicable resolution of any disputes concerning your separation from the Company. Any breach of this confidentiality provision shall be deemed a material breach of this Agreement.

13. **No Admission of Liability:** This Agreement is not and shall not be construed or contended by you to be an admission or evidence of any wrongdoing or liability on the part of Releasees, their representatives, heirs, executors, attorneys, agents, partners, officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. This Agreement shall be afforded the maximum protection allowable under California Evidence Code Section 1152 and/or any other state or federal provisions of similar effect.

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14. Complete and Voluntary Agreement: This Agreement, together with the Holdback Agreement (as modified by this Agreement), the Option Agreements, the RSU Agreement and Exhibits A, B and C hereto, constitute the entire agreement between you and Releasees with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter. You acknowledge that neither Releasees nor their agents or attorneys have made any promise, representation or warranty whatsoever, either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing you to execute the Agreement, and you acknowledge that you have executed this Agreement in reliance only upon such promises, representations and warranties as are contained herein, and that you are executing this Agreement voluntarily, free of any duress or coercion.

15. Severability: The provisions of this Agreement are severable, and if any part of it is found to be invalid or unenforceable, the other parts shall remain fully valid and enforceable. Specifically, should a court, arbitrator, or government agency conclude that a particular claim may not be released as a matter of law, it is the intention of the parties that the general release, the waiver of unknown claims and the covenant not to sue above shall otherwise remain effective to release any and all other claims.

16. Modification; Counterparts; Electronic/PDF Signatures: It is expressly agreed that this Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, executed by authorized representatives of each of the parties to this Agreement. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of an electronic or PDF copy shall have the same force and effect as execution of an original, and a copy of a signature will be equally admissible in any legal proceeding as if an original.

17. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of California.

18. This Agreement is effective on the date it is signed by both parties (the "*Effective Date*").

19. Expiration of Offer: This offer expires at 5pm, Pacific Time, on Friday, April 2022.

If you agree to abide by the terms outlined in this Agreement, please sign and return it to me. I wish you the best in your future endeavors.

Sincerely,  
BILL.COM HOLDINGS, INC.

By: /s/ Rene Lacerte

Rene Lacerte  
Chief Executive Officer

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READ, UNDERSTOOD AND AGREED

/s/ Mark Lenhard

Date: \_\_\_\_\_

MARK LENHARD

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**SCHEDULE 1**  
**Parent Assumed Options**

Parent Assumed Options to be released as of the Effective Date of the Second Release

Number of Options	Grant Date	Exercise Price	Type
8,054	May 1, 2020	\$24.83	ISO
18,792	May 1, 2020	\$24.83	NQ

Parent Assumed Options to be forfeited as of the Effective Date of the Second Release

Number of Options	Grant Date	Exercise Price	Type
4,027	May 1, 2020	\$24.83	ISO
9,395	May 1, 2020	\$24.83	NQ



**EXHIBIT A**  
**SECOND RELEASE**

This General Release of All Claims and Covenant Not to Sue (the "**Second Release**") is entered into between Mark Lenhard ("**Employee**") and Bill.com Holdings, Inc. (together with its subsidiaries, the "**Company**") (collectively, "**the parties**").

**WHEREAS**, on April \_\_\_, 2022, Employee and the Company entered into an agreement regarding Employee's transition and separation from employment with the Company (the "**Separation Agreement**," to which this Second Release is attached as Exhibit A);

**WHEREAS**, on \_\_\_, Employee's employment with the Company terminated (the "**Separation Date**");

**WHEREAS**, the Company has determined that Employee cooperatively and diligently provided the Transition Services (as defined in the Separation Agreement);

**WHEREAS**, this agreement serves as the Second Release, pursuant to the Separation Agreement; and

**WHEREAS**, Employee and the Company desire to mutually, amicably and finally resolve and compromise all issues and claims surrounding Employee's employment and separation from employment with the Company;

**NOW THEREFORE**, in consideration for the mutual promises and undertakings of the parties as set forth below, Employee and the Company hereby enter into this Second Release.

1. Acknowledgment of Payment of Wages: By Employee's signature below, Employee acknowledges that, on the Separation Date, the Company paid Employee for all wages, salary, accrued vacation (if applicable), bonuses, commissions, reimbursable expenses previously submitted by Employee, and any similar payments due Employee from the Company as of the Separation Date. By signing below, Employee acknowledges that the Company does not owe Employee any other amounts, except as may become payable under the Separation Agreement and the Second Release. Employee agrees to promptly submit for reimbursement all final outstanding expenses, if any.

2. Return of Company Property: Employee hereby warrants to the Company that Employee has returned to the Company all property or data of the Company of any type whatsoever that has been in Employee's possession, custody or control.

3. Consideration: In exchange for Employee's agreement to this Second Release and Employee's other promises in the Separation Agreement and herein, the Company agrees to provide Employee with the consideration set forth in Paragraph 2(c) of the Separation Agreement. By signing below, Employee acknowledges that Employee is receiving the consideration in exchange for waiving Employee's rights to claims referred to in this Second Release and Employee would not otherwise be entitled to the consideration.

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4. General Release and Waiver of Claims:

a. The payments and promises set forth in this Second Release are in full satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit-sharing, stock, stock options, restricted stock units or other ownership interest in the Company, termination benefits or other compensation to which Employee may be entitled by virtue of Employee's employment with the Company or Employee's separation from the Company, including pursuant to the Separation Agreement. To the fullest extent permitted by law, Employee hereby releases and waives any other claims Employee may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "**Releasees**"), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of Employee's employment or separation of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, the California Fair Employment and Housing Act and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, and/or claims based on disability or under the Americans with Disabilities Act.

b. By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

a. Employee and the Company do not intend to release claims (i) that Employee may not release as a matter of law, including but not limited to claims for indemnity under California Labor Code Section 2802, (ii) of indemnification under any applicable indemnification agreement with the Company and/or the Company's Bylaws or Certificate of Incorporation or coverage under any directors & officers liability insurance policy, or (iii) for vested benefits under any Company employee benefit plans or (iv) for enforcement of this Second Release. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause set forth in the Separation Agreement.

5. Covenant Not to Sue:

a. To the fullest extent permitted by law, at no time subsequent to the execution of this Second Release will Employee pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which Employee may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Second Release.

b. Nothing in this paragraph shall prohibit or impair Employee or the Company from complying with all applicable laws, nor shall this Second Release be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

6. Protected Rights: Employee understands that nothing in the General Release and Waiver of Claims and Covenant Not to Sue paragraphs above, or otherwise in this Second Release, limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). Employee further understands that this Second Release does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Second Release does not limit Employee's right to receive an award for information provided to any Government Agencies.

7. Mutual Non-disparagement: Employee agrees that Employee will not, directly or indirectly, disparage or make negative remarks regarding Releasees or their products, services, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them, with any written or oral statement, including, but not limited to, any statement posted on social media (including online company review sites) or otherwise on the Internet, whether or not made anonymously or with attribution. The Company agrees that it will not, and will direct its current directors and officers for so long as they are employed by or providing services to the Company to not, directly or indirectly, disparage or make negative remarks regarding Employee with any written or oral statement, including, but not limited to, any statement posted on social media or otherwise on the Internet, whether or not made anonymously or with attribution. Nothing in this section shall prohibit Employee, the Company or the Company's directors and officers from providing truthful information in response to a subpoena or other legal process. Further, nothing in this Second Release prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful.

8. Review of Second Release; Expiration of Offer: Employee understands that Employee may take up to twenty-one (21) days to consider this Second Release (the

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“**Consideration Period**”). The offer set forth in this Second Release, if not accepted by Employee before the end of the Consideration Period, will automatically expire. By signing below, Employee affirms that Employee was advised to consult with an attorney prior to signing this Second Release. Employee also understands that Employee may revoke this Second Release within seven (7) days of signing this document and that the consideration to be provided to Employee pursuant to Paragraph 2(c) of the Separation Agreement will be provided only after the expiration of that seven (7) day revocation period.

9. Effective Date: This Second Release is effective on the eighth (8th) day after Employee signs it, provided Employee has not revoked it as of that time (the “**Effective Date**”).

10. Other Terms of Separation Agreement Incorporated Herein: All other terms of the Separation Agreement to the extent not inconsistent with the terms of this Second Release are hereby incorporated in this Second Release as though fully stated herein and apply with equal force to this Second Release, including, without limitation, the provisions on Arbitration, Governing Law, and Attorneys’ Fees.

Dated: \_\_\_\_\_  
Name: Rene Lacerte  
Title: Chief Executive Officer  
For the Company

Dated: \_\_\_\_\_  
Mark Lenhard

**EXHIBIT B**

NON-COMPETITION AND NON-SOLICITATION AGREEMENT

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IN WITNESS WHEREOF, Parent and Executive have executed this Agreement on the date first above written.

MARK LENHARD

/s/ Mark Lenhard

Signature

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[Signature Page to Non-Competition and Non-Solicitation Agreement]

**IN WITNESS WHEREOF**, Parent and Executive have executed this Agreement on the date first above written.

BILL.COM HOLDINGS, INC.  
a Delaware corporation

By:           /s/ René Lacerte            
Name:           Rene Lacerte            
Title:           Chief Executive Officer





**EXHIBIT C**

**EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT**



[Signature Page to Non-Competition and Non-Solicitation Agreement]

**Company:**

By: /s/ Jacqueline Hendy  
Name: Jacqueline Hendy  
Title: SVP, Human Resources

**Employee:**

/s/ Mark Lenhard  
Signature

Name (Please Print): Mark Lenhard

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**Exhibit A**

**LIST OF EXCLUDED INVENTIONS UNDER SECTION 4**

<u>Title</u>	<u>Date</u>	<u>Identifying Number or Brief Description</u>
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X \_\_\_\_\_ No inventions, improvements, or original works of authorship  
Additional sheets attached \_\_\_\_\_

Signature of Employee: \_\_\_\_\_ /s/ Mark Lenhard \_\_\_\_\_

Print Name of Employee: Mark Lenhard

Date: July 16, 2021

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**Exhibit B**

**CALIFORNIA LABOR CODE 2870 NOTICE:**

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July 6, 2022

VIA ELECTRONIC MAIL

Mark Lenhard

Re: Amendment No. 1 to Terms of Transition and Separation Agreement

Dear Mark,

This letter serves as an amendment to your April 29, 2022 Terms of Transition and Separation Agreement (the “**Transition Agreement**”) with Bill.com Holdings, Inc. (collectively with its subsidiaries, the “**Company**”) (you and the Company are collectively referred to as the “**Parties**”) (the “**Amendment**”).

[\*]

WHEREAS, [\*], you agree to provide ongoing Transition Services (as defined in the Transition Agreement) to the Company as a consultant and pursuant to the terms of this Amendment; NOW, THEREFORE, the Parties agree as follows:

1. Transition Period Consultancy: From and after the Separation Date and until September 1, 2022, and in exchange for your continued eligibility for the Separation Compensation set forth in Paragraph 2(c) of the Transition Agreement, you agree to provide ongoing Transition Services to the Company as a consultant, when and as requested by the Company and upon reasonable notice (not to exceed 10 hours per week), and during this period. In addition, for so long as you provide ongoing Transition Services to the Company as a consultant pursuant to this Amendment, you shall do so in the capacity as the Company’s Chief Operating Officer, you shall remain a Section 16 officer of the Company and shall continue to be subject to Bill.com’s Insider Trading Policy. The Company confirms and agrees that you shall continue to be indemnified as an officer under the Company’s Bylaws and covered by the Company’s D&O Insurance Policy in your capacity as an officer of the Company for so long as you hold an officer role with the Company.

2. Separation Compensation: Conditioned upon (i) your ongoing full compliance with the Transition Agreement and this Amendment until September 1, 2022, such compliance to be determined by the Company in good faith and in its sole discretion, and (ii) your execution of the Second Release (i.e. Exhibit A to the Transition Agreement, as modified by this Amendment and attached hereto as Exhibit A), on, and no earlier than, September 1, 2022, the Company will provide you with the Separation Compensation set forth in Paragraph 2(c) of the Transition Agreement. By way of this Amendment, you acknowledge and agree that you are waiving the Company’s payment of insurance premiums for three (3) months, as set forth in Paragraph

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2(c)(ii) of the Transition Agreement, and your existing health benefits will terminate in accordance with the Company's practices based on the Separation Date, as defined herein.

3. [\*].

4. Complete and Voluntary Agreement: This Amendment, together with the Transition Agreement, constitutes the entire Agreement between the Parties with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, relating to such subject matter. Except as expressly modified herein and in Exhibit A hereto, the Transition Agreement shall remain in full force and effect. For the avoidance of doubt, nothing in this Amendment is intended to reduce in any way your obligations contained in any separate agreement between you and the Company containing post-employment obligations or restrictions, including any restrictive covenants, including but not limited to the obligations set forth in the Non-Competition and Non-Solicitation Agreement dated July 16, 2021.

5. Modification; Counterparts; Electronic/PDF Signatures: It is expressly agreed that this Amendment may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Amendment, executed by authorized representatives of each of the parties to this Amendment. This Amendment may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of an electronic or PDF copy shall have the same force and effect as execution of an original, and a copy of a signature will be admissible in any legal proceeding as if an original.

6. Governing Law: This Amendment shall be governed by and construed in accordance with the laws of the State of California.

7. Effective Date: This Amendment is effective on the date it is signed by both Parties.

Sincerely,

Bill.Com Holdings, Inc.

/s/ René Lacerte

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By: Rene Lacerte, Chief Executive Officer

Dated: 7/5/22

READ, UNDERSTOOD AND AGREED

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BY: /s/ Mark Lenhard

Dated: 7/6/2022

Mark Lenhard

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**EXHIBIT A**

**SECOND RELEASE**

This General Release of All Claims and Covenant Not to Sue (the “*Second Release*”) is entered into between Mark Lenhard (“*Employee*”) and Bill.com Holdings, Inc. (together with its subsidiaries, the “*Company*”) (collectively, “*the parties*”).

**WHEREAS**, on April 29, 2022, Employee and the Company entered into an agreement regarding Employee’s transition and separation from employment with the Company (the “*Separation Agreement*,” to which this Second Release is attached as Exhibit A);

**WHEREAS**, on [Date], Employee’s employment with the Company terminated (the “*Separation Date*”);

**WHEREAS**, between the Separation Date and September 1, 2022, Employee served as a consultant to the Company;

**WHEREAS**, the Company has determined that Employee cooperatively and diligently provided the Transition Services (as defined in the Separation Agreement), both in his capacity as an employee of the Company until the Separation Date, and thereafter as a consultant to the Company until September 1, 2022;

**WHEREAS**, this agreement serves as the Second Release, pursuant to the Separation Agreement; and

**WHEREAS**, Employee and the Company desire to mutually, amicably and finally resolve and compromise all issues and claims surrounding Employee’s employment and separation from employment with the Company;

**NOW THEREFORE**, in consideration for the mutual promises and undertakings of the parties as set forth below, Employee and the Company hereby enter into this Second Release.

1. **Acknowledgment of Payment of Wages**: By Employee’s signature below, Employee acknowledges that, on the Separation Date, the Company paid Employee for all wages, salary, accrued vacation (if applicable), bonuses, commissions, reimbursable expenses previously submitted by Employee, and any similar payments due Employee from the Company as of the Separation Date. By signing below, Employee acknowledges that the Company does not owe Employee any other amounts, except as may become payable under the Separation Agreement and the Second Release. Employee agrees to promptly submit for reimbursement all final outstanding expenses, if any.

2. **Return of Company Property**: Employee hereby warrants to the Company that Employee has returned to the Company all property or data of the Company of any type whatsoever that has been in Employee’s possession, custody or control.

3. **Consideration**: In exchange for Employee’s agreement to this Second Release and Employee’s other promises in the Separation Agreement and herein, the Company agrees to

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provide Employee with the consideration set forth in Paragraph 2(c) of the Separation Agreement. By signing below, Employee acknowledges that Employee is receiving the consideration in exchange for waiving Employee's rights to claims referred to in this Second Release and Employee would not otherwise be entitled to the consideration.

4. General Release and Waiver of Claims:

a. The payments and promises set forth in this Second Release are in full satisfaction of all accrued salary, vacation pay, bonus and commission pay, profit-sharing, stock, stock options, restricted stock units or other ownership interest in the Company, termination benefits or other compensation to which Employee may be entitled by virtue of Employee's employment with the Company or Employee's separation from the Company, including pursuant to the Separation Agreement. To the fullest extent permitted by law, Employee hereby releases and waives any other claims Employee may have against the Company and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, successors and assigns (collectively "**Releasees**"), whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for additional compensation or benefits arising out of Employee's employment or separation of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, the California Fair Employment and Housing Act and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, and/or claims based on disability or under the Americans with Disabilities Act.

b. By signing below, Employee expressly waives any benefits of Section 1542 of the Civil Code of the State of California, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

c. Employee and the Company do not intend to release claims (i) that Employee may not release as a matter of law, including but not limited to claims for indemnity under California Labor Code Section 2802, (ii) of indemnification under any applicable indemnification agreement with the Company and/or the Company's Bylaws or Certificate of Incorporation or coverage under any directors & officers liability insurance policy, or (iii) for vested benefits under any Company employee benefit plans or (iv) for enforcement of this Second Release. To the fullest extent permitted by law, any dispute regarding the scope of this general release shall be determined by an arbitrator under the procedures set forth in the arbitration clause set forth in the Separation Agreement.

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5. Covenant Not to Sue:

d. To the fullest extent permitted by law, at no time subsequent to the execution of this Second Release will Employee pursue, or cause or knowingly permit the prosecution, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency, or any other tribunal, of any charge, claim or action of any kind, nature and character whatsoever, known or unknown, which Employee may now have, have ever had, or may in the future have against Releasees, which is based in whole or in part on any matter released by this Second Release.

e. Nothing in this paragraph shall prohibit or impair Employee or the Company from complying with all applicable laws, nor shall this Second Release be construed to obligate either party to commit (or aid or abet in the commission of) any unlawful act.

6. Protected Rights: Employee understands that nothing in the General Release and Waiver of Claims and Covenant Not to Sue paragraphs above, or otherwise in this Second Release, limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission ("**Government Agencies**"). Employee further understands that this Second Release does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Second Release does not limit Employee's right to receive an award for information provided to any Government Agencies.

7. Mutual Non-disparagement: Employee agrees that Employee will not, directly or indirectly, disparage or make negative remarks regarding Releasees or their products, services, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them, with any written or oral statement, including, but not limited to, any statement posted on social media (including online company review sites) or otherwise on the Internet, whether or not made anonymously or with attribution. The Company agrees that it will not, and will direct its current directors and officers for so long as they are employed by or providing services to the Company to not, directly or indirectly, disparage or make negative remarks regarding Employee with any written or oral statement, including, but not limited to, any statement posted on social media or otherwise on the Internet, whether or not made anonymously or with attribution. Nothing in this section shall prohibit Employee, the Company or the Company's directors and officers from providing truthful information in response to a subpoena or other legal process. Further, nothing in this Second Release prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful.

8. Review of Second Release; Expiration of Offer: Employee understands that Employee may take up to twenty-one (21) days to consider this Second Release (the

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“**Consideration Period**”). The offer set forth in this Second Release, if not accepted by Employee before the end of the Consideration Period, will automatically expire. By signing below, Employee affirms that Employee was advised to consult with an attorney prior to signing this Second Release. Employee also understands that Employee may revoke this Second Release within seven (7) days of signing this document and that the consideration to be provided to Employee pursuant to Paragraph 2(c) of the Separation Agreement will be provided only after the expiration of that seven (7) day revocation period.

9. Effective Date: This Second Release is effective on the eighth (8th) day after Employee signs it, provided Employee has not revoked it as of that time (the “**Effective Date**”).

10. Other Terms of Separation Agreement Incorporated Herein: All other terms of the Separation Agreement to the extent not inconsistent with the terms of this Second Release are hereby incorporated in this Second Release as though fully stated herein and apply with equal force to this Second Release, including, without limitation, the provisions on Arbitration, Governing Law, and Attorneys’ Fees.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name: Rene Lacerte  
Title: Chief Executive Officer      For the Company

Dated: \_\_\_\_\_

\_\_\_\_\_  
Mark Lenhard

**THIRD AMENDMENT TO OFFICE LEASE**

THIS THIRD AMENDMENT TO OFFICE LEASE ("**Third Amendment**") is entered into the 6th day of January, 2022 ("**Effective Date**"), by and between US ER AMERICA CENTER 4, LLC, a California limited liability company ("**Landlord**") and BILL.COM, LLC, a Delaware limited liability company ("**Tenant**").

WHEREAS, under that certain Office Lease dated December 31, 2019 ("**Original Lease**"), as amended by that certain First Amendment to Office Lease dated May 18, 2020 ("**First Amendment**"), as amended by that certain Second Amendment to Office Lease dated August 30, 2021 ("**Second Amendment**") (collectively, the "**Lease**"), by and between Landlord and Tenant, Tenant leases approximately 131,801 Rentable Square Feet comprised of Suite 100 and Suites 200, 300 and 400 consisting of a portion of the first floor and the entire second, third, and fourth floors (collectively, the "**Premises**" and sometimes referred to as the "**Original Premises**") and located in the building known as America Center 4 located at 6220 America Center Drive, San Jose, California, as more particularly described in the Lease; and

WHEREAS, Landlord and Tenant desire to amend the Lease in order to expand the Premises and to further modify the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and in the Lease, Landlord and Tenant agree to amend the Lease as follows, said provisions to control whenever inconsistent with the original provisions of the Lease:

1. **Recitals and Capitalized Terms.** The foregoing recitals are true and correct and are incorporated herein by this reference. Unless otherwise expressly provided herein, capitalized terms used herein shall have the same meanings as designated in the Lease. All references herein to the Lease shall include this Third Amendment.

2. **Premises.** Effective as of the First Expansion Commencement Date (as defined in **Paragraph 4**), Section 1.1 **Premises** is amended in order to revise the definition of "**Premises**" to include the space outlined on **Exhibit A-3** attached to this Third Amendment and incorporated by this reference and containing approximately 5,812 Rentable Square Feet comprised of Suite 120 located on the first floor of the Building (the "**First Expansion Premises**"). Following the First Expansion Commencement Date, the Premises shall be comprised of the Original Premises and the First Expansion Premises, which, collectively, comprise approximately 137,613 Rentable Square Feet and are herein collectively, and separately, called the "**Premises**".

3. **Permitted Use.** Effective as of the First Expansion Commencement Date, Section 1.8 **Permitted Use** is amended to add the following at the end:

"Notwithstanding anything to the contrary, Landlord acknowledges that Tenant's use of the First Expansion Premises for the Permitted Use may include Tenant's intended use of the First Expansion Premises for meetings and assembly uses, subject to and in accordance with the terms, covenants and conditions set forth in this Lease, the Declaration and applicable governmental regulations, restrictions and permitting (without the necessity of obtaining any zoning changes, conditional use permits or other special permits); provided that Landlord shall cooperate with Tenant upon Tenant's request (at no cost to Landlord) if Tenant elects to obtain permits necessary to accommodate Tenant's assembly use of the First Expansion Premises."

4. Commencement Date. Section 1.9 Commencement Date is amended to provide that the Commencement Date with respect to the First Expansion Premises shall be January 1, 2022. The Commencement Date as to the First Expansion Premises is also sometimes referred to as the “**First Expansion Commencement Date**”.

5. Term. Section 1.11 Term is amended to provide for a Term with respect to the First Expansion Premises, for the period commencing on First Expansion Commencement Date and expiring on the Expiration Date.

6. Basic Rent. Section 1.12 Basic Rent is amended to add the following Basic Rent schedule for the First Expansion Premises as of the First Expansion Commencement Date:

<u>“Period</u>	<u>Monthly Basic Rent</u>	<u>Period Basic Rent</u>
01/01/2022 – 08/31/2022*	\$24,410.40	\$195,283.20
09/01/2022 – 12/31/2022	\$24,410.40	\$97,641.60
01/01/2023 – 12/31/2023	\$25,165.96	\$301,991.52
01/01/2024 – 12/31/2024	\$25,921.52	\$311,058.24
01/01/2025 – 12/31/2025	\$26,677.08	\$320,124.96
01/01/2026 – 12/31/2026	\$27,490.76	\$329,889.12
01/01/2027 – 12/31/2027	\$28,304.44	\$339,653.28
01/01/2028 – 12/31/2028	\$29,176.24	\$350,114.88
01/01/2029 – 12/31/2029	\$30,048.04	\$360,576.48
01/01/2030 – 12/31/2030	\$30,977.96	\$371,735.52
01/01/2031 – 06/30/2031	\$31,907.88	\$191,447.28

\*The Basic Rent with respect to the First Expansion Premises shall be abated for the first 8 full calendar months of the Term commencing on January 1, 2022, and ending on August 31, 2022 (“First Expansion Basic Rent Abatement Period”). All of the remaining terms and conditions of the Lease shall remain in full force and effect during the foregoing First Expansion Basic Rent Abatement Period. If any Event of Default occurs under this Lease and Landlord terminates this Lease or Tenant’s right to possession of the Premises, then, in addition to Landlord’s other remedies available at law, in equity or under this Lease, the First Expansion Basic Rent Abatement Period, and Tenant’s right to abate Basic Rent, shall immediately terminate and the unamortized portion of the Basic Rent abated during the First Expansion Basic Rent Abatement Period (“First Expansion Abated Basic Rent”) shall immediately become due and payable upon Landlord’s demand. For purposes of calculating the portion of the Management Fee that is based on annual Basic Rent during the First Expansion Basic Rent Abatement Period, the annual Basic Rent shall be based on the amount set forth in the Basic Rent schedule for the applicable portion of the Calendar Year of 2022 occurring during the first Lease Year with respect to the First Expansion Premises, even though Basic Rent is subject to abatement during the First Expansion Basic Rent Abatement Period.”

The installment in the amount of \$42,298.99 of Basic Rent and Additional Rent for Operating Expense Rental and Real Estate Tax Rental payable for the First Expansion Premises for the first full calendar month of the Term in which Basic Rent and Additional Rent are due shall be due and payable at the time of execution and delivery of this Third Amendment.

7. Tenant's Proportionate Share. Effective as of the First Expansion Commencement Date, Section 1.16 Tenant's Proportionate Share is amended in order to revise the definition of "Tenant's Proportionate Share" to be 62.02% (determined by dividing the Rentable Square Feet of the Premises by the Rentable Square Feet of the Building and multiplying the resulting quotient by one hundred and rounding to the second decimal place).

8. Parking Space Allocation. Effective as of the First Expansion Commencement Date, Section 1.17 Parking Space Allocation is deleted in its entirety and replaced with the following:

"1.17 Parking Space Allocation. Tenant shall have the right to 457 parking spaces within the Parking Facilities during the Term, of which (a) 396 shall be unreserved parking spaces (of which 227 will be located on the Surface Lot and 169 will be located in the Phase II Parking Garage), (b) 33 shall have connections for car-chargers in the reserved spaces in the locations shown on Exhibit G ("Car-Charging Stalls") (of which 12 will be located in the Surface Lot and 21 shall be located in the Phase II Parking Garage), and (c) 28 shall be the reserved spaces in the locations shown on Exhibit G ("Reserved Stalls") (of which 18 will be located in the Surface Lot and 10 shall be located in the Phase II Parking Garage). For every four spaces that are designated as a Car-Charging Stall there will be two electric car chargers ("EV Stations") in the locations shown on Exhibit G available for the connections serving each such Car-Charging Stall when in use. The parking rental for each of the parking spaces in Tenant's Parking Space Allocation shall be \$0.00 per month per space during the initial 132-month Term expiring on June 30, 2031. Tenant's Parking Space Allocation shall include Tenant's Proportionate Share of visitor and handicapped parking."

9. Landlord's Notice Address. Section 1.19 Landlord's Notice Address is deleted in its entirety and replaced with the following:

"1.21 Landlord's Notice Address.  
 c/o USAA Real Estate Company 9830 Colonnade  
 Boulevard, Suite 600 San Antonio, Texas 78230-2239  
 Attention: Head of Office Asset Management Attention: General  
 Counsel

With copies at the same time to.

Steelwave, LLC  
 999 Baker Way, Suite 200 San Mateo, CA 94404  
 Attention: Property Manager"

10. Amenity Building Rent. Section 4.5 Amenity Building Rent Schedule is amended to add the following Amenity Building Rent schedule for the First Expansion Premises as of the First Expansion Commencement Date:

<u>Period</u>	Monthly Amenity <u>Building Rent</u>	Period Amenity <u>Building Rent</u>
01/01/2022 – 12/31/2022	\$1,167.60	\$14,011.20
01/01/2023 – 12/31/2023	\$1,203.74	\$14,444.88
01/01/2024 – 12/31/2024	\$1,239.88	\$14,878.56
01/01/2025 – 12/31/2025	\$1,276.02	\$15,312.24
01/01/2026 – 12/31/2026	\$1,314.94	\$15,779.28
01/01/2027 – 12/31/2027	\$1,353.86	\$16,246.32

01/01/2028 – 12/31/2028	\$1,395.56	\$16,746.72
01/01/2029 – 12/31/2029	\$1,437.26	\$17,247.12
01/01/2030 – 12/31/2030	\$1,481.74	\$17,780.88
01/01/2031 – 06/30/2031	\$1,526.22	\$18,314.64

11. Parking Space Alterations. Section 8.2 Parking Space Alterations is deleted in its entirety.

12. Condition of the Premises. Landlord and Tenant agree that the construction of any “Tenant Work” with respect to the First Expansion Premises shall be performed by Tenant in accordance with and as defined in Exhibit B-5. Subject to funding the Tenant Work Allowance (as defined in Exhibit B-5) for the construction of the Tenant Work, Landlord shall have no obligations whatsoever to construct any improvements to the Original Premises or the First Expansion Premises and Tenant HAS ACCEPTED THE ORIGINAL PREMISES AND THE FIRST EXPANSION PREMISES “AS IS”, “WHERE IS” AND WITH ANY AND ALL FAULTS. LANDLORD NEITHER MAKES NOR HAS MADE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE QUALITY, SUITABILITY OR FITNESS THEREOF OF THE ORIGINAL PREMISES OR THE FIRST EXPANSION PREMISES, OR THE CONDITION OR REPAIR THEREOF. TENANT’S CONTINUED POSSESSION OF THE ORIGINAL PREMISES AND TAKING OF POSSESSION OF THE FIRST EXPANSION PREMISES IS CONCLUSIVE EVIDENCE FOR ALL PURPOSES OF TENANT’S ACCEPTANCE OF THE PREMISES IN GOOD ORDER AND SATISFACTORY CONDITION, AND IN A STATE AND CONDITION SATISFACTORY, ACCEPTABLE AND SUITABLE FOR THE TENANT’S USE PURSUANT TO THE LEASE. Notwithstanding the foregoing, Landlord shall deliver all structural elements and subsystems of the First Expansion Premises, including but not limited to the HVAC, mechanical, electrical, and plumbing systems serving the First Expansion Premises, in good working condition and repair as of the Effective Date and Landlord will be responsible, without cost to Tenant, to repair any latent structural or design defects (as opposed to normal repairs, maintenance and replacements) in the curtain wall, windows and window framing, interior structural framing, foundation, roof, HVAC systems, mechanical, electrical, and plumbing systems occurring or discovered prior to the later of the date that is 12 months after the Effective Date and the date of expiration of any applicable warranty therefor; provided that Tenant delivers notice to Landlord thereof prior to the later of the date that is 12 months after the Effective Date and date of expiration of any applicable warranty therefor and such repairs shall not include work required in connection with (a) any of Tenant’s Alterations, Tenant Work or other improvements to the First Expansion Premises, (b) Tenant’s particular use of the First Expansion Premises, including, without limitation, for meeting or assembly uses (as opposed to Tenant’s use of the First Expansion Premises for the Permitted Use in accordance with the Original Lease in a normal and customary manner) or (c) a change in the Permitted Use stated in Section 1.8, regardless of whether Landlord approves such change.

13. Exhibits. Exhibit A-3 Plan Showing First Expansion Premises and Exhibit B-5 Work Agreement attached hereto are incorporated into the Lease by reference herein. Effective as of the First Expansion Commencement Date, Exhibit G Parking Space Locations is deleted from the Lease in its entirety and replaced with Exhibit G Parking Space Locations attached hereto and incorporated by reference herein. Exhibit E Outline of Vacant First Floor Space is deleted from the Lease in its entirety and replaced with Exhibit E Outline of First Floor Right of Offering Space attached hereto and incorporated by reference herein.

14. Options. Landlord and Tenant acknowledge and agree that Landlord has not granted Tenant (i) any rights of first refusal; (ii) any expansion or contraction rights; (iii) except for the Right of First Offering set forth in Article XXVI of the Lease, as amended by this Third Amendment, any rights of first offer; (iv) any rights to cancel or terminate the Lease as to all or any portion of the Premises; or (v) except for the Renewal Option set forth in Article XXV of the Lease, any options to renew or extend the



Term as to any of the Premises for any period after or beyond the Expiration Date. The Right of First Offering set forth in **Article XXVI** of the Lease shall remain in effect, with the following amendments:

- (a) The first sentence of Section 26.1 is deleted in its entirety and replaced with the following:

“If, at any time during the Term, any portion of (a) the remainder of the first floor of the Building outlined on **Exhibit E** attached hereto and incorporate by this reference or (b) the fifth or sixth floors of the Building (each a, and collectively, the “Right of First Offering Space”) becomes vacant and is not subject to any Senior Rights (as defined in **Section 26.1.1**), Landlord shall so notify Tenant (the “Right of First Offering Notice”), which Right of First Offering Notice shall contain the material economic terms on which Landlord is willing to lease the Right of First Offering Space to Tenant (including, without limitation, prevailing annual market rent, length of term, and Rentable Square Footage).”

- (b) Section 26.1.1 is deleted in its entirety and replaced with the following:

“**26.1.1 Limitations.** This Right of First Offering shall not apply to space that is currently vacant until such currently vacant space is leased, occupied and subsequently becomes vacant. The Right of First Offering is also subject and subordinate to (i) any rights of first offer, rights of first refusal, or other expansion rights of Hewlett Packard Enterprise Company, a Delaware corporation (together with its successors and assigns, “HPE”) (or HPE’s affiliates that control, are controlled by or are under common control with HPE) under that certain Option Rights and Competitor Restriction Agreement executed as of March 23, 2018, between Landlord, as Owner, and HPE, as Tenant, (“HPE Expansion Rights”) and (ii) the right of Landlord to renew or extend the term of the following leases or subleases (whether or not, the renewal or extension is on the exact terms contained in the applicable tenant’s lease, subtenant’s sublease or consummated pursuant to a lease amendment or a new lease and regardless of whether such lease or sublease contained a written renewal option) (“Other Tenant Renewal Rights”): (a) that certain Office Lease dated April 10, 2019, between Landlord and McAfee, LLC of the Right of First Offering Space and (b) each and any lease of Right of First Offering Space entered into in connection with the HPE Expansion Rights (such HPE Expansion Rights and Other Tenant Renewal Rights, collectively, referred to as “Senior Rights”).”

15. **Authority.** Tenant hereby represents and warrants that Tenant has full power and authority to enter into this Third Amendment and that the undersigned officer is authorized to execute this Third Amendment on behalf of Tenant. Landlord represents and warrants that Landlord has full power and authority to enter into this Lease and that the person executing this Lease on behalf of Landlord is authorized to execute this Lease on behalf of Landlord. If requested by Landlord, Tenant shall provide Landlord with copies of Tenant’s organizational documents, an incumbency certificate certifying to the above and minutes certified by an authorized representative of Tenant as being true, correct, and complete, as may be reasonably required to demonstrate that this Third Amendment is binding upon and enforceable against Tenant.

16. **Anti-Terrorism.** Tenant represents and warrants to Landlord that as of the Effective Date (i) neither Tenant nor any of its owners or affiliates currently are in violation of any laws relating to terrorism or money laundering (collectively, the “**Anti-Terrorism Laws**”), including without limitation Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and regulations of the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) related to Specially Designated Nationals and Blocked Persons (SDN’s OFAC Regulations), and/or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (the “**USA Patriot Act**”); (ii) neither Tenant nor any of its owners, affiliates, investors, officers, directors, employees, vendors, subcontractors or agents is a “**Prohibited Person**” which is defined as follows: (1) a

person or entity owned or controlled by, affiliated with, or acting for or on behalf of, any person or entity that is identified as an SDN on the then-most current list published by OFAC at its official website, <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, or at any replacement website or other replacement official publication of such list, and (2) a person or entity who is identified as or affiliated with a person or entity designated as a terrorist, or associated with terrorism or money laundering pursuant to regulations promulgated in connection with the USA Patriot Act; and (iii) Tenant has taken appropriate steps to understand its legal obligations under the Anti-Terrorism Laws and has implemented appropriate procedures to assure its continued compliance with such laws. Tenant covenants with Landlord that from and after the Effective Date, to the best of Tenant's knowledge (i) neither Tenant nor any of its owners or affiliates shall be at any time during the term hereof, in violation of the Anti-Terrorism Laws, including without limitation the USA Patriot Act; and (ii) neither Tenant nor any of its owners, affiliates, investors, officers, directors, employees, vendors, subcontractors or agents shall be during the term hereof a Prohibited Person. Landlord represents and warrants to Tenant that as of the Effective Date (i) neither Landlord nor any of its owners or affiliates currently are in violation of any Anti-Terrorism Laws; (ii) neither Landlord nor any of its owners, affiliates, investors, officers, directors, employees, vendors, subcontractors or agents is a Prohibited Person; and (iii) Landlord has taken appropriate steps to understand its legal obligations under the Anti-Terrorism Laws and has implemented appropriate procedures to assure its continued compliance with such laws. Landlord covenants with Tenant that from and after the Effective Date, to the best of Landlord's knowledge (i) neither Landlord nor any of its owners or affiliates shall be at any time during the term hereof, in violation of any Anti-Terrorism Laws; and (ii) neither Landlord nor any of its owners, affiliates, investors, officers, directors, employees, vendors, subcontractors or agents shall be during the term hereof a Prohibited Person.

17. **Brokerage.** Except for Cushman & Wakefield ("**Landlord's Broker**"), Tenant and Landlord each represent that it has not had dealings with a real estate broker, finder or other person with respect to this Third Amendment in any manner. Tenant and Landlord each agree to indemnify and hold the other harmless of and from any and all loss, costs, damages or expenses (including, without limitation, all attorneys' fees and disbursements) by reason of any claim of or liability to any broker or person claiming through the indemnifying party and arising out of or in connection with the negotiation, execution and delivery of this Third Amendment. Landlord's Broker will be compensated by Landlord pursuant to the terms of a separate agreement.

18. **Statement Required under California Civil Code § 1938.** The Premises has not undergone inspection by a Certified Access Specialist and the Premises has not been determined to meet all applicable construction-related accessibility standards pursuant to California Civil Code § 55.53. Except to the extent expressly set forth in the Lease, Landlord shall have no liability or responsibility to make any repairs or modifications to the Premises or the Project in order to comply with accessibility standards. Landlord hereby discloses pursuant to California Civil Code Section 1938 as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs to correct violations of the construction-related accessibility standards within the premises." Landlord and Tenant hereby acknowledge and agree that (i) in the event that Tenant elects to perform an Inspection, such Inspection shall be subject to the terms of **Section 9.3(c)** of the Lease and (ii) the terms of **Section 9.3(c)** are not amended in any respect by the terms of this Third Amendment.

19. Counterclaims. As of the date of Tenant's execution and delivery of this Third Amendment, to Tenant's actual knowledge, there exist no offsets, counterclaims or defenses of Tenant under the Lease against Landlord, and there exist no events which would constitute a basis for such offsets, counterclaims, or defenses against Landlord upon the lapse of time or the giving of notice or both. Without limiting the generality of the foregoing, Tenant hereby represents and warrants that, as of Tenant's execution and delivery hereof, to Tenant's actual knowledge, Landlord is not in default under the Lease.

20. Continued Effect. Except as otherwise provided in this Third Amendment, all other provisions of the Lease shall remain unmodified and in full force and effect.

21. Multiple Counterparts. This Third Amendment may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Third Amendment may be executed by a party's signature transmitted by facsimile or e-mail, and copies of this Third Amendment executed and delivered by means of faxed or e-mailed signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon faxed or e-mailed signatures as if such signatures were originals. All parties hereto agree that a faxed or e-mailed signature page may be introduced into evidence in any proceeding arising out of or related to this Third Amendment as if it were an original signature page.

22. Lender Consent. Landlord and Tenant shall cooperate with each other and exercise commercially reasonable efforts to obtain on or before February 28, 2022, the consent of BANK OZK, formerly known as Bank of the Ozarks ("Lender") to this Third Amendment as required pursuant to that certain Subordination, Non-Disturbance and Attornment Agreement executed as of February 26, 2020, by and among Landlord, Tenant and Lender.

[SIGNATURES ON FOLLOWING PAGE(S)]

EXECUTED on the dates indicated below to be effective as of the Effective Date.

TENANT:

BILL.COM LLC

a Delaware limited liability company

By: /s/ John Rettig  
Name: John Rettig  
Title: EVP & CFO  
  
Date: 12/31/2021

LANDLORD:

US ER AMERICA CENTER 4, LLC,

a California limited liability company

By: US America Center 3 & 4 Development JV, LLC,  
a Delaware limited liability company, its sole member

By: USR EF America Center 3 & 4 Development, LLC,  
a Delaware limited liability company, its sole member

By: USAA Eagle Real Estate Multi-Sector Operating Partnership, LP,  
a Delaware limited partnership, its Manager

By: USAA Eagle OP GP, LLC,  
a Delaware limited liability company, its general partner

By: /s/ Peter McLaughlin  
Name: Peter McLaughlin  
Title: Executive Managing Director  
Date: 1/6/2022

## LIST OF SUBSIDIARIES

Name of Entity	Ownership	Jurisdiction
Bill.com LLC 6220 America Center Drive, Suite 100 San Jose, CA 95022	100% owned by Bill.com Holdings, Inc.	Delaware, USA
Bill.com Canada, LLC 6220 America Center Drive, Suite 100 San Jose, CA 95022	100% owned by Bill.com Holdings, Inc.	Delaware, USA
Bill.com Capital Holdings, LLC 6220 America Center Drive, Suite 100 San Jose, CA 95022	100% owned by Bill.com Holdings, Inc.	Delaware, USA
Bill.com Capital 1, LLC 6220 America Center Drive, Suite 100 San Jose, CA 95022	100% owned by Bill.com Capital Holdings, LLC	Delaware, USA
Bill.com Capital 2, LLC 6220 America Center Drive, Suite 100 San Jose, CA 95022	100% owned by Bill.com Capital Holdings, LLC	Delaware, USA
Divvy Peach, LLC 13707 South 200 West Draper, UT 84020	100% owned by DivvyPay, LLC	Delaware, USA
Divvy Credit 1, LLC 13707 South 200 West Draper, UT 84020	100% owned by DivvyPay, LLC	Delaware, USA
Phlo, Inc. 13707 South 200 West Draper, UT 84020	100% owned by DivvyPay, LLC	Delaware, USA
Cimrid Pty, Ltd Level 27, 161 Castlereagh Street Sydney NSW 2000 Australia	100% owned by Invoice2go, LLC	Sydney, Australia
Bill.com Canada, Inc. 40 King Street West, Suite 2100 Toronto, Ontario M5H 3C2 Canada	100% owned by Bill.com International, Inc.	Ontario, Canada
Bill.com International, Inc. 6220 America Center Drive, Suite 100 San Jose, CA 95022	100% owned by Bill.com Holdings, Inc.	Delaware, USA
DivvyPay, LLC 13707 South 200 West Draper, UT 84020	100% owned by Bill.com Holdings, Inc.	Delaware, USA

Invoice2Go, LLC  
6220 America Center Drive, Suite 100  
San Jose, CA 95022

100% owned by Bill.com Holdings, Inc.

Delaware, USA

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-8 No. 333-259178) pertaining to the 2019 Equity Incentive Plan, 2019 Employee Stock Purchase Plan and DivvyPay, Inc. 2016 Equity Incentive Plan,
- 2) Registration Statement (Form S-8 No. 333-259420) pertaining to the Invoice2go, Inc. 2014 Stock Plan,
- 3) Registration Statement (Form S-3 No. 333-259681) of Bill.com Holdings, Inc.,
- 4) Registration Statement (Form S-3 No. 333-259419) of Bill.com Holdings, Inc.,
- 5) Registration Statement (Form S-8 No. 333-235459) pertaining to the 2006 Equity Incentive Plan, 2016 Equity Incentive Plan, 2019 Employee Stock Purchase Plan, and 2019 Equity Incentive Plan of Bill.com Holdings, Inc.,
- 6) Registration Statement (Form S-8 No. 333-249935) pertaining to the 2019 Equity Incentive Plan and 2019 Employee Stock Purchase Plan of Bill.com Holdings, Inc., and
- 7) Registration Statement (Form S-3 No. 333-256709) of Bill.com Holdings, Inc.;

of our reports dated August 22, 2022, with respect to the consolidated financial statements of Bill.com Holdings, Inc., and the effectiveness of internal control over financial reporting of Bill.com Holdings, Inc. included in this Annual Report (Form 10-K) for the year ended June 30, 2022.

/s/ Ernst & Young LLP

San Francisco, California  
August 22, 2022

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, René Lacerte, certify that:

1. I have reviewed this Annual Report on Form 10-K of Bill.com Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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.
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: August 22, 2022

**Bill.com Holdings, Inc.**

/s/ René Lacerte

René Lacerte  
Chief Executive Officer  
(Principal Executive Officer)



**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Rettig, certify that:

1. I have reviewed this Annual Report on Form 10-K of Bill.com Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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.
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: August 22, 2022

**Bill.com Holdings, Inc.**

/s/ John Rettig

John Rettig  
Chief Financial Officer and Executive Vice President, Finance and Operations  
(Principal Financial Officer)

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

I, René Lacerte, Chief Executive Officer of Bill.com Holdings, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: August 22, 2022

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**Bill.com Holdings, Inc.**

/s/ René Lacerte

René Lacerte

Chief Executive Officer

*(Principal Executive Officer)*

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

I, John Rettig, Chief Financial Officer of Bill.com Holdings, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Annual Report on Form 10-K of the Company for the year ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: August 22, 2022

**Bill.com Holdings, Inc.**

/s/ John Rettig

John Rettig

Chief Financial Officer and Executive Vice President, Finance and Operations  
*(Principal Financial Officer)*