

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 annual period ended January 31, 2019

OR

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

For transition period from to .

Commission File Number 001-38553.

DOMO, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

27-3687433
(I.R.S. Employer
Identification Number)

772 East Utah Valley Drive
American Fork, UT 84003
(Address of principal executive office, including zip code)

(801) 899-1000
(Registrant's telephone number, including area code)

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 be file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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 type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="radio"/>
		Emerging growth company	<input checked="" 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

As of July 31, 2018, the aggregate market value of the registrant's common equity held by non-affiliates was approximately \$381.4 million. Shares of common stock held by each executive officer and director and by each other person who may be deemed to be an affiliate of the registrant have been excluded from this computation. This determination of affiliate status for this purpose is not necessarily a conclusive determination for other purposes.

As of March 29, 2019, there were approximately 3,263,659 shares of the registrant's Class A common stock and 23,793,233 shares of the registrant's Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2019 annual meeting of stockholders, or the 2019 Proxy Statement, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2019 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

Domo, Inc.
Form 10-K
For the Fiscal Year Ended January 31, 2019

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

As used in this Annual Report on Form 10-K, unless expressly indicated or the context otherwise requires, references to “Domo,” “we,” “us,” “our,” “the Company,” and similar references refer to Domo, Inc. and its consolidated subsidiaries.

This Annual Report on Form 10-K, including the sections titled “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements containing words such as “may,” “believe,” “anticipate,” “expect,” “intend,” “plan,” “project,” “projections,” “business outlook,” “estimate,” or similar expressions constitute forward-looking statements. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition or state other “forward-looking” information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. They include, but are not limited to, statements about:

- our ability to attract new customers and retain and expand our relationships with existing customers;
- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, operating expenses, key metrics, ability to generate cash flow and ability to achieve and maintain future profitability;
- the anticipated trends, market opportunity, growth rates and challenges in our business and in the business intelligence software market;
- the efficacy of our sales and marketing efforts;
- our ability to compete successfully in competitive markets;
- our ability to respond to and capitalize on rapid technological changes;
- our expectations and management of future growth;
- our ability to enter new markets and manage our expansion efforts, particularly internationally;
- our ability to develop new product features;
- our ability to attract and retain key employees and qualified technical and sales personnel;
- our ability to effectively and efficiently protect our brand;
- our ability to timely scale and adapt our infrastructure;
- our ability to protect our customers' data and proprietary information;
- our ability to maintain, protect, and enhance our intellectual property and not infringe upon others' intellectual property; and
- our ability to comply with all governmental laws, regulations and other legal obligations.

Our actual results may differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, including those factors discussed in Part I, Item 1A (“Risk Factors”).

In light of the significant uncertainties and risks inherent in these forward-looking statements, you should not regard these statements as a representation or warranty by us or anyone else that we will achieve our objectives and plans in any specified time frame, or at all, or as predictions of future events. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1. Business

Overview

Domo is an operating system that powers a business, enabling all employees, from the CEO to front-line workers, to access real-time data and insights and take action from their smartphone. This is possible because Domo digitally connects all the people, data and systems in an organization.

Through Domo's platform, data from across the business is collected, stored, prepared, organized, analyzed, visualized, and shared. Algorithms and machine learning can be applied to the data that allow alerts to be triggered and actions invited. Users can receive these notifications on any device and immediately act on the invitation, after which the system can write back to the original system of record. Because Domo can digitally connect any organization and empower each of its employees, we believe our market potential is every working person with a mobile device. Because we leverage the power of the cloud, our platform can process extremely large volumes of quantitative and qualitative data while maintaining high performance levels. On a typical business day, our customers in the aggregate typically query several hundred trillion rows from uncached queries. Even with this volume of data, we maintain a subsecond average query response time. In aggregate, the data in Domo can be indexed anonymously.

We have made significant investments to build an enterprise-grade platform with the scale, speed and security to support the world's largest organizations, regardless of where they are in their digital transformation journey. In many ways, building Domo was like building seven start-ups in one. We built connectors to connect real-time to all of the data within a company and bring all that data into a warehouse and developed a data engine that is able to manage up to trillions of rows of data. We built visualization tools that enable our users to explore the data on any device and enable them to collaborate on the data in real time. We built our artificial intelligence and machine learning engine that is able to find correlations within the data and invites users to action. To enable our users to develop the applications they wanted on top of this platform, we built an app store with pre-built applications as well as the tools for users to build their own applications. That's why Domo is more than just a business intelligence, data warehouse, data discovery, analytics, collaboration, dashboarding, visualization or reporting tool. These tools and technologies are typically provided by separate vendors today. Domo combines all of them in a single platform that can augment a customer's existing infrastructure with the following:

- **Connectors:** Domo offers more than 1,000 powerful, first-class connectors which we define as read/write, API and standards based connectors that are available in the Domo Appstore, as well as a library of very flexible universal connectors that currently power over one hundred thousand Domo datasets, enabling all users, regardless of technical ability, to connect to data across a broad range of sources and facilitate initiation of business processes. These connectors enable data to be continuously synchronized in real time, fostering visibility and interoperability across a broad range of data sources.
- **Data Warehouse:** Our data warehouse, Adrenaline, stores massive amounts of data from across the business, organizes that data across many factors or variables and employs a massive number of processors to query that data in parallel, enabling employees across the organization to simultaneously access the same data for their various needs with subsecond response times on average.
- **Domo ETL:** Fusion is our data transformation engine that sorts customer data, making it possible for any dataset connected to Domo to be cleansed, combined and prepared for use leveraging Magic ETL, Data Flows and hygiene algorithms.
- **Data Analysis and Visualization:** Our Explorer analytics suite allows users to analyze, display, share and interact with data through pixel-perfect visualizations. Explorer is a data discovery tool that seamlessly works on mobile as well as on wall monitors in executive offices or manufacturing facility floors.
- **Collaboration:** Buzz is our standalone collaboration and productivity suite that integrates seamlessly with Domo's other features. Chat, sharing, organizational charts, profiles, and project management all help foster an engaged and curious workforce, so that anyone in an organization can participate in improving the business.
- **Artificial Intelligence Algorithms:** Domo's Mr. Roboto leverages machine learning algorithms, predictive analytics, and other artificial intelligence technologies to create alerts, detect anomalies, optimize queries, and suggest areas of interest to help people focus on what matters most. Mr. Roboto constantly scans incoming data to identify trends, anomalies and correlations, providing alerts and initiating business processes.

- **Partner Ecosystem:** With the Domo Appstore, APIs and developer tool kits, Domo enables an ecosystem of partners to quickly build applications on the platform. We believe this will be a meaningful source of future lead generation as application creation investment thresholds are high.

As of January 31, 2019, we had more than 1,700 organizations as customers, including 447 customers with more than \$1 billion in revenue, which we refer to as enterprise customers. For the years ended January 31, 2017, 2018 and 2019, our enterprise customers accounted for 47%, 46% and 45% of our revenue for such periods, respectively. We focus our sales and marketing resources on obtaining customers with over \$100 million in revenue, with a particular emphasis on enterprise customers. We employ a land-and-expand business model and typically enter into enterprises within a specific division or for a specific use case. As our users see the value of our platform and user engagement increases, we expand our footprint within the enterprise. Over the year ended January 31, 2019, our subscription net revenue retention rate, which compares the subscription revenue generated from a cohort of customers that generated subscription revenue at the beginning of the same period in consecutive fiscal years (excluding customers from the cohort who canceled during the initial period), averaged over 100%, 110% and 100% for all customers, enterprise customers and non-enterprise customers, respectively. By comparison, over the year ended January 31, 2018, our subscription net revenue retention rates averaged over 100%, 115% and 95% for all customers, enterprise customers and non-enterprise customers, respectively.

For the years ended January 31, 2017, 2018 and 2019, we had total revenue of \$74.5 million, \$108.5 million and \$142.5 million, respectively, representing year-over-year growth of 46% and 31%, respectively. For the years ended January 31, 2017, 2018 and 2019, our net loss was \$183.1 million, \$176.6 million and \$154.3 million, respectively.

The Domo Solution

We believe business technology must be as easy-to-use and intuitive as mobile consumer applications, while providing enterprise-grade scalability and security features. Everyone, from a CEO to a front-line employee, benefits from the functionality that Domo provides. Our platform fosters collaboration, efficient decision making, increased organizational productivity, and generates improved business results. The platform also is designed to help IT leaders deliver value rapidly to the business by seamlessly complementing their existing systems and infrastructure and unlocking value from their fragmented data and systems. While developing our platform, we have been focused on four key pillars.

All of Your People

Our platform enables every type of employee to connect to, analyze, and leverage data from their smartphone. When everyone can use data, the value of the data increases significantly and everyone is equipped with a common set of facts across all levels of an organization. As a result, data-driven knowledge proliferates throughout an organization as more employees become capable of contributing to shared, collaborative analysis. When freed from the constraints of traditional business intelligence tools, these employees tend to not only become increasingly productive, but also feel more connected to the broader organization.

All of Your Data in Real Time

Our platform provides real-time access to quantitative and qualitative data, including through more than 1,000 powerful first-class connectors as well as a library of very flexible universal connectors that currently power over one hundred thousand Domo datasets. In addition, through Domo Workbench, organizations can connect to proprietary data sources regardless of where those data sources reside within an organization. This comprehensive approach enables every type of employee to design customized, real-time views of data and data trends. For example, a marketer can design a visualization that includes real-time data of the click-through rates of the online advertisements, the impact of regional marketing campaigns, and the benchmarks of his organization's campaigns across the years.

Intelligence that Invites Actions

Our platform leverages artificial intelligence, including machine learning algorithms and predictive analytics, to continuously power more advanced insights, recommendations and alerts. We thereby enable employees to be aware of what is happening on a real-time basis, and take appropriate action where necessary. As more organizations and users adopt our platform, we have access to more data, and our indices become more powerful, resulting in more effective benchmarking. Our platform, based on ongoing variance analysis, is capable of providing personalized, proactive alerts and recommended actions to every employee and writing back to source applications based on predetermined actions triggered after certain thresholds or behavior has occurred. In the case of a bakery, for example, our platform can alert the owner that she does not have enough flour to meet tomorrow's demand and recommend a supply schedule to prevent future stock-outs.

Domo Appstore

We have prebuilt applications for specific use cases, and our users, including development partners, can build tailored applications to address a wide range of potential use cases, with limited training and no or limited IT involvement required. These applications range from a real-time social index to evaluate an organization's engagement across various social media platforms to a predictive analytics toolkit that allows users to analyze "what if" scenarios and forecast the direction of key business metrics to an aggregator for an organization's relevant mobile application statistics. To date, these applications have been adopted across a broad range of industries. Additionally, through the Domo Appstore, users have the option to make their applications available to all Domo users. This application ecosystem generates a powerful network for our platform — as users build, adopt and use additional applications, usage increases within an organization, which enables our platform to deliver even more powerful insights to those users.

Through the power of Domo's comprehensive cloud-based platform, organizations can finally provide all of their data, to all of their employees, all of the time.

Key Benefits of Our Solution

Domo is more than just a business intelligence, data connection, data warehouse, data transformation or ETL, data discovery, analytics, collaboration, dashboarding, visualization or reporting tool. These tools and technologies are typically provided by separate vendors today. Domo combines all of them in a single platform and enables truly digitally connected organizations.

The Domo platform delivers six core benefits, and from the combination of these six, customers benefit from a seventh, a virtuous cycle of optimization:

Executive and Outcome Focused Mobile Solution

From the beginning, we targeted CEOs as key users of our platform. That concept has fundamentally influenced every aspect of the Domo platform from architecture to user experience. CEOs have huge demands on their time, are constantly on the move, do not have time or desire to learn complex software, need answers that quickly drive decisions, need to create alignment within their organization, need to focus on the exceptional items that should bubble up in their business instead of turning over every stone to see if something is off, and hunger for as much collaborative and correlative signal as they can get. Our platform was designed to meet each of these needs.

Our native mobile application enables all employees, not just CEOs, to effectively manage their businesses and responsibilities using any device. Employees can see current status of business operations and receive automatic alerts for when they need to take action, delivered directly to their smartphone. Anyone can edit and interact with data and share it with colleagues in real time directly from their smartphone. While Domo was designed with mobile users first in mind, it is automatically accessible across laptops, TV screens, monitors, tablets and smartphones, via different browsers and visualization engines, which is a competitive differentiator.

Universal Data Model — Data Platform and Transformation

Domo is changing the way people think about data. Data is no longer a currency only to be banked, but is the fuel that drives the business. Domo puts data to work, all of the data, together in an integrated, robust system, for all of the business's employees. To accomplish this, Domo created a distributed data platform that was engineered to ingest, process, clean, prepare and make queryable all of a business's available data, and serve it back with a subsecond average query response time, not just from a couple of databases or a single warehouse, or a few external cloud apps, but from all of the data, including systems that come online outside of IT's influence like the myriad of cloud software providers each department might be leveraging. We believe that all of a business's quantitative and qualitative data must be brought together, in one system, in order to deliver the types of encompassing views and timely insights today's leaders must have. Our portfolio of connectors and cloud-based data warehouse provides a massively scalable solution to enable businesses to connect to their data systems. Our cloud-based ETL suite allows all of that data to be transformed and prepared together in a universal data format, enabling users to easily incorporate, change or discontinue different data sources without disruption. Our fast query engine searches the data, enabling insights to be generated. Now business leaders can have fully comprehensive views of what is happening, across all departments and across all systems.

Digitally Connected Organization — Interconnecting and Orchestrating across Disparate Systems

Businesses use many separate software systems to facilitate core elements of managing their business. This means there is no natural opportunity to leverage a broader, more holistic view of the state of the business or to take broadly informed actions and decision paths. It is very difficult to create alignment across the disparate organizations that use the siloed systems. This

often creates walled gardens of data inside the business and blocks departments and teams from being able to effectively work full life cycle problems with each other. It also cripples the C-suite from being able to truly understand the nature of a problem or opportunity. Our comprehensive, cloud-based platform weaves seven critical platform components together to exploit this opportunity to increase alignment, accuracy and effectiveness of business leaders: data connections, data warehouse, data management, data analysis and visualization, artificial intelligence algorithms, and our partner ecosystem. An action in one system can have its influence measured in another, combined together in the same view, such as when marketing automation affects sales revenue generation, which in turn affects financial performance, to truly understand how best to guide the business.

Productivity — Fosters Getting Work Done Together

Our platform enables all employees to engage with each other with real-time data and business results at the center of the conversation. Employees can easily find others in their organization who access similar data and invite them and others with the appropriate permissions to engage in richer conversations to achieve business results. With Domo, users collaborate where the data lives, increasing everyone's productivity and ability to act on the data. Our platform also enables organizations to share their data and collaborate with customers, suppliers and other partners outside of the organization. Additionally, any user can schedule critical insights to be delivered to the right inboxes, ensuring the right stakeholders are being kept up-to-date on relevant developments.

Enterprise Security, Scalability and Compliance

We have invested significantly to build security features in our platform that have enabled us to expand our presence within the enterprise. Because we connect directly to data sources that hold companies' CRM, HCM, ERP and other sensitive data in our system, we must maintain enterprise-grade security standards for data access, privacy and administration. Our security protocols enabled us to attract enterprise customers across a wide array of industries, including many in highly regulated industries such as financial services and healthcare. Our security features, such as customer-controlled encryption key management, provide much needed confidence that the data on our platform is secure.

Our native multi-tenant, web-scale, massive parallel processing capabilities and multi-dimensional architecture manage extremely large volumes of data and deliver real-time analysis at scale. On a typical business day, our customers in the aggregate typically query several hundred trillion rows from uncached queries. Even with this volume of data, we maintain a subsecond average query response time. We leverage an organization's existing data systems, meaning IT does not have to re-architect what has already been built and does not have to invest in new infrastructure to implement our platform.

We also provide IT departments with centralized governance and administration capabilities. Our platform enables IT departments to not only monitor the health of all data within an organization, but also actively control who has access to that data on a real-time, continuous basis. Our platform provides robust controls down to row level security that enable leaders to tailor data access based on a variety of categories, including role, geography or department. We provide the assurance of leading security and compliance certifications, including those relating to SOC 1, SOC 2 + HITRUST, HIPAA and more.

Benchmarks and Applications — Ecosystem

We built the Domo platform with the explicit goal that it be extended and leveraged by a rich ecosystem of partners, developers, business experts and entrepreneurs. Each of the core pieces of the Domo platform has been engineered from the ground up to be extensible and accessible through APIs and SDKs. We have also created the Domo Appstore, a marketplace for the distribution of additive capabilities and pre-built content from the Domo ecosystem, such as a new data connector, a best-practice dashboard, or a fully functioning custom solution, to extend their Domo experience. Third parties are able to rapidly develop rich applications that leverage the collective power of the Domo platform. Each of the core tenets of the platform are offered as services and functionality used to build the types of products that typically would be expensive and time-consuming to replicate.

Virtuous Cycle of Optimization

The combination of these six core benefits drives a seventh factor, a virtuous cycle of optimization. A digitally connected organization is able to leverage all of the data, people, systems, behaviors, automation, write-back, predictive analytics, machine learning, natural language processing and workflows to achieve its goals and improve the entire business. Customers get more value from their workforce, and get more value from their data. We believe this is only the beginning; the network effect of digitizing complex workflows, automating well known outcomes, suggesting courses of action, unlocking crowd wisdom effects within the business and anomaly detection across the entire organization will continue to improve as more of an organization's people, data and systems are connected to the Domo platform.

Competitive Strengths

Our key competitive strengths include:

- **Mobile Functionality.** We designed Domo with mobile functionality front of mind. Domo's native mobile applications unlock users' ability to access data and collaborate in real time, from anywhere. When data is in Domo, it is immediately available for consumption on smartphones and other mobile devices without requiring separate versions or visualizations.
- **Functionality That Can Be Used by Everyone.** Employees can easily connect to relevant data sources, create powerful data transformations, analyze data, build reports and applications, configure alerts, and collaborate through our desktop or mobile application. Employees without technical expertise can use all of the features of our platform without involving a business analyst.
- **Easy to Adopt.** Employees can begin using our platform within minutes, without the need for heavy IT involvement to procure and implement. We offer a self-service subscription, as well as a free trial, through our website, in addition to traditional inside and field sales models for broad company deployments.
- **Scale.** Domo has been natively built on a cloud-based architecture that is capable of massive scale. The Domo data warehouse and our connector strategy allows our platform to connect, house and make accessible all of the data within an organization and have a system that can make recommendations.
- **Proven Economic Value.** The comprehensive capabilities of our solution enable organizations to benefit from cost savings that result from their ability to remove previously deployed, limited systems. Also, because our solution enables employees to spend less time tracking down data or preparing presentations for meetings, employees are able to dedicate more time to value added activities. As a result, in addition to cost savings, organizations that deploy our solution are often able to generate incremental revenue.
- **Proven Enterprise Readiness.** We have invested significantly to broaden our platform capabilities and enhance security and scalability requirements for the enterprise. Our enterprise customer base has grown from 36 as of January 31, 2014, to 447 as of January 31, 2019, representing a compound annual growth rate, or CAGR, of 66%. We are investing in our field sales team to further increase our focus on attracting new enterprise customers and expanding our footprint within our current enterprise customers.
- **Continuous Product Innovation.** From inception through January 31, 2019, we have invested \$395.0 million in research and development to create our comprehensive platform. These investments allowed us to create more than 1,000 first-class connectors as well as a library of very flexible universal connectors that currently power over one hundred thousand Domo datasets, which enable everyone to connect and use all of the data within their organization in real time, through our data explorer and ETL engine. We invested in creating our native mobile application, which empowers all employees to effectively manage their responsibilities using their mobile device. We also invested in developing collaboration capabilities, resulting in our solution being able to aggregate all collaboration activity within an organization in a context-sensitive, easily navigable view. These investments have also enabled us to build a comprehensive cloud-based platform with enterprise-grade features. More recently, these investments have allowed us to develop machine learning algorithms that invite all employees to action, based on the real-time data that is accessible within our platform. We developed the Domo Appstore on top of that, which offers hundreds of applications, developed internally and by an open ecosystem of partners, providing expertise across a variety of industries. Developer tools and programmatic APIs enable the rapid development and delivery of custom apps leveraging the Domo platform and services. In many ways, building Domo was like building seven start-ups at once. Additionally, we believe that our significant investments in research and development, which were required to build an operating system that powers a business, will provide tremendous leverage in our financial model as our business continues to scale.
- **Strong Industry Recognition.** Our brand is synonymous with the next generation of cloud-native, mobile-first data solutions. We have attracted and retained top talent in our industry and have become a top choice for organizations looking for better ways to use data to run their businesses. We have received multiple innovation awards and top-ranked recognition for ease-of-use and business value based on customer-based research from organizations such as Dresner Advisory Services, Gartner Research and Ventana Research. We've also been recognized with workplace and growth awards including the Deloitte Technology Fast 500, Forbes Cloud 100, Inc. 500 and Inc. 5000, CNBC Disruptor 50, Great Places to Work, Utah Business Best Places to Work (7 consecutive years) as well and Glassdoor Best Places to Work 2016. Additionally, our annual conference, Domopalooza, is renowned within the industry and attracts thousands of passionate users each year.

- **Expanding Third Party Ecosystem with Strong Network Effects.** We have developed pre-built applications for specific use cases and provide everyone with the necessary tools to build applications that run on our platform. These applications can be tailored to the specific needs of a specific role, organization or industry and leverage all the benefits of our solution to enable everyone to improve decision making, business outcomes and financial results. Once built, users can share these applications within their organization, but can also elect to open the application to all our users, across industries and geographies.

Growth Strategies

Key components of our growth strategy include:

- **Increasing Our Overall Customer Base.** The market for our platform is large and underpenetrated, as any organization of any size and in any industry is a potential customer of Domo. We believe there is substantial opportunity to add additional customers both in the United States and internationally as the need for all employees to access actionable, real-time data continues to drive market adoption of our platform. We are committed to further penetrating international markets and are investing in markets such as Japan, Asia Pacific and EMEA.
- **Accelerate Expansion within Existing Customers.** We employ a land-and-expand business model and typically enter into enterprises either within a specific division or for a specific use case. As our users see the value of our platform and user engagement increases, we expand our footprint within the enterprise. We are focused on helping our users quickly realize the value of our platform. We have substantial growth potential within our existing customer base. We will continue to focus on showcasing the value of our platform to expand our footprint within our existing customers.
- **Extend Platform Functionality and Value Proposition.** Our goal is to continue to enhance and broaden the capabilities of our platform to address our users' evolving needs. To that end, we plan to continue to invest in enhancing the ease of use and self-service capabilities, scalability, security and performance of our platform and expanding the IoT, artificial intelligence and data management functionality of our platform. We will also continue to invest in additional features and capabilities.
- **Expand the Domo Ecosystem.** The ecosystem for our platform includes customer influencers, which share valuable best practices for and serve as proof points for other customers, strategic partners, which efficiently expand our reach, and third party developers that create customized applications tailored for specific customer use cases. We will continue to invest in establishing and strengthening these relationships to broaden this ecosystem.
- **Leverage the Data.** The Domo platform is uniquely positioned to generate performance benchmarks and indices across a wide array of organizations and disciplines, and in time we plan to capitalize on that position to attract additional customers and broaden and deepen our relationships with them. Although no customer will have access to the data of another, given that customers bring their data into the same cloud-based platform, we could enable performance comparisons based on index derived from similarly-situated organizations.

Our Technology

Our solution is comprised of seven core elements:

- connectors;
- data warehouse and fast query engine;
- Domo ETL;
- data analysis and visualization tools;
- collaboration tools;
- artificial intelligence algorithms; and
- apps and partner ecosystem.

These core elements were developed with two foundational considerations in mind:

- accessibility for all users, with a heavy emphasis on mobile-first functionality; and

- access, and applicability to business of all sizes, including those requiring enterprise-grade governance and security.

Connectors

The foundation of our technology is the ability to connect all of an organization's relevant business data and then combine, cleanse and transform that data into formats that can be easily visualized and analyzed.

Our platform provides real-time access to data through a broad and flexible set of connection options, including through more than 1,000 first-class connectors, which we define as read/write, API and standards based connectors that are available in the Domo Appstore, as well as a library of very flexible universal connectors that currently power over one hundred thousand Domo datasets. We also provide users an intuitive web-based toolkit, Connector Dev Studio, which allows users to build their own connectors.

Our platform allows organizations to integrate directly with almost any source of data required to answer key business questions. Whether the necessary data is located in other third party systems, on-premise data stores, or even local machines, Domo provides easy access across all platforms with no coding necessary in most cases. Since Domo has built and maintains a large library of connectors, organizations no longer need to directly deal with the confusing and constantly changing ecosystem. Typically, all that is necessary are the security credentials required to access the data. Additionally, the cloud-based nature of Domo means that not only is it simple for an organization to import data, but such data will also be continually imported and updated creating a "living," real-time dataset with no hardware investment by the customer. For organizations with on-premises data solutions, or bespoke or legacy applications, we have developed Workbench, our secure data acquisition tool designed to easily and securely connect on-premises data to our platform. We thereby enable organizations to connect to real-time proprietary data sources regardless of where those data sources sit within the organization. QuickStart Apps help users load relevant data into a usable format with the click of a button. With a growing library of popular data sources that draw from years of role and industry experience, Domo guides users on what KPIs they should be measuring from the day they connect.

Data Warehouse and Fast Query Engine

Adrenaline, the Domo data warehouse, stores massive amounts of data connected from across the business, enabling anyone to quickly access the data they need.

After data has been imported into Domo, it is important that it is safe, secure, and available. Adrenaline uses industry-leading technologies to ensure that customer data is secure and encrypted while stored in the system. It is also stored in redundant systems to provide a safe and reliable retrieval. In the case of frequently changing, or updated data, Domo additionally stores historical versions of past data available for catastrophic recovery.

Availability of the data is handled through Domo's fast query layer. All data is prepared and available for querying through this feature. Adrenaline organizes the data across any number of factors or variables and employs a massive number of processors to query that data in parallel. This service supports queries while building simple cards as well as complex, custom queries and dataset joins on datasets comprised of billions of records. Our fast query layer eliminates the need for IT to perform time-consuming data summarizations or other complex processes in order to maintain high query performance. On top of the flexibility, it provides subsecond average query response time, enabling real-time consumption of information. The speed and flexibility at this layer differentiate between Domo from traditional solutions offered by our competitors.

Domo ETL: Data Transformation

Our self-service ETL toolset, Fusion, enables users to easily join, aggregate and cleanse data from multiple sources. Unlike some solutions that require separate tools to extract, transform and load, or ETL, data, Fusion permits users of all skill levels to clean and combine data within our platform.

With an intuitive, drag-and-drop interface, users with little or no expertise can easily combine all their data and transform it into a format that can be easily manipulated, visualized and analyzed. For data analysts, our platform includes SQL-based dataflows, which allow more technical users to combine and transform raw data sources for other users. Fusion also includes a variety of machine learning algorithm and predictive analytics tools to allow everyone to add intelligence to any dataset, enabling a range of data science analysis, including:

- cluster analysis to perform cohort analysis and discover relationships to understand complex data;
- predictive models built on a suite of regression algorithms to better understand core drivers and influencers of key business metrics;

- forecasting models using common forecasting methods;
- time-series, multivariate, parametric and non-parametric algorithms to reveal abnormal or “interesting” data in any dataset; and
- intelligent models built on machine learning algorithms.

All algorithms can be implemented using a simple wizard for configuration.

Real-time Analysis and Visualization

Our Explorer analytics suite, consisting of Domo Analyzer, Domo Pages and Collections, Domo Stories, Publication Groups and Domo Everywhere, allows users to analyze, display, share and interact with data through pixel-perfect visualizations.

Domo Analyzer allows users to analyze, display, share and interact with data across mobile devices and personal computers. Domo Analyzer combines an intuitive simplicity that allows business users to find quick insights and advanced capabilities analysts expect. Analyzer allows users to create their own workspace:

- over 300 chart types and a robust mapping engine that enable users to immediately visualize area-specific data, even suggesting charts based on the data input so users never start with a blank slate;
- the ability to see and manipulate the data in all columns that are applied to charts, along with any other unused columns that should be shown;
- out-of-the-box visualizations that make it easy to review numerous time periods to see trends and comparisons;
- pre-defined filters for any visualization, making it easy for viewers to explore the data and see results in specific areas;
- the ability to change options, colors, series, and even chart types on the fly and get instant feedback; and
- tools to allow users to verify that data is flowing correctly and on time.

Domo Pages and Collections allow everyone to consume and organize data in ways that are meaningful and personalized to them. It’s easy to drag-and-drop, re-size and group reports, which we refer to as cards, into collections, and build slideshows to share both internally or externally.

Domo Stories allows users to combine cards, text, and images in a dashboard to tell a powerful story about the data. Rather than simply arranging cards on a page, users can customize page layouts to emphasize certain points and guide other users through analysis of the data.

Other sharing tools include Publication Groups, which enable everyone to securely share filtered views of data with other individuals and groups, send a single card or a slideshow of cards through scheduled emails, enabling everyone to share valuable information with teams or external stakeholders.

Domo Everywhere is a set of embedded analytics tools that enable organizations to securely share data with customers, partners and vendors, without having to recreate new or special datasets. Content can be shared in portals, or web properties or even inside applications. Once embedded, any parameters applied to a card can be reflected in the embedded report. In addition, user access can be controlled by using Single Sign On and personal data permissions, or PDPs, to pass parameters back to Domo.

Real-time Collaboration

Domo connects all employees across an organization, while also allowing everyone to customize and create personalized experiences to help them learn and invite action on those items that are uniquely important to them.

Our Org Explorer and Profiles features bring a social component and transparency to an organization, allowing all employees to see other employees’ role within the organization, find their contact information and learn how they contribute to the organization. Everyone can see what cards their coworkers are following, and then follow the same information, or share their own data with them proactively.

Once connected with the right people, Buzz aggregates all collaboration activity, in a single context-sensitive, easily navigable view. This allows an entire organization to share and discuss data in real time, to make better decisions more quickly. With Buzz, users can:

- chat with individuals and teams around real-time data through both public and private channels and direct messages;
- share alerts with other users; and
- search for and share attachments with an easy-to-use drag-and-drop interface.

Other features to promote collaboration are included throughout our platform, including:

- Report Scheduler, which allows users to schedule delivery of a card or page to anyone;
- Snapshot Annotation, which allows users to call out a specific spike or trends in data, annotate on any card to highlight it for others and initiate a conversation from any device;
- Projects and Tasks, which help users quickly take action with simple planning and assignment tools, including creating a task directly from a Buzz thread; and
- Alerts, which prompt timely collaboration and action.

Artificial Intelligence Algorithms

Through Mr. Roboto, which leverages machine learning algorithms, artificial intelligence and predictive analytics, Domo creates alerts, detects anomalies, optimizes queries, and suggests areas of interest to help people focus on what matters most. We are also developing additional artificial intelligence capabilities to enable users to develop benchmarks and indexes based on data in the Domo platform, as well as automatic write back to other systems.

Domo was designed and built from the ground up to deliberately and seamlessly combine all the traditional disparate technologies into a single system. This seamless combination allows our customers to apply advanced analytics and machine learning to their data for a variety of uses, including:

- modeling access patterns to allow for intelligent alerts that inform users of what is happening with both their data and their organization — even if the user didn't explicitly ask for it; and
- analyzing popular consumption paths to allow for customized recommendations for data, reports, and even conversations that users may find interesting or may have missed.

Partner Ecosystem: App Development Platform and Appstore

The Domo Appstore offers hundreds of apps, developed internally and by an open ecosystem of partners, providing expertise across a variety of industries. Developer tools and programmatic APIs enable the rapid development and delivery of custom apps leveraging the Domo platform and services.

Domo's developer portal provides all of the tools and documentation needed to build custom apps leveraging our platform. Our App Design Studio lets non-technical users harness the power of Adobe Illustrator to build real-time infographics, and our App Dev Studio allows users to gain ultimate flexibility and develop customer visualizations using HTML, CSS, JavaScript, and just about any web technology.

Underlying our technology approach are two key considerations:

- accessibility for all users, which includes a heavy emphasis on mobile; and
- applicability to business of all sizes, requiring enterprise-grade governance.

Mobile-First Functionality

Domo's native mobile applications for iOS and Android, and also mobile web browsers, enable employees to effectively manage their responsibilities using their mobile device. Domo Mobile unlocks the ability for users to access their data and collaborate with their teams in real time, from anywhere.

- *Build Once and Done.* When data is loaded or content created in Domo, it is immediately available for consumption on mobile devices, tablets, and more. There is no need to maintain separate mobile versions of visualizations.
- *Powerful Visualization Exploration.* Domo's powerful page filters tool is also available on mobile. Whether it's an executive walking into a retail store or a manufacturing manager looking at a specific product line, individuals can quickly filter a page to find the story they are interested in.
- *Collaborate on the Go.* Just because users are out of the office doesn't mean they can't collaborate with their team around business. All the benefits of Buzz, Domo's powerful chat and collaboration platform, are available on any mobile device.
- *Share Key Metrics Internally and Externally.* Data owners can share important information with internal or external collaborators while limiting their access to sensitive or irrelevant data. Snapshot Annotations also help you make visuals clearer to your audience on mobile devices.
- *Browse Your Organization.* As a platform for business management, understanding organizational structure is key. With Domo, an organization's contact list and organizational chart are on any mobile device, for access to the people in the organization from anywhere, anytime.

Data Management, Governance, Security and Access Control

Domo is designed to meet the enterprise security, compliance and privacy requirements of our customers, particularly in highly regulated industries, such as financial services, government, health care, pharmaceuticals, energy and technology.

In addition to advanced internal security controls, Domo provides extensive self-service features that enable administrators to stay in control of and have full transparency into data at all times. These features include access management, data governance and logging and monitoring tools.

Access Management

Creating users and granting access rights in Domo is the first layer in maintaining information security. PDPs allow users to create robust entitlement policies that govern access to specific data, increasing data usage while simultaneously helping to ensure that sensitive or irrelevant information remains secure. Pre-defined security profile options are included to allow organizations to easily deploy our platform. Each profile contains clearly defined access privileges, which can be turned on or off by default, and privileges and roles can be fully tailored to align with an organization's unique policy.

Logging and Monitoring

Administrators can easily monitor global activity across Domo with our Activity Logs console. Authorized users can quickly access usage metrics like login attempts, card views, card creation and card edits. The console also provides the times those events took place and by which user. Admins can filter and sort this data, and export to an Excel spreadsheet or CSV file.

Data Governance

Once data is connected to Domo, the platform provides capabilities and tools to manage it across its lifecycle. The Domo Data Warehouse is a dynamic 3D management console that enables IT professionals to interact with and curate every data source in Domo. Administrators can see which data sources are updating, identify potential problems, understand existing data relationships, and gauge the size of each data source, all in one visually engaging platform.

Domo Bring Your Own Key, or BYOK, provides the ability to rotate encryption keys numerous times a day. Through this user-controlled encryption, organizations can revoke encryption keys at any time, nullifying all data in the Domo platform and preventing access to their sensitive customer data.

Customers

As of January 31, 2019, we had over 1,700 customers. We have customers in a wide variety of industries, geographies, with 77% of our revenue for the year ended January 31, 2019 derived from customers in the United States, and sizes, ranging from small organizations to large enterprises. We define a customer at the end of any particular quarter as an entity that generated revenue greater than \$2,500 during that quarter. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced at a separate billing address is treated as a separate customer. In cases where customers purchase through a reseller, each end customer is counted separately. For the fiscal years ended January 31, 2017, 2018 and 2019, no single

customer represented more than 10% of our revenue, nor did any single organization when accounting for multiple subsidiaries or divisions which may have been invoiced separately.

We have invested in platform capabilities and online support resources that allow our customers to expand the use of our platform in a self-guided manner. Our professional services, customer support and customer success functions also support our sales force by helping customers to successfully deploy our platform and implement additional use cases. We work closely with our customers to drive increased engagement with our platform by identifying new use cases through our customer success teams, as well as in-platform, self-guided experiences. We actively engage with our customers to assess whether they are satisfied and fully realizing the benefits of our platform. While these efforts often require a substantial commitment and upfront costs, we believe our investment in product, customer support, customer success and professional services will create opportunities to expand our customer relationships over time.

Sales and Marketing

We offer our platform to our customers as a subscription-based service. Subscription fees are based on the number of users and the tier of package deployed. Business leaders and managers are typically the initial subscribers to our platform, deploying it for a specific use case or department. Over time, as customers recognize the value of our platform, we increasingly engage with CIOs and other executives to facilitate broad enterprise adoption. A majority of our customers subscribe to our services through one-year contracts, but recently a growing percentage of new and existing customers have entered into multi-year contracts. In the year ended January 31, 2019, 43% of our new customers entered into multi-year contracts compared to 38% and 11% in the years ended January 31, 2018 and 2017, respectively. As of January 31, 2019, 42% of all customers were under multi-year contracts and 58% of all customers were under one-year contracts. By comparison, 32% of all customers were under multi-year contracts and 68% of all customers were under one-year contracts as of January 31, 2018. This transition to a higher percentage of multi-year contracts, among both new and existing customers, has enhanced the predictability of our subscription revenue. We typically invoice our customers annually in advance. Our one-year and multi-year contracts generally automatically renew for additional one-year terms, with each party having the option to elect not to renew, and generally may not be cancelled absent material breach by us or the customer.

We primarily generate sales through our direct sales team, which includes both inside sales personnel focused on customers with under \$1 billion in revenue and field sales to target enterprise customers with revenues over \$1 billion. All sales personnel focus on attracting new customers as well as expanding usage within our existing customer base. We also make it easy for users and organizations to sign up for free trials on our website, which can be converted to paid subscriptions by the user.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs. Our marketing programs target C-level, and senior line of business leaders spanning all functional areas of a business, including sales, marketing, finance, human resources and information technology. We also host Domopalooza, our annual user conference for current customers and prospects.

We have also developed go-to-market partnerships with a number of key technology, system integrator and consultant partners both domestically and internationally to help customers and potential customers validate our solutions and provide introductions to potential customers, and in some cases to resell or provide professional services related to our platform. We anticipate that we will continue to develop a select number of third-party relationships to help grow our business.

Competition

Historically, software companies have not offered solutions that meet the needs of an organization with respect to providing real-time intelligence on business operations to all users, from the CEO to the frontline. In many cases, organizations do not have any solution or otherwise rely on manual business processes such as spreadsheets and reports, or combinations of single solution software. Certain features of our platform compete with products offered by various companies including those that fall into the following categories:

- large software companies, including suppliers of traditional business intelligence products that provide one or more capabilities that are competitive with our products, such as Microsoft Corporation, Oracle Corporation, SAP AG and IBM;
- business analytics software companies, such as Tableau Software, Inc., Qlik Technologies, Looker Data Services, Inc., Sisense, Inc., and Tibco Software, Inc.; and
- SaaS-based products or cloud-based analytics providers such as salesforce.com, Inc. and Infor, Inc.

We believe that the principal competitive factors in our markets include the following:

- user-centric design;
- ease of adoption and use;
- features and platform experience;
- enterprise-grade performance, including scalability, reliability and query response time;
- brand;
- security, governance and privacy;
- accessibility across mobile devices, operating systems, and applications;
- breadth of data source connectivity through third-party integration;
- customer support;
- continued innovation; and
- pricing.

We believe that we compete effectively on each of the factors listed above; however, we expect competition to intensify in the future. It is possible that the large software vendors who currently do not have a competitive offering, some of which operate in adjacent product categories today, may in the future bring such a solution to market through product development, acquisitions or other means. In addition, several of our competitors have greater name recognition, much longer operating histories, more and better-established customer relationships, larger sales forces, larger marketing and software development budgets and significantly greater resources than we do. Therefore, it is possible that we may not compete favorably with respect to certain of the foregoing factors.

Data Center Operations

We rely heavily on data centers and other technologies and services provided by third parties in order to operate critical functions of our business. We serve our customers from multiple data centers in the following geographies: North America, Western Europe, and Australia. The data centers we use are designed to host mission-critical computer systems with fully redundant subsystems and compartmentalized security zones. Our platform runs within third-party data centers. As of January 31, 2019, we used Amazon Web Services, or AWS, data center facilities located in Western Europe, North America and Australia. We committed to spend an aggregate of \$60.0 million between April 2017 and March 2020 pursuant to our agreement with AWS. If we fail to meet the minimum purchase commitment during any year, we are required to pay the difference. AWS may terminate the agreement upon written notice to us for cause, including any material breach by us. We also use Microsoft Azure data centers in the United States to host customer data and partner with a third-party provider to maintain Company owned physical servers at an Equinix data center in the United States.

We and our third party data center providers maintain a formal and comprehensive security program designed to ensure the security and integrity of customer data, protect against security threats or data breaches, and prevent unauthorized access to the data of our customers. We and our third party data center providers strictly regulate and limit all access to on-demand servers and networks at our production and remote backup facilities.

We apply a wide variety of strategies to achieve better than 99.9% systems availability for our subscription services, excluding scheduled maintenance. Our systems are continually monitored for any signs of problems, and we strive to take preemptive action when necessary. Our data center facilities and the third party data centers employ advanced measures designed to ensure physical integrity, including redundant power and cooling systems, and advanced fire and flood prevention.

Research and Development

We focus our efforts on anticipating customer demand to remain competitive in the marketplace. Our ability to compete depends in large part on our continuous commitment to research and development and our ability to introduce new platform enhancements, applications, technologies, features and capabilities in a timely manner. Our research and development organization is responsible for design, development, testing, release and maintenance. Our efforts are focused on developing

new platform enhancements, use cases, and features and further enhancing the functionality, reliability, performance and flexibility of existing solutions.

Research and development expenses were \$76.2 million, \$78.3 million and \$75.7 million for the fiscal years ended January 31, 2017, 2018 and 2019, respectively.

Intellectual Property

We rely on a combination of trade secret, copyright, trademark, patent and other intellectual property laws, contractual arrangements, such as assignment, confidentiality and non-disclosure agreements, and confidentiality procedures and technical measures to gain rights to and protect the technology and intellectual property used in our business. We actively pursue registration of our trademarks and service marks in the United States and abroad.

As of January 31, 2019, we owned 89 issued U.S. patents and 39 pending U.S. patent applications. We also owned five patents in the People's Republic of China, one patent in Australia, one patent in Canada and one patent in Japan. The issued U.S. patents that we own are expected to expire between September 2020 and September 2035. We have sole ownership of all of our U.S. patents and pending U.S. patent applications.

Our applications use “open source” software. Open source software is made available to the general public in source code form for use, modification and redistribution on an “as-is” basis under the terms of a non-negotiable license. We also rely on other technology that we license from third parties. Though such third-party technology may not continue to be available to us on commercially reasonable terms, we believe that alternative technology would be available to us.

Our policy is to require employees and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, and other technology and intellectual property created by them on our behalf and agreeing to protect our confidential information, and all of our key employees and independent contractors have done so. In addition, we generally enter into confidentiality agreements with our vendors and customers. We also control and monitor access to our software, source code and other proprietary information.

Regulatory Matters

Data privacy, information security and data protection with respect to the collection, storage, and other processing of personal data continue to be focuses of worldwide legislation and regulation. We are subject to data privacy, data protection and information security regulation by data protection authorities in the United States (including the states in which we conduct our business) and in other countries where we conduct our business. These regulations include laws requiring holders of personal data to maintain safeguards and to take certain actions in response to a data breach. In the European Union, the General Data Protection Regulation, or GDPR, requires comprehensive information privacy and security protections for natural persons with respect to personal data collected about them. We post on our website our privacy policies and practices concerning the processing, use and disclosure of personal data, and certify adherence to and compliance with the U.S. Department of Commerce’s Privacy Shield Principles and the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks. Our publication of our Privacy Shield certification, our privacy policy, and other statements we publish regarding privacy, data protection and information security may subject us to potential governmental action if they are found to be deceptive or misrepresentative of our practices or in violation of applicable privacy law. We also may be bound from time to time by contractual obligations, including model contract provisions approved by the European Commission, that impose additional restrictions on our handling of personal data.

The legal environment of internet-based businesses is evolving rapidly in the United States, the European Union and elsewhere. The manner in which existing laws and regulations are applied in this environment, and how they will relate to our business in particular, both in the United States and internationally, is often unclear. For example, we sometimes cannot be certain which laws will be deemed applicable to us given the global nature of our business, including with respect to such topics as data privacy and security, pricing, advertising, taxation, content regulation, and intellectual property ownership and infringement or other violations of intellectual property rights. In particular, the various privacy, data protection and data security legal obligations that apply to us may evolve in a manner that relates to our practices or the features of our applications or platform, and we may need to take additional measures to comply with such changes in legal obligations and to maintain and improve our information security posture in an effort to avoid information security incidents or breaches affecting personal data or other sensitive or proprietary information.

Data Security

Domo is designed to meet the enterprise security, compliance and privacy requirements of our customers, particularly in highly regulated industries, such as financial services, health care, pharmaceuticals, energy and technology. Our architecture is

designed to allow customers to maintain control of their data through various means including: multiple logical and physical security layers; least privilege and separation of duties access model; threat assessments of each new feature; transport layer encryption and encryption at rest that allows customers to manage their own encryption keys using Domo's Bring Your Own Key, or BYOK; and extensive logging and monitoring of network, system and application events.

We voluntarily engage independent third-party security auditors to test our systems and controls at least annually against several widely recognized security standards and regulations.

We have completed a SOC 1 and SOC 2 + HITRUST Common Security Framework, or CSF, examination. Service Organization Controls, or SOC, are standards established by the American Institute of Certified Public Accountants for reporting on internal control environments implemented within an organization. Our datacenter facilities and services providers also regularly undergo ISO 27001 or SOC 1 or SOC 2 audits and numerous other audits to verify their security practices. We are also in the process of completing the ISO 27001 Information Security Management Standard Certification. The ISO 27001 security standard specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented Information Security Management System within the context of the organization's overall business risks. This standard addresses confidentiality, access control, vulnerability and risk assessment. We are also in the process of completing the ISO/IEC 27018 certification. ISO 27018 establishes commonly accepted control objectives, controls and guidelines for implementing measures to protect personal information in accordance with the privacy principles in ISO/IEC 29100 for a cloud computing environment.

We complete the two industry-leading information security questionnaires. This includes the Shared Assessments Standardized Information Gathering, or SIG, questionnaire, as well as the Cloud Security Alliance Consensus Assessments Initiative Questionnaire, or CSA CAIQ. The SIG is composed of approximately 1,400 security questions spanning 17 domains. The CSA CAIQ is a set of security questions focused on cloud security controls, and it is mapped to numerous industry programs and standards including ISO 27001, NIST SP 800-53, COBIT, amongst others. Both of these information security industry questionnaires assist organizations in evaluating a cloud providers operations and processes.

Domo supports HIPAA and HITECH compliance. We sign business associate agreements with our customers who require them in support of compliance with the Health Insurance Portability and Accountability Act, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or HITECH. We also offer a HIPAA assessment report performed by an independent third party.

Employees

As of January 31, 2019, we had 761 employees, of which 634 work in the United States. None of our employees are represented by a labor union, and we believe our employee relations are good.

Corporate Information

We were originally incorporated in September 2010 under the corporate name Shacho, Inc. in Delaware and, in December 2011, we reincorporated in Delaware as Domo, Inc. Our principal executive offices are located at 772 East Utah Valley Drive, American Fork, UT 84003, and our telephone number is (801) 899-1000. Our website address is www.domo.com. Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report on Form 10-K.

Available Information

The following filings are available through our investor relations website after we file them with the Securities and Exchange Commission ("SEC"): Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and our Proxy Statement for our annual meeting of stockholders. These filings are also available for download free of charge on our investor relations website. Our investor relations website is located at ir.domo.com. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is <http://www.sec.gov>.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, and press and earnings releases as part of our investor relations website. Further corporate governance information, including our corporate governance guidelines and code of conduct, is also available on our investor relations website under the heading "Governance." The contents of our websites 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, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

You should carefully consider the following risk factors, in addition to the other information contained in this report, including the section of this report captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes. If any of the events described in the following risk factors or the risks described elsewhere in this report occurs, our business, operating results and financial condition could be seriously harmed. This report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risks Related to Our Business and Industry

We have a history of losses, and we may not be able to generate sufficient revenue to achieve or maintain profitability in the future.

We incurred net losses of \$183.1 million, \$176.6 million and \$154.3 million for the years ended January 31, 2017, 2018 and 2019, respectively, and had an accumulated deficit of \$912.1 million at January 31, 2019. We may not be able to generate sufficient revenue to achieve or sustain profitability. We expect to continue to incur losses for the foreseeable future and we expect costs to increase in future periods as we expend substantial financial and other resources on, among other things:

- sales and marketing, including a continued expansion of our direct sales organization, which will require time before these investments generate sales results;
- technology and data center infrastructure, enhancements to cloud architecture, improved disaster recovery protection, increasing data security, compliance and operations expenses;
- data center costs as customers increase the amount of data that is available to our platform and the number of users on our platform;
- other software development, including enhancements and modifications related to our platform;
- international expansion in an effort to increase our customer base and sales;
- general and administration, including significantly increasing expenses in accounting and legal related to the increase in the sophistication and resources required for public company compliance and other work arising from the growth and maturity of the company;
- competing with other companies, custom development efforts and open source initiatives that are currently in, or may in the future enter, the markets in which we compete;
- maintaining high customer satisfaction and ensuring quality and timely releases of platform enhancements and applications;
- developing our indirect sales channels and strategic partner network;
- maintaining the quality of our cloud and data center infrastructure to minimize latency when using our platform;
- increasing market awareness of our platform and enhancing our brand;
- maintaining compliance with applicable governmental regulations and other legal obligations, including those related to intellectual property and international sales; and
- attracting and retaining top talent in a competitive market.

These expenditures may not result in additional revenue or the growth of our business. If we fail to continue to grow revenue or to achieve or sustain profitability, the market price of our Class B common stock could be adversely affected.

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

We were incorporated in 2010 and publicly announced our platform in 2015. Our limited operating history makes our ability to forecast future operating results difficult and subjects us to a number of uncertainties, including our ability to plan and model future growth. Revenue grew 46% in the fiscal year ended January 31, 2018 compared to the prior year; however, revenue grew

only 31% in the year ended January 31, 2019 compared to the prior year, and historical revenue growth is not necessarily indicative of future performance. Our revenue growth rate is expected to decline in future periods due to a number of reasons, which may include the maturation of our business, increase in overall revenue over time, slowing demand for our platform, increasing competition, a decrease in the growth of the markets in which we compete, or if we fail, for any reason, to continue to capitalize on growth opportunities, a decrease in our renewal rates, or a decline in upsells.

We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as determining appropriate investments of our limited resources, market adoption of our platform, competition, acquiring and retaining customers, hiring, integrating, training and retaining skilled personnel (including sales personnel), developing new platform enhancements and applications, determining prices and contract terms, improving our internal controls and unforeseen expenses and challenges in forecasting accuracy. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change, or if we do not address these risks successfully, our prospects, operating results and business could be adversely affected.

We have been growing and expect to continue to invest in our growth for the foreseeable future. If we fail to manage this growth effectively, our business and operating results will be adversely affected.

We intend to continue to grow our business. For example, we plan to continue to increase our headcount, particularly in our sales group. If we cannot adequately train these new employees, including our direct sales force, or if these new employees are not as productive as quickly as we would like, sales may decrease or customers may lose confidence in the knowledge and capability of our employees. In addition, we intend to make direct investments to continue our international expansion efforts. We must successfully manage growth to achieve our objectives. Although our business has experienced significant growth in the past, we cannot provide any assurance that our business will continue to grow at any particular rate, or at all.

Our ability to effectively manage the growth of our business will depend on a number of factors, including our ability to do the following:

- effectively recruit, integrate, train and motivate new employees and make them productive, including our direct sales force, while retaining existing employees, maintaining the beneficial aspects of our corporate culture and effectively executing our business plan;
- attract new customers, and retain and increase usage by existing customers;
- recruit and successfully leverage channel partners and app developers;
- successfully enhance our platform;
- continue to improve our operational, financial and management controls;
- protect and further develop strategic assets, including intellectual property rights; and
- manage market expectations and other challenges associated with operating as a public company.

These activities will require significant financial resources and allocation of valuable management and employee resources, and growth will continue to place significant demands on management and our operational and financial infrastructure.

Our future financial performance and ability to execute our business plan will depend, in part, on our ability to effectively manage any future growth. There are no guarantees we will be able to do so. In particular, any failure to successfully implement systems enhancements and improvements will likely negatively impact our ability to manage our expected growth, ensure uninterrupted operation of key business systems and comply with the rules and regulations that are applicable to public reporting companies. Moreover, if we do not effectively manage the growth of our business and operations, the quality of our platform could suffer, which could negatively affect our brand, operating results and business.

Our ability to raise capital in the future may be limited, and if we fail to raise capital when needed in the future, we could be prevented from growing or could be forced to delay or eliminate product development efforts or other operations.

Our business and operations may consume resources faster than we anticipate. We have incurred cumulative and recurring losses from operations since inception and had an accumulated deficit of \$912.1 million as of January 31, 2019. We have also experienced negative cash flows from operating activities since inception, including cash used in operating activities of \$144.1 million, \$148.7 million and \$131.4 million for the years ended January 31, 2017, 2018 and 2019, respectively. As of January 31, 2019, we had cash and cash equivalents of \$177.0 million and no amounts available to draw under our credit facility.

We may need to raise additional funds to invest in growth opportunities, to continue product development and sales and marketing efforts, and for other purposes. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to meet our obligations, invest in future growth opportunities, or continue operations at anticipated levels, which could harm our business and operating results. In addition, current and future debt instruments may impose restrictions on our ability to dispose of property, make changes in our business, engage in mergers or acquisitions, incur additional indebtedness, and make investments and distributions. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offerings. As a result, stockholders bear the risk that future securities offerings reduce the market price of our Class B common stock and dilute their interest.

We face intense competition, and we may not be able to compete effectively, which could reduce demand for our platform and adversely affect our business, growth, revenue and market share.

The market for our platform is intensely and increasingly competitive and subject to rapidly changing technology and evolving standards. In addition, many companies in our target market are offering, or may soon offer, products and services that may compete with our platform. Furthermore, many potential customers have made significant investments in legacy software systems and may be unwilling to invest in new solutions.

Our current primary competitors generally fall into the following categories:

- large software companies, including suppliers of traditional business intelligence products that provide one or more capabilities that are competitive with our products, such as Microsoft Corporation, Oracle Corporation, SAP AG and IBM;
- business analytics software companies, such as Tableau Software, Inc., Qlik Technologies, Looker Data Services, Inc., Sisense, Inc., and Tibco Software, Inc.; and
- SaaS-based products or cloud-based analytics providers such as salesforce.com, Inc. and Infor, Inc.

We expect competition to increase as other established and emerging companies enter the markets in which we compete, as customer requirements evolve and as new products and technologies are introduced.

Many competitors, particularly the large software companies named above, have longer operating histories, significantly greater financial, technical, research and development, marketing, distribution, professional services or other resources and greater name recognition than we do. In addition, many competitors have strong relationships with current and potential customers, channel partners and development partners and extensive knowledge of markets in which we compete. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, for example by devoting greater resources to the development, promotion and sale of their products than we do.

Moreover, many of these competitors may bundle their data management and analytics products into larger deals or maintenance renewals, often at significant discounts or at no charge. Increased competition may lead to price cuts, alternative pricing structures or the introduction of products available for free or a nominal price, fewer customer orders, reduced gross margins, longer sales cycles and loss of market share. We may not be able to compete successfully against current and future competitors, and our business, operating results and financial condition will be harmed if we fail to meet these competitive pressures. Even if we are successful in acquiring and retaining customers, those customers may continue to use our competitors' products in addition to our products.

Our ability to compete successfully depends on a number of factors, both within and outside of our control. Some of these factors include ease and speed of platform deployment and use, accessibility across mobile devices, operating systems, and applications, discovery and visualization capabilities, analytical and statistical capabilities, performance and scalability, the quality of our data security infrastructure, the quality and reliability of our customer service and support, total cost of ownership, return on investment and brand recognition. Any failure by us to compete successfully in any one of these or other areas may reduce the demand for our platform, as well as adversely affect our business, operating results and financial condition.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others. By doing so, these competitors may increase their ability to meet the needs of customers. These relationships may limit our ability to sell or certify our platform through specific distributors, technology providers, database companies and distribution channels and allow competitors to rapidly gain significant market share. These developments could

limit our ability to obtain revenue from existing and new customers. If we are unable to compete successfully against competitors, our business, operating results and financial condition would be harmed.

If we are unable to attract new customers in a manner that is cost-effective, our revenue growth could be slower than we expect and our business may be harmed.

To increase our revenue, we must add new customers. Demand for our platform is affected by a number of factors, many of which are beyond our control, such as continued market acceptance of our platform for existing and new use cases, the timing of development and release of new applications and features, technological change, growth or contraction in our addressable market, and accessibility across mobile devices, operating systems, and applications. In addition, if competitors introduce lower cost or differentiated products or services that are perceived to compete with our features, our ability to sell our features based on factors such as pricing, technology and functionality could be impaired. As a result, we may be unable to attract new customers at rates or on terms that would be favorable or comparable to prior periods, which could negatively affect the growth of our revenue.

Even if we do attract customers, the cost of new customer acquisition may prove so high as to prevent us from achieving or sustaining profitability. We recognize subscription revenue ratably over the term of the subscription period. In general, customer acquisition costs and other upfront costs associated with new customers are much higher in the first year than the aggregate revenue we recognize from those new customers in the first year. As a result, the profitability of a customer to our business in any particular period depends in part upon how long a customer has been a subscriber and the degree to which it has expanded its usage of our platform. Additionally, we intend to continue to hire additional sales personnel to grow our domestic and international operations. If our sales and marketing efforts do not result in substantial increases in revenue, our business, results of operations, and financial condition may be adversely affected.

If customers do not renew their contracts with us or reduce the number of users of our platform, our revenue will decline and our operating results and financial condition may be adversely affected.

The initial terms of our customer contracts typically vary in length between one and three years, and our customers have no obligation to renew their subscriptions after the expiration of their initial subscription periods. In some cases, the contracts automatically renew (with each party having the option to elect not to renew), but in circumstances where that is not the case, our customers may unilaterally elect not to renew, may seek to renew for lower subscription amounts or for shorter contract lengths, or may choose to renew for the same or fewer applications over time. Our renewal rates may decline or fluctuate as a result of a number of factors, including leadership changes within our customers resulting in loss of sponsorship, limited customer resources, pricing changes by us or competitors, customer satisfaction with our platform and related applications, the acquisition of customers by other companies, procurement or budgetary decisions, and deteriorating general economic conditions. To the extent our customer base continues to grow, renewals and additional subscriptions by renewing customers will become an increasingly important part of our results. If our customers do not renew their subscriptions, or decrease the amount they spend with us, revenue will decline and our business will be harmed.

If customers do not expand the number of users of our platform or adopt additional use cases our growth prospects, operating results and financial condition may be adversely affected.

Our future success depends on our ability to increase the deployment of our platform within and across our existing customers and future customers. Many of our customers initially deploy our platform to specific groups or departments within their organization or for a limited number of use cases. Our growth prospects depend on our ability to persuade customers to expand their use of our platform to additional groups, departments and use cases across their organization. Historically, we have made significant investments in research and development to build our platform and to offer enterprise customers the features and functionality that they require.

Because our recent growth has resulted in the rapid expansion of our business, we do not have a long history upon which to base forecasts of customer renewal rates, customer upsells or future revenue. As a result, future operating results may be significantly below the expectations of investors, which could harm the market price of our Class B common stock.

The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could negatively affect our ability to market our platform.

We rely on our reputation and recommendations from key customers in order to promote subscriptions to our platform. The loss of, or failure to renew by, any of our key customers could have a significant effect on our revenue, reputation and our ability

to obtain new customers. In addition, acquisitions of our customers could lead to cancellation of such customers' contracts, thereby reducing the number of our existing and potential customers.

Future operating results and key metrics may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.

Our operating results and key metrics could vary significantly from quarter to quarter as a result of various factors, some of which are outside of our control, including:

- the expansion of our customer base;
- the size, duration and terms of our contracts with both existing and new customers;
- the introduction of products and product enhancements by competitors, and changes in pricing for products offered by us or our competitors;
- customers delaying purchasing decisions in anticipation of new products or product enhancements by us or our competitors or otherwise;
- changes in customers' budgets;
- seasonal variations in our sales, which have generally historically been highest in our fourth fiscal quarter and lowest in the second and third fiscal quarters;
- the timing of satisfying revenue recognition criteria, particularly with regard to large transactions;
- the amount and timing of payment for expenses, including infrastructure costs to deliver our platform, research and development, sales and marketing expenses, employee benefit and stock-based compensation expenses and costs related to Domopalooza, our annual user conference that occurs in our first fiscal quarter;
- costs related to the hiring, training and maintenance of our direct sales force;
- the timing and growth of our business, in particular through the hiring of new employees and international expansion; and
- general economic and political conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers operate.

Any one of these or other factors discussed elsewhere in this report may result in fluctuations in our operating results, meaning that quarter-to-quarter comparisons may not necessarily be indicative of our future performance.

Because we recognize revenue from subscriptions ratably over the term of the agreement, near-term changes in sales may not be reflected immediately in our operating results.

We offer our platform primarily through subscription agreements, which typically vary in length between one and three years, and may in many cases be subject to automatic renewal or renewal only at a customer's discretion. We generally invoice our customers in annual installments at the beginning of each year in the subscription period. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably over the subscription period. As a result, most of the revenue that we report in each period is derived from the recognition of deferred revenue relating to subscriptions entered into during previous periods. A decline in new or renewed subscriptions in any one quarter is not likely to have a material impact on results for that quarter. However, declines would negatively affect revenue and deferred revenue balances in future periods, and the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our rate of renewals, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our total revenue through additional sales in any period, as revenue from new customers is recognized over the applicable subscription term. We may be unable to adjust our cost structure to reflect the changes in revenue. In addition, a significant majority of our costs are expensed as incurred, while revenue is generally recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenue in the earlier periods of the terms of our agreements.

We are increasingly targeting sales efforts at enterprise customers and the length, cost and uncertainty associated with sales cycles may result in fluctuations in our operating results and our failure to achieve the expectations of investors.

We are increasingly targeting sales efforts at enterprise customers, which we define as companies with over \$1 billion in revenue, and face long sales cycles, complex customer requirements, substantial upfront sales costs, and a relatively low and difficult to predict volume of sales on a quarter-by-quarter basis. This makes it difficult to predict with certainty our sales and related operating performance in any given period. Our typical sales cycle for new enterprise customers is approximately six months, but is variable and difficult to predict and can be longer. Customers often undertake a prolonged evaluation of our platform, including assessing their own readiness, scoping the professional services involved, and comparing our platform to products offered by competitors and their ability to solve the problem internally. Events may occur during this period that affect the size or timing of a purchase or even cause cancellations, which may lead to greater unpredictability in our business and operating results. Moreover, customers often begin to use our platform on a limited basis with no guarantee that they will expand their use of our platform widely enough across their organization to justify the costs of our sales efforts. We may also face unexpected implementation challenges with enterprise customers or more complicated installations of our platform. It may be difficult to deploy our platform if the customer has unexpected database, hardware or software technology issues.

Adherence to our financial plan in part depends on managing the mix of customers, the rate at which customers add users within their organizations, the number of use cases they employ, and the timing and amount of upsells, all of which affect annual contract value. Our financial performance and the predictability of our quarterly financial results may be harmed by intermittent failures to secure timely or at all the higher value enterprise agreements, or changes in the volume of transactions overall, compared to our forecasts, and depends in large part on the successful execution of our direct sales team.

Additionally, our quarterly sales cycles are generally more heavily weighted toward the end of the quarter with an increased volume of sales in the last few weeks and days of the quarter. This impacts the timing of recognized revenue and billings, cash collections and delivery of professional services. Furthermore, the concentration of contract negotiations in the last few weeks and days of the quarter could require us to expend more in the form of compensation for additional sales, legal and finance employees and contractors. Compression of sales activity to the end of the quarter also greatly increases the likelihood that sales cycles will extend beyond the quarter in which they are forecasted to close for some sizeable transactions, which will harm forecasting accuracy and adversely impact billings and new customer acquisition metrics for the quarter in which they are forecasted to close.

If we fail to effectively develop and expand our sales and marketing capabilities, our ability to increase our customer base and increase acceptance of our platform could be harmed.

To increase the number of customers and increase the market acceptance of our platform, we will need to expand our sales and marketing operations, including our domestic and international sales force. We will continue to dedicate significant resources to sales and marketing programs. We believe that there is significant competition for direct sales personnel with the sales skills and technical knowledge that we require. Our ability to achieve significant revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining a sufficient number of direct sales personnel and sales leadership. For example, we recently hired a new chief revenue officer. New hires require significant training and time before they achieve full productivity, particularly in new sales territories. Recent hires and planned hires may not become as productive as quickly as we would like, changes in sales leadership could adversely affect our existing sales personnel, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. The effectiveness of our sales and marketing has also varied over time and, together with the effectiveness of any partners or resellers we may engage, may vary in the future. Our business and operating results may be harmed if our efforts do not generate a correspondingly significant increase in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective.

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

We have limited experience with respect to determining the optimal prices and contract length for our platform. As the markets for our features grow, as new competitors introduce new products or services that compete with ours or reduce their prices, or as we enter into new international markets, we may be unable to attract new customers or retain existing customers at the same price. Moreover, large customers, which are the focus of our direct sales efforts, may demand greater price discounts.

As we expand internationally, we also must determine the appropriate price to enable us to compete effectively internationally. In addition, if the mix of features we sell changes, then we may need to, or choose to, revise our pricing. As a result, in the future

we may be required to reduce our prices or offer shorter contract durations, which could adversely affect our revenue, gross margin, profitability, financial condition and cash flow.

In addition, our competitors may offer different subscription or pricing models, such as by number of queries or data size, which may be more attractive to potential customers. We may be required to adjust our subscription or pricing models in response to these changes, which could adversely affect our financial performance.

We are subject to governmental laws, regulation and other legal obligations, particularly those related to privacy, data protection and information security, and any actual or perceived failure to comply with such obligations could impair our efforts to maintain and expand our customer base, causing our growth to be limited and harming our business.

We receive, store and process personal information and other data from and about customers in addition to our employees and services providers. Also, in connection with future feature offerings, we may receive, store and process additional types of data, including personally identifiable information, related to end consumers. 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, or FTC, and various state, local and foreign agencies. Our data handling also is subject to contractual obligations and may be deemed to be subject to industry standards, including certain industry standards that we undertake to comply with.

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, including the use of contact information and other data for marketing, advertising and other communications with individuals and businesses. In the United States, various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data. 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. The laws and regulations relating to privacy and data 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. For example, California recently enacted the California Consumer Privacy Act, or CCPA, that will, among other things, require covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information, when it goes into effect on January 1, 2020. Legislators have announced the intent to modify the CCPA, and we cannot yet predict the impact of the CCPA on our business or operations. It may, however, require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

In addition, several foreign countries and governmental bodies, including the European Union, 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 United States. 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, or IP, addresses. 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. Within the European Union, in May 2018, the European Union's new regulation governing data and privacy practices called the General Data Protection Regulation, or GDPR became effective and substantially replaced the data protection laws of the individual European Union member states. The GDPR includes more stringent operational requirements for processors and controllers of personal data and imposes significant penalties for non-compliance of up to the greater of €20 million or 4% of global annual revenues. Complying with the GDPR, the CCPA, and other new data protection laws and regulations may cause us to incur substantial operational costs or require us to modify our data handling practices. Actual or alleged non-compliance could result in proceedings against us by governmental entities or others (including a private right of action for affected individuals in certain instances) and may otherwise adversely impact our business, financial condition and operating results.

We have certified under the EU-U.S. Privacy Shield and the Swiss-U.S. Privacy Shield with respect to our transfer of certain personal data from the European Union and Switzerland to the United States. The Privacy Shield program is subject to annual review and may be challenged, suspended or invalidated. At present, the EU-U.S. Privacy Shield framework and the use of EU Standard Contractual Clauses, or the Model Clauses, to protect data exports between the European Union and the U.S. are both subject to ongoing legal challenges. The EU-US Privacy Shield is subject to a challenge by a French privacy group that is anticipated to be heard in the near future. The Model Clauses are also the subject of court proceedings between the Irish Data Protection Commissioner and a private individual, and this case has been referred to the Court of Justice of the European Union. Any or all of these court proceedings, or other challenges in the future, may result in a ruling that the industry-standard measures we, and other companies, have taken are no longer sufficient. Additionally, it is possible that the Privacy Shield program may need to be updated by the European Commission and Department of Commerce to take into account the GDPR. As a result, we may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the European Union to

the United States and may be at risk of experiencing reluctance or refusal of European or multi-national customers to use our solutions and incurring regulatory penalties, which may have an adverse effect on our business.

Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU. This has created uncertainty with regard to the future regulation of data protection in the United Kingdom. The United Kingdom has enacted a Data Protection Bill, effective in May 2018, that substantially implements the GDPR. Uncertainty remains, however, regarding how matters such as cross-border data transfers involving the United Kingdom will be handled in the medium to long term. We may experience reluctance or refusal by current or prospective customers in Europe, including the United Kingdom, to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of European residents. The regulatory environment applicable to the handling of European residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs, and could result in our business, operating results and financial condition being harmed.

We also handle credit card and other personal information. Due to the sensitive nature of such information, we have implemented policies and procedures in an effort to preserve and protect our data and our customers' data against loss, misuse, corruption, misappropriation caused by systems failures, unauthorized access or misuse. Notwithstanding these policies, we could be subject to liability claims by individuals and customers whose data resides in our databases for the misuse of that information. If we fail to meet appropriate compliance levels, this could negatively impact our ability to utilize credit cards as a method of payment, and/or collect and store credit card information, which could disrupt our business.

We sign business associate agreements with our customers who require them in order to comply with the Health Insurance Portability and Accountability Act, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or HITECH, and therefore we are directly subject to certain provisions of HIPAA applicable to business associates. We may collect and process protected health information as part of our HIPAA compliant service, which may subject us to a number of data protection, security, privacy and other government- and industry-specific requirements. In addition, if we are unable to protect the privacy and security of protected health information, we could be found to have breached our contracts with customers with whom we have a business associate relationship. Noncompliance with laws and regulations relating to privacy and security of personal information, including HIPAA, or with contractual obligations under any business associate agreement may lead to significant fines, civil and criminal penalties, or liabilities. The U.S. Department of Health and Human Services, or HHS, audits the compliance of business associates and enforces HIPAA privacy and security standards. HHS enforcement activity has become more significant over the last few years and HHS has signaled its intent to continue this trend. In addition to HHS, state attorneys general are authorized to bring civil actions seeking either injunctions or damages to the extent violation implicate the privacy of state residents.

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, information security, marketing or consumer communications 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, marketing, consumer communications and information security in the United States, the European Union and other jurisdictions, 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 features 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 consumers for the use and disclosure of such information could require us to incur additional costs or modify our platform, possibly in a material manner, which we may be unable to achieve in a commercially reasonable manner or at all, and which could limit our ability to develop new features. If our policies, procedures, or measures relating to privacy, data protection, information security, marketing, or customer communications fail, or are perceived as failing, 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 could cause our application providers, customers and partners to lose trust in us, which could materially affect our business, operating results and financial condition.

If our network or computer systems are breached or unauthorized access to customer data is otherwise obtained, our platform may be perceived as insecure and we may lose existing customers or fail to attract new customers, our reputation may be damaged and we may incur significant liabilities.

Our operations involve the storage and transmission of our customers' sensitive and proprietary information. Cyber-attacks and other malicious internet-based activity continue to increase generally, and cloud-based platform providers of software and

services have been targeted. If any unauthorized access to or security breach or security incident impacting our platform, our networks or systems, or any systems or networks of our service providers, occurs, or is believed to have occurred, whether as a result of third-party action, employee, vendor, or contractor error, malfeasance, phishing attacks, social engineering or otherwise, such an event or perceived event could result in the loss of, or unauthorized access to or acquisition of, data or intellectual property of ourselves or our customers, loss of business, severe reputational or brand damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation or other demands, indemnity obligations, damages for contract breach, penalties for violation of applicable laws, regulations, or contractual obligations, and significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach or other incident, and other liabilities. Additionally, any such event or perceived event could impact our reputation, harm customer confidence, hurt our sales and expansion into existing and new markets, or cause us to lose existing customers. We could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches or other incidents and to remediate our systems, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business may be impaired. Additionally, actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

In addition, if the security measures of our customers are compromised, even without any actual compromise of our platform or systems, or any networks or systems of our service providers, we may face negative publicity or reputational harm if customers or anyone else incorrectly attributes the blame for such security breaches or other incidents to us, our platform, our systems or networks, or those of our service providers. If customers believe that our platform does not provide adequate security for the storage of personal or other sensitive information or its transmission over the internet, our business will be harmed. Customers' concerns about security or privacy may deter them from using our platform for activities that involve personal or other sensitive information.

Our errors and omissions insurance covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all liability. Although we maintain insurance for liabilities incurred as a result of some security and privacy damages, we cannot be certain that our coverage will be adequate for 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.

Because the techniques used and vulnerabilities exploited to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or vulnerabilities or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period.

Additionally, with data security a critical competitive factor in our industry, we make public statements in our privacy policies, on our website, and elsewhere describing the security of our platform. Should any of these statements be untrue, become untrue, or be perceived to be untrue, even if through circumstances beyond our reasonable control, we may face claims, including claims of unfair or deceptive trade practices, brought by the FTC, state, local, or foreign regulators, and private litigants.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards and changing customer needs or requirements, our solutions may become less competitive.

Our success depends on our customers' willingness to adopt and use our platform, including on their smartphone or mobile device, as well as our ability to adapt and enhance our platform. To attract new customers and increase revenue from existing customers, we need to continue to enhance and improve our platform, to meet customer needs at prices that customers are willing to pay. Such efforts will require adding new features, expanding related applications and responding to technological advancements, which will increase our research and development costs. If we are unable to develop solutions that address customers' needs, or enhance and improve our platform in a timely manner, we may not be able to increase or maintain market acceptance of our platform.

Further, we may make changes to our platform that customers do not find useful. We may also discontinue certain features, begin to charge for certain features that are currently free or increase fees for any features or usage of our platform. We may also face unexpected problems or challenges in connection with new applications or feature introductions. Enhancements and changes to our platform could fail to attain sufficient market acceptance for many reasons, including:

- failure to predict market demand accurately in terms of platform functionality and capability or to supply features that meets this demand in a timely fashion;
- inability to operate effectively with the technologies, systems or applications of existing or potential customers;
- defects, errors or failures;
- negative publicity about their performance or effectiveness;
- delays in releasing new enhancements and additional features to our platform to the market;
- the introduction or anticipated introduction of competing products;
- an ineffective sales force;
- poor business conditions for our end-customers, causing them to delay purchases;
- challenges with customer adoption and use of our platform on mobile devices or problems encountered in developing or supporting enhancements to our mobile applications; and
- the reluctance of customers to purchase subscriptions to software incorporating open source software.

Because our platform is designed to operate on and with a variety of systems, we will need to continuously modify and enhance our platform to keep pace with changes in technology, and we may fail to do so.

In addition, issues in the use of artificial intelligence in our platform may result in reputational harm or liability. Domo's Mr. Roboto leverages machine learning algorithms, predictive analytics, and other artificial intelligence technologies to identify trends, anomalies and correlations, provide alerts and initiate business processes. Artificial intelligence presents risks and challenges that could affect its adoption, and therefore our business. Artificial intelligence algorithms may be flawed. Datasets may be insufficient or contain biased information. Inappropriate or controversial data practices by us or others could impair the acceptance of artificial intelligence solutions. These deficiencies could undermine the decisions, predictions, or analysis artificial intelligence applications produce, subjecting us to competitive harm, legal liability, and brand or reputational harm.

Our platform also provides real-time write-back capabilities to customer environments, including to IoT products and services. The development of the internet of things, or IoT, presents security, privacy and execution risks. Many IoT devices have limited interfaces and ability to be updated or patched. IoT solutions may collect large amounts of data, and our handling of IoT data may not satisfy customers or regulatory requirements. IoT scenarios may increasingly affect personal health and safety. If IoT solutions that include our technologies do not work as intended, violate the law, or harm individuals or businesses, we may be subject to legal claims or enforcement actions. These risks, if realized, may increase our costs, damage our reputation or brand, or negatively impact our business and operating results.

Moreover, many competitors expend a considerably greater amount of funds on their research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to competitors' research and development programs. If we fail to maintain adequate research and development resources or compete effectively with the research and development programs of competitors, our business could be harmed. Our ability to grow is also subject to the risk of future disruptive technologies. If new technologies emerge that are able to deliver business intelligence solutions at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect our ability to compete.

We are dependent on the continued services and performance of our senior management and other key personnel, the loss of any of whom could adversely affect our business.

Our future success depends in large part on the continued contributions of our founder and chief executive officer, other executive officers, members of senior management and other key personnel. We do not maintain "key person" insurance for any employee. Our executive officers, senior management and key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason and without notice. The loss of any of our key

management personnel could significantly delay or prevent the achievement of our development and strategic objectives and adversely affect our business.

If we are unable to attract, integrate and retain additional qualified personnel, including top technical talent, our business could be adversely affected.

Future success depends in part on our ability to identify, attract, integrate and retain highly skilled technical, managerial, sales and other personnel. We face intense competition for qualified individuals from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. These companies also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. In addition, new hires often require significant training and, in many cases, take significant time before they achieve full productivity. We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, as we move into new geographies, we will need to attract and recruit skilled personnel in those areas. We have limited experience with recruiting in geographies outside of the United States, and may face additional challenges in attracting, integrating and retaining international employees. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements, on a timely basis or at all, our business will be adversely affected.

Volatility or lack of positive performance in our stock price may also affect our ability to attract and retain our key employees. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to appropriately incentivize and retain our employees through equity compensation, or if we need to increase our compensation expenses in order to appropriately incentivize and retain our employees, our business, operating results, financial condition and cash flows would be adversely affected.

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

To date, we have been primarily dependent on our direct sales force to sell subscriptions to our platform. Although we have developed relationships with some channel partners, such as referral partners, resellers, and integration partners, these channels have resulted in limited revenue historically. We believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with additional channel partners that can drive substantial revenue. If we fail to identify additional channel partners in a timely and cost-effective manner, or at all, or are unable to assist our current and future channel partners in independently selling and deploying our products, our business, results of operations, and financial condition could be adversely affected. Typically, agreements with channel partners are non-exclusive, meaning our channel partners may offer customers the products of several different companies, including products that compete with our platform. They may also cease marketing our platform with limited or no notice and with little or no penalty. Additionally, customer retention and expansion attributable to customers acquired through our channel partners may differ significantly from customers acquired through our direct sales efforts. If our channel partners do not effectively market and sell our products, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be adversely affected.

Sales by channel partners are more likely than direct sales to involve collectability concerns. In particular sales by our channel partners into developing markets, and accordingly, variations in the mix between revenue attributable to sales by channel partners and revenue attributable to direct sales, may result in fluctuations in our operating results.

If we fail to offer high-quality professional services and support, our business and reputation may suffer.

High-quality professional services and support, including training, implementation and consulting services, are important for the successful marketing, sale and use of our platform and for the renewal of subscriptions by existing customers. Professional services may be provided by us or by a third-party partner. The importance of high-quality professional services and support will increase as we expand our business and pursue new customers. If we or our third-party partners do not provide effective ongoing support, our ability to retain and expand use of our platform and related applications to existing customers may suffer, and our reputation with existing or potential customers may be harmed.

We continue to pursue strategies to reduce the amount of professional services required for a customer to begin to use and gain value from our platform, lower the overall costs of professional service fees to our customers, and improve the gross margin of our professional services business. If we are unable to successfully accomplish these objectives, our operating results, including our profit margins, may be harmed.

We may not timely and effectively scale our existing technology, including our computing architecture, to meet the performance and other requirements placed on our systems, which could increase expenditures unexpectedly and create risk of outages and other performance and quality of service issues for our customers.

Our future growth and renewal rates depend on our ability to meet customers' expectations with respect to the speed, reliability and other performance attributes of our platform, and to meet the expanding needs of customers as their use of our platform grows. The number of users, the amount and complexity of data ingested, created, transferred, processed and stored by us, the number of locations where our platform is being accessed, and the number of processes and systems managed by us on behalf of these customers, among other factors, separately and combined, can have an effect on the performance of our platform. In order to ensure that we meet the performance and other requirements of customers, we continue to make significant investments to develop and implement new technologies in our platform and infrastructure operations. These technologies, which include database, application and server advancements, revised network and hosting strategies, and automation, are often advanced, complex, and sometimes broad in scope and untested through industry-wide usage. We may not be successful in developing or implementing these technologies. To the extent that we do not develop offerings and scale our operations in a manner that maintains performance as our customers expand their use, our business and operating results may be harmed.

We may not accurately assess the capital and operational expenditures required to successfully fulfill our objectives and our financial performance may be harmed as a result. Further, we may make mistakes in the technical execution of these efforts to improve our platform, which may affect our customers. Issues that may arise include performance, data loss or corruption, outages, and other issues that could give rise to customer satisfaction issues, loss of business, and harm to our reputation. If any of these were to occur there would be a negative and potentially significant impact to our financial performance. Lastly, our ability to generate new applications, and improve our current solutions may be limited if and to the extent resources are necessarily allocated to address issues related to the performance of existing solutions.

Real or perceived errors, failures, or bugs in our platform could adversely affect our operating results and growth prospects.

We update our platform on a frequent basis. Despite efforts to test our updates, errors, failures or bugs may not be found in our platform until after it is deployed to our customers. We have discovered and expect we will continue to discover errors, failures and bugs in our platform and anticipate that certain of these errors, failures and bugs will only be discovered and remediated after deployment to customers. Real or perceived errors, failures or bugs in our platform could result in negative publicity, government inquiries, loss of or delay in market acceptance of our platform, loss of competitive position, or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem.

We implement bug fixes and upgrades as part of our regular system maintenance, which may lead to system downtime. Even if we are able to implement the bug fixes and upgrades in a timely manner, any history of inaccuracies in the data we collect for our customers, or the loss, damage, unauthorized access to or acquisition of, or inadvertent release or exposure of confidential or other sensitive data could cause our reputation to be harmed and result in claims against us, and customers may elect not to purchase or renew their agreements with us or we may incur increased insurance costs. The costs associated with any material defects or errors in our software or other performance problems may be substantial and could harm our operating results.

If we fail to meet our service level commitments, our business, results of operations and financial condition could be adversely affected.

Our subscription agreements with many of our customers, including most of our top customers, provide certain service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of downtime that exceed the periods allowed under our subscription agreements, we may be obligated to provide these customers with service credits, or we could face subscription terminations, which could significantly impact our revenue. Any extended service outages could also adversely affect our reputation, which would also impact our future revenue and operating results.

Our customers depend on our customer support organization to resolve technical issues relating to our platform. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect our operating

results. In addition, our sales process is highly dependent on the ease of use of our services, on our reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation and our ability to sell our services to existing and prospective customers.

Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results.

Our continued growth depends in part on the ability of existing and potential customers to access our platform at any time. We have experienced, and may in the future experience, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new capabilities, human or technology errors, distributed denial of service attacks, or other security related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our platform becomes more complex and user traffic increases. If our platform is unavailable or if users are unable to access our platform within a reasonable amount of time, or at all, our business will be harmed.

We also rely on SaaS and other technologies from third parties in order to operate critical functions of our business. To the extent that our third-party service providers experience outages, disruptions, or other performance problems, or to the extent we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected. In addition, if our agreements with third-party software or services vendors are not renewed or the third-party software or services become obsolete, fail to function properly, are incompatible with future versions of our products or services, are defective or otherwise fail to address our needs, there is no assurance that we would be able to replace the functionality provided by the third-party software or services with software or services from alternative providers.

We have taken steps to increase redundancy in our platform and infrastructure and have plans in place to mitigate events that could disrupt our platform's service. However, there can be no assurance that these efforts would protect against interruptions or performance problems.

We rely upon data centers and other systems and technologies provided by third parties, and technology systems and electronic networks supplied and managed by third parties, to operate our business and interruptions or performance problems with these systems, technologies and networks may adversely affect our business and operating results.

We rely on data centers and other technologies and services provided by third parties in order to manage our cloud-based infrastructure and operate our business. If any of these services becomes unavailable or otherwise is unable to serve our requirements due to extended outages, interruptions, facility closure, or because it is no longer available on commercially reasonable terms, expenses could increase, our ability to manage finances could be interrupted and our operations otherwise could be disrupted or otherwise impacted until appropriate substitute services, if available, are identified, obtained, and implemented.

We do not control, or in some cases have limited control over, the operation of the data center facilities we use, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct, to adverse events caused by operator error, and to interruptions, data loss or corruption, and other performance problems due to various factors, including introductions of new capabilities, technology errors, infrastructure changes, distributed denial of service attacks, or other security related incidents. For instance, in December 2017, researchers identified significant CPU architecture vulnerabilities commonly known as “Spectre” and “Meltdown” that have required software updates and patches, including for providers of public cloud services, to mitigate such vulnerabilities and such updates and patches have required servers to be offline and potentially slow their performance. We may not be able to rapidly switch to new data centers or move customers from one data center to another in the event of any adverse event. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism or other act of malfeasance, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service and the loss or corruption of, or unauthorized access to or acquisition of, customer data.

In addition, if we do not accurately predict our infrastructure capacity requirements, customers could experience service shortfalls. The provisioning of additional cloud hosting capacity and data center infrastructure requires lead time. As we continue to add data centers, restructure our data management plans, and increase capacity in existing and future data centers, we may be required to move or transfer our data and customers' data. Despite precautions taken during such processes and procedures,

any unsuccessful data transfers may impair customers' use of our platform, and we may experience costs or downtime in connection with the transfer of data to other facilities, which may lead to, among other things, customer dissatisfaction and non-renewals. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to transfer to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Our ability to provide services and solutions to customers also depends on our ability to communicate with customers through the public internet and electronic networks that are owned and operated by third parties. In addition, in order to provide services on-demand and promptly, our computer equipment and network servers must be functional 24 hours per day, which requires access to telecommunications facilities managed by third parties and the availability of electricity, which we do not control. A severe disruption of one or more of these networks or facilities, including as a result of utility or third-party system interruptions, could impair our ability to process information and provide services to our customers.

Any unavailability of, or failure to meet our requirements by, third-party data centers or other third-party technologies or services, or any disruption of the internet or the third-party networks or facilities that we rely upon, could impede our ability to provide services to customers, harm our reputation, result in a loss of customers, cause us to issue refunds or service credits to customers, subject us to potential liabilities, result in contract terminations, and adversely affect our renewal rates. Any of these circumstances could adversely affect our business and operating results.

If our or our customers' access to data becomes limited, our business, results of operations and financial condition may be adversely affected.

The success of our platform is dependent in large part on our customers' ability to access data maintained on third party software and service platforms. Generally, we do not have agreements in place with these third parties that guarantee access to their platforms, and any agreements that we do have in place with these third parties are typically terminable for convenience by the third party. If these third parties restrict or prevent our ability to integrate our platform with their software or platform, including but not limited to, by limiting the functionality of our data connectors, our ability to access the data maintained on their systems or the speed at which such data is delivered, customers' ability to access their relevant data in a timely manner may be limited, and our business and operating results may be adversely affected.

Our business depends on continued and unimpeded access to the internet and mobile networks.

Our customers who access our platform and services through mobile devices, such as smartphones, laptops and tablet computers, must have a high-speed internet connection to use our services. Currently, this access is provided by telecommunications companies and internet access service providers that have significant and increasing market power in the broadband and internet access marketplace. In the absence of government regulation, these providers could take measures that affect their customers' ability to use our products and services, such as degrading the quality of the data packets we transmit over their lines, giving our packets low priority, giving other packets higher priority than ours, blocking our packets entirely, or attempting to charge their customers more for using our platform and services. To the extent that internet service providers implement usage-based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks, we could incur greater operating expenses and customer acquisition and retention could be negatively impacted. Furthermore, to the extent network operators were to create tiers of internet access service and either charge us for or prohibit our services from being available to our customers through these tiers, our business could be negatively impacted.

On February 26, 2015, the Federal Communications Commission, or the FCC, reclassified broadband internet access services in the United States as a telecommunications service subject to some elements of common carrier regulation, including the obligation to provide service on just and reasonable terms, and adopted specific net neutrality rules prohibiting the blocking, throttling or "paid prioritization" of content or services. However, in December 2017, the FCC once again classified broadband internet access service as an unregulated information service and repealed the specific rules against blocking, throttling or "paid prioritization" of content or services. It retained a rule requiring internet service providers to disclose their practices to consumers, entrepreneurs and the FCC. A number of parties have already stated they would appeal this order and it is possible Congress may adopt legislation restoring some net neutrality requirements. The elimination of net neutrality rules and any changes to the rules could affect the market for broadband internet access service in a way that impacts our business, for example, if internet access providers begin to limit the bandwidth and speed for the transmission of data from independent software vendors.

Catastrophic events may disrupt our business and impair our ability to provide our platform to customers, resulting in costs for remediation, customer dissatisfaction, and other business or financial losses.

Our operations depend, in part, on our ability to protect our facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. Despite precautions taken at our facilities, the occurrence of a natural disaster, an act of terrorism, vandalism or sabotage, spikes in usage volume or other unanticipated problems at a facility could result in lengthy interruptions in the availability of our platform. Even with current and planned disaster recovery arrangements, our business could be harmed. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce revenue, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could harm our business.

Our long-term growth depends in part on being able to expand internationally on a profitable basis.

Historically, we have generated a substantial majority of our revenue from customers inside the United States. For example, approximately 86%, 82% and 77% of our total revenue for the years ended January 31, 2017, 2018 and 2019, respectively, was derived from sales within the United States. We have begun to expand internationally and plan to continue to expand our international operations as part of our growth strategy. Expanding our international operations will subject us to a variety of risks and challenges, including:

- the need to make significant investments in people, solutions and infrastructure, typically well in advance of revenue generation;
- the need to localize and adapt our application for specific countries, including translation into foreign languages and associated expenses;
- potential changes in public or customer sentiment regarding cloud-based services or the ability of non-local enterprises to provide adequate data protection, particularly in the European Union;
- technical or latency issues in delivering our platform;
- dependence on certain third parties, including resellers with whom we do not have extensive experience;
- the lack of reference customers and other marketing assets in regional markets that are new or developing for us, as well as other adaptations in our market generation efforts that we may be slow to identify and implement;
- unexpected changes in regulatory requirements, taxes or trade laws;
- differing labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- difficulties in maintaining our company culture with a dispersed and distant workforce;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we choose to do so in the future;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- limited or insufficient intellectual property protection, or the risk that our products may conflict with, infringe or otherwise violate foreign intellectual property;
- political instability or terrorist activities;
- requirements to comply with foreign privacy, information security, and data protection laws and regulations and the risks and costs of non-compliance;

- likelihood of potential or actual violations of domestic and international anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, or of U.S. and international export control and sanctions regulations, which likelihood may increase with an increase of sales or operations in foreign jurisdictions and operations in certain industries;
- requirements to comply with U.S. export control and economic sanctions laws and regulations and other restrictions on international trade;
- likelihood that the United States and other governments and their agencies impose sanctions and embargoes on certain countries, their governments and designated parties, which may prohibit the export of certain technology, products, and services to such persons;
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash should we desire to do so; and
- our ability to recruit and engage local channel and implementation partners.

Any of these risks could adversely affect our international operations, reduce our international revenue or increase our operating costs, adversely affecting our business, operating results and financial condition and growth prospects.

For example, compliance with laws and regulations applicable to our international operations increases the cost of doing business in foreign jurisdictions. We may be unable to keep current with changes in government requirements as they change from time to time. Failure to comply with these regulations could have adverse effects on our business. In addition, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. laws and regulations applicable to us. We have not historically had formal policies with respect to these laws and regulations, and have only recently begun to implement compliance procedures designed to prevent violations of these laws and regulations. There can be no assurance that all of our employees, contractors, and agents will comply with the formal policies we will implement, or applicable laws and regulations. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or the prohibition of the importation or exportation of our software and services and could have a material adverse effect on our business and operating results.

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

Increased sales to customers outside the United States or paid for in currency other than the U.S. dollar exposes us to potential currency exchange losses.

As our international sales and operations increase, so too will the number and significance of transactions, including intercompany transactions, occurring in currencies other than the U.S. dollar. In addition, our international subsidiaries may accumulate assets and liabilities that are denominated in currencies other than the U.S. dollar, which is the functional reporting currency of these entities. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and operating results due to foreign currency gains and losses that are reflected in our earnings. We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Future changes in the regulations and laws of the United States, or those of the international markets in which we do business, could harm our business.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the internet and software, in the United States as well as the international markets in which we do business. These regulations and laws may cover employment, taxation, privacy, data security, data protection, pricing, content, copyrights and other intellectual property, mobile communications, electronic contracts and other communications, consumer protection, unencumbered internet access to our services, the design and operation of websites, and the characteristics and quality of software and services. It is possible changes to these regulations and laws, as well as compliance challenges related to the complexity of multiple, conflicting and changing sets of applicable regulations and laws, may impact our sales, operations, and future growth.

Economic uncertainties or downturns could materially adversely affect our business.

Current or future economic uncertainties or downturns could adversely affect our business and operating results. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, the continued sovereign debt crisis, financial and credit market fluctuations, political deadlock, natural catastrophes, warfare and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including corporate spending on business intelligence software in general and negatively affect the rate of growth of our business.

General worldwide economic conditions may experience significant downturns and may be unstable. These conditions make it extremely difficult for our customers and us to forecast and plan future business activities accurately, and they could cause customers to reevaluate their decisions to subscribe to our platform, which could delay and lengthen our sales cycles or result in cancellations of planned purchases. Furthermore, during challenging economic times customers may tighten their budgets and face issues in gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. In turn, we may be required to increase our allowance for doubtful accounts, which would adversely affect our financial results.

To the extent subscriptions to our platform are perceived by customers and potential customers to be discretionary, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software as an alternative to using our platform. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our platform.

We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or industries in which we operate do not improve, or worsen from present levels, our business, operating results, financial condition and cash flows could be adversely affected.

Our business is highly dependent upon our brand recognition and reputation, and the failure to maintain or enhance our brand recognition or reputation would likely adversely affect our business and operating results.

We believe that maintaining and enhancing the Domo brand identity and our reputation are critical to our relationships with customers and channel partners and to our ability to attract new customers and channel partners. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in our market continues to develop. Our success in this area will depend on a wide range of factors, some of which are beyond our control, including the following:

- the efficacy of our marketing efforts;
- our ability to maintain a high-quality, innovative and error- and bug-free platform;
- our ability to obtain new customers and retain and increase usage by existing customers;
- our ability to maintain high customer satisfaction;
- the quality and perceived value of our platform;
- our ability to obtain, maintain and enforce trademarks and other indicia of origin that are valuable to our brand;
- our ability to successfully differentiate our platform from competitors' products;
- actions of competitors and other third parties;
- our ability to provide customer support and professional services;
- any actual or perceived data breach or data loss, or misuse or perceived misuse of our platform;
- positive or negative publicity;
- interruptions, delays or attacks on our platform;
- challenges with customer adoption and use of our platform on mobile devices or problems encountered in developing or supporting enhancements to our mobile applications; and

- litigation or regulatory related developments.

If our brand promotion activities are not successful, our operating results and growth may be harmed.

Independent industry analysts often provide reviews of our platform, as well as competitors' products, and perception of our platform in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of competitors' products and services, our brand may be adversely affected.

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

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

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

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

Third-party claims that we are infringing or otherwise violating the intellectual property rights of others, whether successful or not, could subject us to costly and time-consuming litigation or require us to obtain expensive licenses, and our business could be harmed.

The technology industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual property rights. Companies in the technology industry must often defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Third parties, including our competitors, may own patents or other intellectual property rights that cover aspects of our technology or business methods and may assert patent or other intellectual property rights against us and others in the industry. Moreover, in recent years, individuals and groups that are non-practicing entities, commonly referred to as "patent trolls," have purchased patents and other intellectual property assets for the purpose of making claims of infringement or other violation of intellectual property rights in order to extract settlements. From time to time, we have received and may receive in the future threatening letters, notices or "invitations to license," or may be the subject of claims that our technology and business operations infringe or otherwise violate the intellectual property rights of others. Responding to such claims, regardless of their merit, can be time consuming, costly to defend in litigation, divert management's attention and resources, damage our reputation and brand and cause us to incur significant expenses. Claims of intellectual property infringement or other violations of intellectual property rights might require us to stop using technology found to infringe or violate a third party's rights, redesign our platform, which could require significant effort and expense and cause delays of releases, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling our platform. If we cannot or do not license the infringed or otherwise violated technology on commercially reasonable terms or at all, or substitute similar technology from another source, we could be forced to limit or stop selling our platform, we may not be able to meet our obligations to customers under our customer contracts, revenue and operating results could be adversely impacted, and we may be unable to compete effectively. Even if we are successful in defending against allegations of intellectual property infringement, litigation may be costly and may divert the time and other resources of our management. Additionally, customers may not purchase our platform if they are concerned that they may infringe or otherwise violate third-party intellectual property rights. The occurrence of any of these events may harm our business.

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

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement or other violations of intellectual property rights, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations and financial condition. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

The success of our business depends in part on our ability to protect and enforce our intellectual property rights.

Our success is dependent, in part, upon protecting our proprietary technology. As of January 31, 2019, we had 89 issued U.S. patents covering our technology and 39 patent applications pending for examination in the United States. Our issued patents, and any patents issued in the future, may not provide us with any competitive advantages or may be challenged by third parties, and our patent applications may never be granted. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain.

Any patents that are issued may subsequently be invalidated or otherwise limited, allowing other companies to develop offerings that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition. In addition, issuance of a patent does not guarantee that we have a right to practice the patented invention. Patent applications in the United States are typically not published until 18 months after filing or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries. We cannot be certain that we were the first to use the inventions claimed in our issued patents or pending patent applications or otherwise used in our platform, that we were the first to file for protection in our patent applications, or that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our patented technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our platform is available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States (in particular, some foreign jurisdictions do not permit patent protection for software), and mechanisms for enforcement of intellectual property rights may be inadequate. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States, including the America Invents Act, and other national governments and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

Although we generally enter into confidentiality and invention assignment agreements with our employees and consultants that have access to material confidential information and enter into confidentiality agreements with our customers and the parties with whom we have strategic relationships and business alliances, no assurance can be given that these agreements will be effective in controlling access to and distribution of our platform and propriety information or prevent reverse engineering. Further, these agreements may not prevent competitors from independently developing technologies that are substantially equivalent or superior to our platform, and we may be unable to prevent this competition.

Unauthorized use of our intellectual property may have already occurred or may occur in the future. We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights. Such litigation could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. We may not prevail in any lawsuits that we initiate. Any litigation, whether or not resolved in our favor, could subject us to substantial costs, divert resources and the attention of management and technical personnel from our business and adversely affect our business. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation, could delay further sales or the implementation of our platform, impair the functionality of our platform, delay introductions of new features or enhancements, result in our substituting inferior or more costly technologies into our platform, or injure our reputation.

We may initiate claims or litigation against third parties for infringement or other violation of our proprietary rights or to establish the validity of our proprietary rights. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may provoke third parties to assert counterclaims against us.

We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially viable. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may adversely affect our business, operating results, financial condition and cash flows.

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

Our platform is deployed in a wide variety of technology environments. Increasingly, our platform has been deployed in large scale, complex technology environments, and we believe our future success will depend on our ability to increase sales of our platform for use in such deployments. We must often assist our customers in achieving successful implementations of our platform, which we do through our professional services organization. The time required to implement our platform can vary. For complex deployments, implementation can take multiple months. If our customers are unable to implement our platform successfully, or unable to do so in a timely manner, customer perceptions of our platform may be harmed, our reputation and brand may suffer, and customers may choose to cease usage of our platform or not expand their use of our platform. Our customers and third-party partners may need training in the proper use of and the variety of benefits that can be derived from our platform to maximize its benefits. If our platform is not effectively implemented or used correctly or as intended, or if we fail to adequately train customers on how to efficiently and effectively use our platform, our customers may not be able to achieve satisfactory outcomes. This could result in negative publicity and legal claims against us, which may cause us to generate fewer sales to new customers and reductions in renewals or expansions of the use of our platform with existing customers, any of which would harm our business and results of operations.

Our use of “open source” software could negatively affect our ability to offer our platform and subject us to possible litigation.

Our platform uses “open source” software that we, in some cases, have obtained from third parties. Open source software is generally freely accessible, usable and modifiable, and is made available to the general public on an “as-is” basis under the terms of a non-negotiable license. Use and distribution of open source software may entail greater risks than use of third-party commercial software. Open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or other claims relating to violation of intellectual property rights or the quality of the software. In addition, certain open source licenses, like the GNU Affero General Public License, or AGPL, may require us to offer for no cost the components of our platform that incorporate the open source software, to make available source code for modifications or derivative works we create by incorporating or using the open source software, or to license our modifications or derivative works under the terms of the particular open source license. If we are required, under the terms of an open source license, to release our proprietary source code to the public, competitors could create similar products with lower development effort and time, which ultimately could result in a loss of sales for us.

We may also face claims alleging noncompliance with open source license terms or infringement, misappropriation or other violation of open source technology. These claims could result in litigation or require us to purchase a costly license, devote additional research and development resources to re-engineer our platform, discontinue the sale of our products if re-engineering could not be accomplished on a timely or cost-effective basis, or make generally available our proprietary code in source code form, any of which would have a negative effect on our business and operating results, including being enjoined from the offering of the components of our platform that contained the open source software. We could also 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 and require us to devote additional research and development resources to re-engineer our platform.

Although we monitor our use of open source software and try to ensure that none is used in a manner that would subject our platform to unintended conditions, few courts have interpreted open source licenses, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our platform. We cannot guarantee that we have incorporated open source software in our platform in a manner that will not subject us to liability, or in a manner that is consistent with our current policies and procedures.

We may be subject to litigation for a variety of claims, which could adversely affect our operating results, harm our reputation or otherwise negatively impact our business.

In addition to intellectual property litigation, we may be subject to other claims arising from our normal business activities. These may include claims, lawsuits, and proceedings involving labor and employment, wage and hour, commercial and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources,

and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation could adversely affect our operating results, harm our reputation or otherwise negatively impact our business. In addition, depending on the nature and timing of any such dispute, a resolution of a legal matter could materially affect our future operating results, our cash flows or both.

Future acquisitions could disrupt our business and adversely affect our operating results, financial condition and cash flows.

We may make acquisitions that could be material to our business, operating results, financial condition and cash flows. Our ability as an organization to successfully acquire and integrate technologies or businesses is unproven. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our operating results, financial condition or cash flows because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition may result in a delay or reduction of customer purchases for both us and the company we acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- we may encounter difficulties in, or may be unable to, successfully sell any acquired products;
- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- the potential strain on our financial and managerial controls and reporting systems and procedures;
- potential known and unknown liabilities associated with an acquired company;
- if we incur debt to fund such acquisitions, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants;
- the risk of impairment charges related to potential write-downs of acquired assets or goodwill in future acquisitions;
- to the extent that we issue a significant amount of equity or convertible debt securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease; and
- managing the varying intellectual property protection strategies and other activities of an acquired company.

We may not succeed in addressing these or other risks or any other problems encountered in connection with the integration of any acquired business. The inability to integrate successfully the business, technologies, products, personnel or operations of any acquired business, or any significant delay in achieving integration, could have a material adverse effect on our business, operating results, financial condition and cash flows.

Our credit facility contains restrictive covenants that may limit our operating flexibility.

Our credit facility contains restrictive covenants that limit our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of control, acquire other companies, open new offices that contain a material amount of assets, pay dividends, incur additional indebtedness and liens and enter into new businesses. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the credit facility, which may limit our operating flexibility. In addition, our credit facility is secured by all of our assets, including our intellectual property, and requires us to satisfy certain financial covenants. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet these financial covenants or pay the principal and interest on any such debt. Furthermore, there is no guarantee that future working capital, borrowings or equity financing will be available to repay or refinance any such debt. Any inability to make scheduled payments or meet the financial covenants on our credit facility would adversely affect our business.

Governmental export or import controls could limit our ability to compete in foreign markets and subject us to liability if we violate them.

Our software is subject to U.S. export controls, and we incorporate encryption technology into our platform. These products and the underlying technology may be exported only with the required export authorizations, including by license, a license exception or other appropriate government authorizations. U.S. export controls may require submission of a product classification and annual or semi-annual reports. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export authorization for our platform, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our platform, including with respect to new releases of our platform, may create delays in the introduction of our product releases in international markets, prevent customers with international operations from deploying our platform or, in some cases, prevent the export of our platform to some countries altogether. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. If we fail to comply with export and import regulations and such economic sanctions, we may be fined or other penalties could be imposed, including a denial of certain export privileges. Moreover, any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell subscriptions to our platform to, existing or potential customers with international operations. Any decreased use of our platform or limitation on our ability to export or sell subscriptions to our platform would likely adversely affect our business, financial condition and operating results.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act and other anti-corruption, anti-bribery and anti-money laundering laws in various jurisdictions both domestic and abroad. Anti-corruption, anti-bribery, and anti-money laundering laws have been enforced aggressively in recent years and are interpreted broadly and generally prohibit companies and their directors, officers, employees and agents from promising, authorizing, making or offering improper payments or other benefits to government officials and others in the private sector. Such laws apply to our agents/third parties, and we leverage third parties, including channel partners, to sell subscriptions to our platform and conduct our business abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, these policies and procedures were only recently adopted and 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. Any violation of the FCPA or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, a significant diversion of management's resources and attention or suspension or debarment from U.S. government contracts, all of which may have a material adverse effect on our reputation, business, operating results and prospects.

We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past transactions, which could harm our business.

We do not collect sales and use, value added and similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable in certain jurisdictions. State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value added and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of such taxes on subscriptions to our platform in various jurisdictions is unclear. Further, these jurisdictions' rules regarding tax nexus are complex and vary significantly. As a result, we could face the possibility of audits that could result in tax assessments, including associated interest and penalties. A successful assertion that we should be collecting additional sales, use, value added or other taxes in those jurisdictions where we have not historically done so could result in substantial tax liabilities and related penalties for past transactions, discourage customers from purchasing our application or otherwise harm our business and operating results.

Changes in tax laws or regulations that are applied adversely to us or our customers could increase the costs of our platform and adversely impact our business.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could affect the tax treatment of our (and our subsidiaries') domestic and foreign financial results. Any new taxes could adversely

affect our domestic and international business operations, and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. Specifically, taxation of cloud-based software is constantly evolving as many state and local jurisdictions consider the taxability of software services provided remotely. These events could require us or our customers to pay additional tax amounts on a prospective or retroactive basis, as well as require us or our customers to pay fines or penalties and interest for past amounts deemed to be due. If we raise our prices to offset the costs of these changes, existing and potential future customers may elect not to continue to use or purchase subscriptions to our platform in the future. Additionally, new, changed, modified or newly interpreted or applied tax laws could increase our customers' and our compliance, operating and other costs, as well as the costs of our platform. Any or all of these events could harm our business and operating results.

Further, the recently enacted Tax Cuts and Jobs Act will bring about a wide variety of changes to the U.S. tax system, particularly at the corporate level. The new tax law includes changes to the U.S. corporate tax system that will reduce U.S. corporate tax rates, change how U.S. multinational corporations, like us, are taxed on international earnings and eliminate in whole or in part the deduction for net interest expense. The primary impact of the new legislation on our provision for income taxes will be a reduction of the future tax benefits of existing temporary differences, which are primarily comprised of net operating loss carryforwards. These net operating loss carryforwards may also be impacted by the one-time deemed income inclusion of deferred foreign income from our non-U.S. subsidiaries. This amount is not expected to be material. Since we have recorded a full valuation allowance against our deferred tax assets, we do not anticipate that these changes will have a material impact on our consolidated financial statements, but we will continue to examine the impact that this tax reform legislation may have on our business. The impact of the new legislation will likely be subject to ongoing technical guidance and accounting interpretation, which we will continue to monitor and assess. Provisional accounting impacts may change in future reporting periods until the accounting analysis is finalized, which will occur no later than one year from the date the Tax Cuts and Jobs Act was enacted.

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we are subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain, and significant judgment and estimates are required in determining our provision for income taxes. Our tax expense may be impacted if our intercompany transactions, which are required to be computed on an arm's-length basis, are challenged and successfully disputed by tax authorities. Our policies governing transfer pricing may be determined to be inadequate and could result in additional tax assessments. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could harm our liquidity and operating results. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements or other taxes apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could adversely affect our operating results.

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

As of January 31, 2019, we had net operating loss, or NOL, carryforwards for federal and state income tax purposes of approximately \$815.1 million and \$1,048.5 million, respectively, which may be available to offset taxable income in the future, and which expire in various years beginning in 2028 for federal purposes if not utilized. The state NOLs will expire depending upon the various rules in the states in which we operate. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" (as defined under Section 382 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs to offset our future taxable income. We may experience a future ownership change under Section 382 of the Code that could affect our ability to utilize the NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities, including for state tax purposes. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our operating results and financial condition.

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

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. For example, in May 2014 the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, for which certain elements affected our accounting for revenue and costs incurred to acquire contracts. We have adopted Topic 606 using the full retrospective transition method. Other companies in our industry may apply these accounting principles differently than we do, adversely affecting the comparability of our financial statements. See Note 2 to our accompanying financial statements included elsewhere in this Annual Report on Form 10-K for information about Topic 606.

Risks Relating to Our Class B Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with our founder and chief executive officer, which will limit your ability to influence the outcome of important transactions, including a change in control.

Our Class A common stock has 40 votes per share, and our Class B common stock has one vote per share. Cocolalla, LLC holds all of the shares of the Class A common stock, and our founder and chief executive officer Joshua G. James, who is the managing member of Cocolalla, LLC, controls approximately 85% of the voting power of our outstanding capital stock and therefore is able to control all matters submitted to our stockholders for approval. Our founder and chief executive officer may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class B common stock.

Future transfers by the holder of Class A common stock will generally result in those shares converting into shares of Class B common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. Mr. James has informed us he and Cocolalla, LLC have entered into arrangements under which he has pledged all of such shares to secure a loan with a financial institution. If these shares were to be sold or otherwise transferred upon default of the underlying loan, the market price of our Class B common stock could decline or be volatile. For additional information, see the section of this report captioned “Risk Factors - Future sales of our Class B common stock in the public market could cause our stock price to fall.”

We have elected to take advantage of the “controlled company” exemption to the corporate governance rules of The Nasdaq Stock Market, which could make our common stock less attractive to some investors or otherwise harm our stock price.

Because we qualify as a “controlled company” under the corporate governance rules of The Nasdaq Stock Market, we are not required to have a majority of our board of directors be independent, nor are we required to have an entirely independent compensation committee or an independent nominating function. Accordingly, should the interests of Cocolalla, LLC, or of our founder and chief executive officer, who controls Cocolalla, LLC, differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules of The Nasdaq Stock Market. Our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price.

We cannot predict the impact our dual class structure may have on our stock price or our business.

We cannot predict whether our dual class structure, combined with the concentrated control of our stockholders who held our capital stock prior to the completion of our initial public offering, including our executive officers, employees and directors and their affiliates, will result in a lower or more volatile market price of our Class B common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. In July 2017, FTSE Russell announced that it plans to require new constituents of its indexes to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it will no longer admit companies with multiple-class share structures to certain of its indexes. Because of our dual class structure, we will likely be excluded from these indexes and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our

Class B common stock less attractive to other investors. As a result, the market price of our Class B common stock could be adversely affected.

The market price of our Class B common stock may be volatile, and the value of your investment could decline significantly.

The trading price of our Class B common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. The following factors, in addition to other risks described in this report, may have a significant effect on our Class B common stock price:

- actual or anticipated fluctuations in revenue and other operating results, including as a result of the addition or loss of any number of customers;
- announcements by us or competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in ratings, key metrics and financial estimates and the publication of other news by any securities analysts who follow our company, or our failure to meet these analyst estimates or the expectations of investors;
- changes in operating performance and stock market valuations of cloud-based software or other technology companies, or those in our industry in particular;
- the size of our public float;
- price and volume fluctuations in the trading of our Class B common stock and in the overall stock market, including as a result of trends in the economy as a whole or in the technology industry;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business or industry, including those relating to data privacy and data security;
- lawsuits threatened or filed against us for claims relating to intellectual property, employment issues or otherwise;
- changes in our board of directors or management;
- short sales, hedging and other derivative transactions involving our Class B common stock;
- sales of large blocks of our common stock including sales by our executive officers, directors and significant stockholders; and
- other events or factors, including changes in general economic, industry and market conditions and trends, as well as any natural disasters that may affect our operations.

In addition, the stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect our stock price, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following our initial public offering. In addition, in the past, securities class action litigation has often been instituted against companies whose stock prices have declined, especially following periods of volatility in the overall market. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If securities or industry analysts do not publish research reports about our business, or if they issue an adverse opinion about our business, our stock price and trading volume could decline.

The trading market for our Class B common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us issues an adverse opinion about our company, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Future sales of our Class B common stock in the public market could cause our stock price to fall.

Our stock price could decline as a result of sales of a large number of shares after our initial public offering or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of January 31, 2019, 23,434,542 shares of our Class B common stock were outstanding. All shares of our Class B common stock sold in our initial public offering are freely tradable without restriction or further registration under the Securities Act unless held by our “affiliates,” as that term is defined in Rule 144 under the Securities Act. The shares of Class B common stock subject to outstanding options and warrants, of which 1,709,661 and 132,062 were exercisable as of January 31, 2019, respectively, and the shares reserved for future issuance under our equity incentive plans will become available for sale immediately upon the exercise of such options, subject to applicable securities law restrictions. Additionally, “sell-to-cover” transactions are utilized in connection with the vesting and settlement of restricted stock units so that shares of our common stock are sold on behalf of our employees in an amount sufficient to cover the tax withholding obligations associated with these awards. As a result of these transactions, a significant number of shares of our stock may be sold over a limited time period in connection with significant vesting events. In June 2019, for example, approximately 114,697 restricted stock units are scheduled to vest and settle, which may increase the volume of our shares that would otherwise be sold during this time. On June 29, 2018, we registered the offer and sale of all shares of common stock that we may issue under our equity compensation plans. As a consequence, the sale of shares to be issued under our equity incentive plans can be freely sold in the public market upon issuance, subject to the lockup agreements and the restrictions of Rule 144 under the Securities Act.

The holders of 14,098,937 shares, or approximately 53%, of our Class A and Class B common stock as of January 31, 2019 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. Once we register the offer and sale of shares for the holders of registration rights, they can be freely sold in the public market upon issuance, subject to the lock-up agreements and the restrictions of Rule 144 under the Securities Act, in the case of our affiliates.

As of January 31, 2019, Cocolalla, LLC, an entity controlled by Mr. James, owned 3,263,659 shares of our Class A common stock and Mr. James owned 100,000 shares of Class B common stock. Collectively, these shares represent approximately 85% of the voting power of our company. These shares are eligible for resale into the public market within the restrictions imposed by Rule 144 under the Securities Act. Sales of a significant amount of these shares could adversely affect the market price for our Class B common stock. Mr. James has informed us he and Cocolalla, LLC have entered into an arrangement under which he has pledged all of such shares to secure a loan with a financial institution, which Mr. James believes represents a convenient financial instrument. Mr. James has also indicated this loan has or will have various requirements to repay all or a portion of the loan upon the occurrence of various events, including when the price of the Class B common stock goes below certain specified levels. Mr. James has indicated that (1) he has substantial assets other than shares of our common stock and (2) if repayment of the loan is triggered there is a cure period to sell assets or restructure the loan. Although Mr. James has indicated his intention to sell other assets if necessary, shares of our common stock may need to be sold to meet these repayment requirements. Upon a default under such loan following any applicable cure period, the lender could sell the pledged shares into the market without limitation on volume or manner of sale. Sales of such shares to reduce the loan balance or by the lender upon foreclosure are likely to adversely affect our stock price. Mr. James has also indicated to us that he may in the future from time to time refinance such indebtedness, enter into derivative transactions based on the value of our Class B common stock, dispose of shares of common stock, otherwise monetize shares of his common stock and/or engage in other transactions relating to shares of our common stock and/or other securities of the company. Any of these activities may adversely affect the price of our common stock. Mr. James has also indicated that he intends to (1) continue to beneficially own a majority of the Class A common stock that he currently beneficially owns and (2) continue to control at least a majority of the voting power of our company.

In addition, in the future, we may issue additional shares of Class B common stock or other equity or debt securities convertible into common stock in connection with a financing, acquisition, litigation settlement, employee arrangement or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and could cause our stock price to decline.

We have broad discretion to use the net proceeds from our initial public offering, and our investment of these proceeds may not yield a favorable return. We may invest the proceeds of our initial public offering in ways you disagree with.

Our management has broad discretion as to how to spend and invest the proceeds from our initial public offering, and we may spend or invest these proceeds in a way with which our stockholders may disagree. Accordingly, you will need to rely on our judgment with respect to the use of these proceeds. We expect to use the net proceeds from our initial public offering for working capital and other general corporate purposes, which we currently expect will include continued investment in developing

technology to support our growth, increased investment in our sales team and marketing activities, as well as overall growth in our international operations. We could spend the proceeds from our initial public offering in ways that our stockholders may not agree with or that do not yield a favorable return. You will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately and will need to rely upon the judgment of our management with respect to the use of proceeds. If we do not use the net proceeds that we receive in our initial public offering effectively, our business, financial condition, operating results and prospects could be harmed, and the market price of our Class B common stock could decline.

An active trading market for our Class B common stock may not develop.

Prior to our initial public offering, there was no public market for our Class B common stock, and an active trading market for our shares may never develop or be sustained following our initial public offering. In addition, we may have one or more stockholders who continue to hold substantial blocks of our Class B common stock for sustained periods following our initial public offering. As a result, the trading volume of our stock may be low relative to our total outstanding shares. As a result of these and other factors, you may be unable to resell your shares of our Class B common stock at a price that you consider reasonable.

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

Provisions of our certificate of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. These provisions include the following:

- our dual-class common stock structure, which provides our holders of Class A common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A common stock and Class B common stock;
- when the outstanding shares of Class A common stock represent less than a majority of the total combined voting power of our Class A and Class B common stock, or the voting threshold date, our board of directors will be classified into three classes of directors with staggered three-year terms, and directors will only be able to be removed from office for cause;
- our amended and restated bylaws provide that, following the voting threshold date, approval of stockholders holding two-thirds of our outstanding voting power voting as a single class will be required for stockholders to amend or adopt any provision of our bylaws;
- our stockholders are able to take action by written consent for any matter until the voting threshold date;
- following the voting threshold date, vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- only the chairman of our board of directors, chief executive officer, a majority of our board of directors or, until the voting threshold date, a stockholder (or group of stockholders) holding at least 50% of the combined voting power of our Class A and Class B common stock are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder. See “Description of Capital Stock.”

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

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

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

Our amended and restated bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. In December 2018, the Delaware Court of Chancery issued a decision in *Matthew Sciabacucchi v. Matthew B. Salzberg et al.*, C.A. No. 2017-0931-JTL (Del. Ch.), finding that such provisions such as the federal forum provision are not valid under Delaware law. In light of this decision of the Delaware Court of Chancery, we do not intend to enforce the federal forum provision in our amended and restated bylaws unless and until such time there is a final determination by the Delaware Supreme Court regarding the validity of such provisions. To the extent the Delaware Supreme Court makes a final determination that provisions such as the federal forum provision are not valid as a matter of Delaware law, we intend to amend our bylaws to remove the federal forum provision.

As an emerging growth company within the meaning of the Securities Act, we will use certain modified disclosure requirements, and we cannot be certain if these reduced requirements will make our Class B common stock less attractive to investors.

We are an emerging growth company, and for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies" including:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We plan in future filings with the SEC to continue to use the modified disclosure requirements available to emerging growth companies. As a result, our stockholders may not have access to certain information they may deem important.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can use the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our Class B common stock less attractive to investors.

We could remain an “emerging growth company” for up to five years following the first sale of our common stock pursuant to an effective registration statement under the Securities Act, or until the earliest of:

- the last day of the first fiscal year in which our annual gross revenue exceeds \$1.07 billion;
- the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or Exchange Act, which would occur if the market value of our Class B common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter; or
- the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

We have incurred and will continue to incur increased costs by being a public company.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We have incurred and will continue to incur costs associated with corporate governance requirements, including requirements of the SEC and The Nasdaq Stock Market. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, we may have more difficulty attracting and retaining qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the additional costs we may incur or the timing of such costs.

So long as we remain an “emerging growth company,” we expect to avail ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404. When our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters is located in American Fork, Utah. Our current facility has approximately 54,000 square feet under a lease that expires in April 2020. We also lease space in various locations throughout the United States for sales and professional services personnel. Our foreign subsidiaries lease office space for their operations and sales and professional services personnel.

We believe the facilities we lease are sufficient to meet our needs for the immediate future.

Item 3. Legal Proceedings

As of the date of this Annual Report on Form 10-K, we are not a party to any material legal proceedings. In the normal course of business, we may be named as a party to various legal claims, actions and complaints. We cannot predict whether any resulting liability would have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Our Class B Common Stock

Our Class B common stock began trading on the Nasdaq Global Market under the symbol "DOMO" on June 29, 2018. Prior to that date, there was no public trading market for our Class B common stock. Our Class A common stock is not listed or traded on any stock exchange.

Holders of Record

As of January 31, 2019, there was one holder of record of our Class A common stock and 301 holders of record of our Class B common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We do not intend to pay cash dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

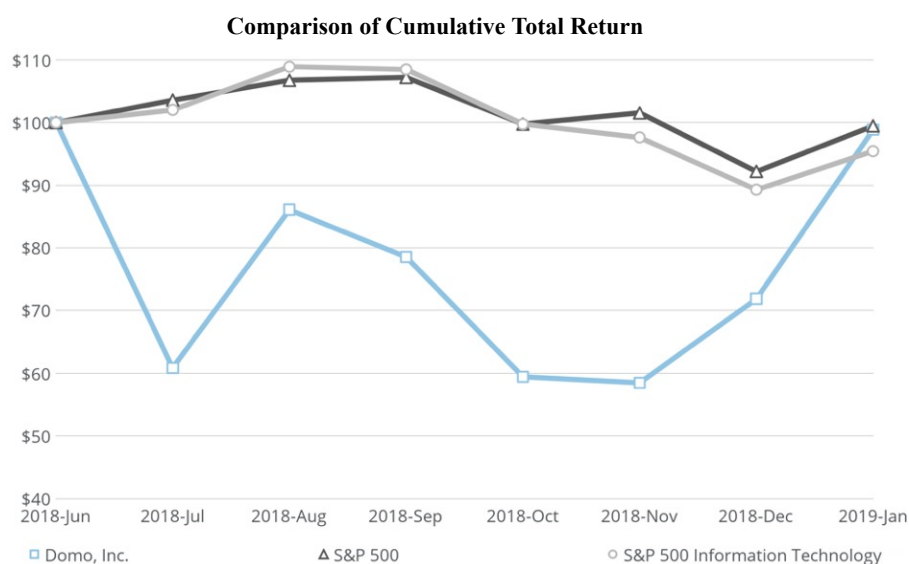
The information required by this item with respect to our equity compensation plans is incorporated by reference in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended January 31, 2019.

Stock Performance Graph

The following performance graph and related information is "furnished" and shall not be deemed to be "soliciting material" or "filed" for purposes of Section 18 of the Exchange Act and Regulation 14A under the Exchange Act nor shall such information be incorporated by reference into any filing of Domo, Inc. under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference in such filing.

The graph set forth below compares the cumulative total return to stockholders on our Class B common stock relative to the cumulative total returns of the Standard & Poor's 500 Index, or the S&P 500, and the S&P 500 Information Technology Index between June 29, 2018 (the date our Class B common stock commenced trading) through January 31, 2019. All values assume a \$100 initial investment at market close on June 29, 2018. The initial public offering price of our Class B common stock, which had a closing stock price of \$27.30 on June 29, 2018, was \$21.00 per share. Data for the S&P 500 and the S&P

500 Information Technology Index assume reinvestment of dividends. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our Class B common stock.



Company/Index	Jun 29, 2018 ⁽¹⁾	Jul 31, 2018	Aug 31, 2018	Sep 30, 2018	Oct 31, 2018	Nov 30, 2018	Dec 31, 2018	Jan 31, 2019
Domo, Inc.	\$ 100	\$ 61	\$ 86	\$ 79	\$ 59	\$ 58	\$ 72	\$ 99
S&P 500	100	104	107	107	100	102	92	99
S&P 500 Information Technology	100	102	109	108	100	98	89	95

(1) Base period

Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

In January 2019, we amended and restated warrants to purchase an aggregate of 66,664 shares of our Class B common stock at an exercise price of \$45.00 per share to be exercisable for an aggregate of 125,000 shares of Class B common stock at an exercise price of \$17.8736 per share.

Use of Proceeds

In July 2018, we closed our initial public offering, in which we sold 10,580,000 shares of Class B common stock at a price to the public of \$21.00 per share, including shares sold in connection with the exercise of the underwriters' option to purchase additional shares. The offer and sale of all of the shares in the initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-225348), which was declared effective by the SEC on June 28, 2018. We raised \$202.5 million in net proceeds after deducting underwriting discounts and commissions of \$15.6 million and offering expenses of \$4.1 million. No payments were made by us to directors, officers or persons owning 10% or more of our capital stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries. There has been no material change in the planned use of proceeds from our initial public offering as described in the prospectus, dated June 28, 2018, relating to our initial public offering. We invested the funds received in accordance with our board approved investment policy, which provides for investments in obligations of the U.S. government, money market instruments, registered money market funds and corporate bonds. The managing underwriters of our initial public offering were Morgan Stanley & Co. LLC, Allen & Company LLC, Credit Suisse Securities (USA) LLC and UBS Securities LLC.

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on June 28, 2018 pursuant to Rule 424(b)(4) under the Securities Act.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included within this Annual Report on Form 10-K. The consolidated statement of operations data for the fiscal years ended January 31, 2017, 2018 and 2019 and the consolidated balance sheet data as of January 31, 2018 and 2019 are derived from our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The consolidated balance sheet data as of January 31, 2017 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

Our historical results are not necessarily indicative of our future results, and the results of operations for the years ended January 31, 2017, 2018 and 2019 are not necessarily indicative of the results to be expected in the future. The selected consolidated financial data in this section are not intended to replace our consolidated financial statements and the related notes, and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Consolidated Statements of Operations Data

	Year Ended January 31,		
	2017	2018	2019
	(in thousands)		
Revenue:			
Subscription	\$ 58,664	\$ 87,463	\$ 117,157
Professional services and other	15,876	21,061	25,307
Total revenue	74,540	108,524	142,464
Cost of revenue:			
Subscription ⁽¹⁾	21,486	32,427	32,781
Professional services and other ⁽¹⁾	11,709	12,492	16,773
Total cost of revenue	33,195	44,919	49,554
Gross profit	41,345	63,605	92,910
Operating expenses:			
Sales and marketing ⁽¹⁾	118,935	131,802	131,081
Research and development ⁽¹⁾	76,164	78,261	75,740
General and administrative ⁽¹⁾⁽²⁾⁽³⁾	29,106	29,323	30,176
Total operating expenses	224,205	239,386	236,997
Loss from operations	(182,860)	(175,781)	(144,087)
Other income (expense), net ⁽¹⁾	513	(396)	(8,974)
Loss before income taxes	(182,347)	(176,177)	(153,061)
Provision for income taxes	773	385	1,248
Net loss	\$ (183,120)	\$ (176,562)	\$ (154,309)
Net loss per share, basic and diluted	\$ (124.90)	\$ (110.70)	\$ (9.43)
Weighted-average number of shares used in computing net loss per share, basic and diluted	1,466	1,595	16,358

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

	Year Ended January 31,		
	2017	2018	2019
	(in thousands)		
Cost of revenue:			
Subscription	\$ 46	\$ 48	\$ 219
Professional services and other	45	40	154
Sales and marketing	1,930	1,845	7,387
Research and development	2,206	2,311	6,519
General and administrative	5,099	5,090	7,492
Other income (expense), net	17	36	30
Total	<u>\$ 9,343</u>	<u>\$ 9,370</u>	<u>\$ 21,801</u>

(2) Includes amortization of certain intangible assets of \$0.3 million, \$0.1 million and \$0.1 million for the years ended January 31, 2017, 2018 and 2019, respectively.

(3) Includes reversal of a contingent tax-related accrual of \$3.5 million for the year ended January 31, 2019.

Consolidated Balance Sheet Data

	As of January 31,		
	2017	2018	2019
	(in thousands)		
Cash and cash equivalents	\$ 68,984	\$ 61,972	\$ 176,973
Working capital (deficit)	5,762	(15,000)	107,047
Total assets	137,922	155,355	292,632
Deferred revenue, current and non-current	49,936	70,956	93,902
Long-term debt	—	46,332	97,245
Convertible preferred stock	594,187	693,158	—
Total stockholders' (deficit) equity	(556,196)	(721,964)	44,527

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 the consolidated financial statements and related notes that are included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and in other parts of this Annual Report on Form 10-K. Our fiscal year ends on January 31. References to fiscal 2019, for example, refer to the fiscal year ended January 31, 2019.

Overview

We founded Domo in 2010 with the vision of digitally connecting everyone within the enterprise with real-time, rich, relevant data and then encouraging all employees to collaborate and act. We realized that many organizations were unable to access the massive amounts of data that they were collecting in siloed cloud applications and on-premise databases. Furthermore, even for organizations that were capable of accessing their data, the process for doing so was time-consuming, costly, and often resulted in the data being out-of-date by the time it reached decision makers. The delivery format, including alert functionality, and devices were not adequate for the connected and real-time mobile workforce. Based on these observations, it was apparent that all organizations, regardless of size or industry, were failing to unlock the power of all of their people, data and systems.

Since inception, we have focused on creating a comprehensive platform that connects all the people, data and systems that exist within an organization. In many ways, building Domo was like building seven start-ups in one. A foundational element of our platform is our more than 1,000 powerful first-class connectors, which we define as read/write, API and standards based connectors, as well as a library of very flexible universal connectors, that currently power over four hundred thousand Domo datasets, which integrate directly with data sources in real time on a single, intuitive platform. Adrenaline, our data warehouse and fast query engine, stores massive amounts of data connected from across the business, enabling anyone to quickly access the data they need. To best prepare and transform all of the connected data, a critical step in making that data available and usable for visualizations and analysis, we developed Domo ETL, a self-service toolset that enables users, regardless of technical ability, to cleanse and prepare data for analysis. To facilitate data insights, we developed an analysis and visualization toolkit that enables all employees to analyze, display, share and interact with data across mobile and desktop platforms in real time. Domo Buzz, our collaborative communication platform, helps foster and engage a curious workforce so that anyone in an organization can participate in improving the business. Domo leverages machine learning algorithms, predictive analytics, and other artificial intelligence technologies, to create alerts, detect anomalies, optimize queries, and suggest areas of interest to help people focus on what matters most. We also extended the functionality and effectiveness of our platform, through the introduction of the Domo Appstore and developer toolkits that enable a partner ecosystem to quickly build applications on the platform. We continue to broaden our platform's ease of use and self-service capabilities and enhance security and scalability requirements for the enterprise.

We offer our platform to our customers as a subscription-based service. Subscription fees are based on the number of users and the tier of package deployed. Business leaders and managers are typically the initial subscribers to our platform, deploying it for a specific use case or department. Over time, as customers recognize the value of our platform, we increasingly engage with CIOs and other executives to facilitate broad enterprise adoption.

A majority of our customers subscribe to our services through one-year contracts, but recently a growing percentage of new and existing customers have entered into multi-year contracts. In the year ended January 31, 2019, 43% of our new customers entered into multi-year contracts compared to 38% and 11% in the years ended January 31, 2018 and 2017, respectively. As of January 31, 2019, 42% of all customers were under multi-year contracts and 58% of all customers were under one-year contracts. By comparison, 32% of all customers were under multi-year contracts and 68% of all customers were under one-year contracts as of January 31, 2018. This transition to a higher percentage of multi-year contracts, among both new and existing customers, has enhanced the predictability of our subscription revenue. We typically invoice our customers annually in advance.

Our business model focuses on maximizing the lifetime value of a customer relationship. We recognize subscription revenue ratably over the term of the subscription period. In general, customer acquisition costs and other upfront costs associated with new customers are much higher in the first year than the aggregate revenue we recognize from those new customers in the first year. Over the lifetime of the customer relationship, we also incur sales and marketing costs to renew or increase usage per customer. However, these costs, as a percentage of revenue, are significantly less than those initially incurred to acquire the customer. As a result, the profitability of a customer to our business in any particular period depends in part upon how long a customer has been a subscriber and the degree to which it has expanded its usage of our platform.

Our platform addresses the diverse and evolving needs of employees. Historically, our sales and marketing efforts have been concentrated on initiatives, including digital marketing, which allowed us to quickly attract a large number of customers and establish our platform in a crowded market. These initial efforts were primarily targeted toward small and medium sized businesses, with smaller average annual contract values, or ACV, and lower renewal rates. Over time, the breadth of our platform's capabilities attracted an increasing number of enterprise customers, and we have continued to expand our presence within those customers. Given the higher average ACV and renewal rates we experience with larger customers, we are focusing on customers with over \$100 million in revenue, with a particular emphasis on enterprise customers, which we define as customers with over \$1 billion in revenue. With a view towards improving sales efficiency, we have shifted our strategy from broad-based digital marketing to enterprise-targeted marketing campaigns and user events to increase our growth with enterprise customers.

From inception through January 31, 2019, we have invested \$395.0 million in the development of our platform. Given our investments, we believe that we are well positioned to expand the number of, and increase contract values with enterprise customers. We have also introduced tools that allow customers to manage their own encryption keys and maintain a broad array of security and compliance certifications that enterprise customers require, particularly those in regulated industries. As of January 31, 2019, we had 236 employees in our research and development organization. While we expect research and development expenses to increase in absolute dollars, we anticipate that it will decrease as a percentage of revenue over time.

For the years ended January 31, 2017, 2018 and 2019, we had total revenue of \$74.5 million, \$108.5 million and \$142.5 million, respectively, representing year-over-year growth of 46% and 31% for the years ended January 31, 2018 and 2019,

respectively. For the years ended January 31, 2017, 2018 and 2019, no single customer accounted for more than 10% of our total revenue, nor did any single organization when accounting for multiple subsidiaries or divisions which may have been invoiced separately. Revenue from customers with billing addresses in the United States comprised 86%, 82% and 77% of our total revenue for the years ended January 31, 2017, 2018 and 2019, respectively. We are focused on growing our international business and will continue to invest in sales operations outside the United States.

We have incurred significant net losses since our inception, including net losses of \$183.1 million, \$176.6 million and \$154.3 million for the years ended January 31, 2017, 2018 and 2019, respectively, and had an accumulated deficit of \$912.1 million at January 31, 2019. We expect to incur losses for the foreseeable future and may not be able to achieve or sustain profitability.

Recent Developments

On July 3, 2018, we closed our initial public offering, or IPO, in which we issued and sold 10,580,000 shares of Class B common stock at \$21.00 per share for aggregate net proceeds of \$202.5 million, after deducting underwriters' discounts and offering expenses payable by us.

In January 2019, we entered into an amendment to our \$100.0 million credit facility which extended the maturity date for all outstanding loans to October 1, 2022. The amendment also revised the maximum debt ratio financial covenant, increased the amount of the closing fee to \$7.0 million, and increased the number of warrants to purchase Class B common stock.

Factors Affecting Performance

Continue to Attract New Customers

We believe that our ability to expand our customer base is an important indicator of market penetration, the growth of our business, and future business opportunities. We define a customer at the end of any particular quarter as an entity that generated revenue greater than \$2,500 during that quarter. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced at a separate billing address is treated as a separate customer. In cases where customers purchase through a reseller, each end customer is counted separately.

As of January 31, 2019, we had over 1,700 customers. From January 31, 2014 to January 31, 2019, the number of our customers with revenue over \$1 billion increased from 36 to 447, representing a 66% compound annual growth rate. For the years ended January 31, 2017, 2018 and 2019, our enterprise customers accounted for 47%, 46% and 45% of our revenue, respectively. We focus our sales and marketing resources on obtaining customers with over \$100 million in revenue, with a particular emphasis on enterprise customers. In order to accelerate customer growth, we intend to further develop our partner ecosystem by establishing agreements with more software resellers, systems integrators and implementation partners to provide broader customer and geographic coverage. We believe we are underpenetrated in the overall market and have significant opportunity to expand our customer base over time.

Customer Upsell and Retention

We employ a land and expand sales model, and our performance depends on our ability to retain customers and expand the number of users and use cases at existing customers over time. It currently takes multiple years for our customers to fully embrace the power of our platform. We believe that as customers deploy greater volumes and sources of data for multiple use cases, the unique features of our platform can address the needs of everyone within their organization. We are still in the early stages of expanding within many of our customers.

We have invested in platform capabilities and online support resources that allow our customers to expand the use of our platform in a self-guided manner. Our professional services, customer support and customer success functions also support our sales force by helping customers to successfully deploy our platform and implement additional use cases. In addition, we believe our partner ecosystem will become increasingly important over time. We work closely with our customers to drive increased engagement with our platform by identifying new use cases through our customer success teams, as well as in-platform, self-guided experiences. We actively engage with our customers to assess whether they are satisfied and fully realizing the benefits of our platform. While these efforts often require a substantial commitment and upfront costs, we believe our investment in product, customer support, customer success and professional services will create opportunities to expand our customer relationships over time.

Our ability to drive growth and generate incremental revenue depends heavily on our ability to retain our customers and increase their usage of our platform. An important way that we measure our performance in this area is to track the growth in

our subscription revenue generated from a cohort of customers over time. With that objective in mind, we allocate our customer success and customer support resources to align with maximizing the retention and expansion of our subscription revenue.

Our subscription net revenue retention rate compares the subscription revenue in a given period from the cohort of customers that generated subscription revenue at the beginning of the same period in the prior fiscal year, excluding customers from the cohort who canceled during the prior period. The subscription net revenue retention rate is the quotient obtained by dividing the subscription revenue generated from that cohort in a period, by the subscription revenue generated from that same cohort in the corresponding prior year period.

The following table sets forth our subscription net revenue retention rate for each of the eight quarters in the period ended January 31, 2019:

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
All Customers	101%	107%	107%	111%	105%	105%	106%	103%
Enterprise Customers	108	122	116	122	115	109	110	106
Non-Enterprise Customers	95	95	99	102	98	101	102	101

Our gross subscription dollars churned is equal to the amount of subscription revenue we lost in the current period from the cohort of customers who generated subscription revenue in the prior year period. In the year ended January 31, 2019, we lost \$15.4 million of subscription revenue generated by the cohort in the prior year period, or 18% of subscription revenue for the year ended January 31, 2018. Of this amount, \$6.5 million was lost from our cohort of enterprise customers and \$8.9 million was lost from our cohort of non-enterprise customers. By comparison, in the year ended January 31, 2018, we lost \$12.4 million of subscription revenue generated by the cohort in the prior year period, or 21% of subscription revenue for the year ended January 31, 2017. Of this amount, \$5.0 million was lost from our cohort of enterprise customers and \$7.4 million was lost from our cohort of non-enterprise customers.

As we continue to enhance our product and develop methods to encourage wider and more strategic adoptions, including shifting our sales and marketing activities towards enterprise customers, we expect that our subscription net revenue retention rate will increase over the long term; however, our ability to successfully upsell and the impact of cancellations may vary from period to period, with greater variability on a quarterly basis, particularly among our cohort of enterprise customers, due to fewer customers in this cohort compared to non-enterprise customers, higher average contract values and more significant expansion opportunities. The extent of this variability depends on a number of factors including the size and timing of upsells and cancellations relative to the initial subscriptions.

Sales and Marketing Efficiency

We are focused on increasing the efficiency of our sales force and marketing activities by enhancing account targeting, messaging, field sales operations and sales training in order to reduce our sales and marketing expense as a percentage of revenue and accelerate the adoption of our platform. Our sales strategy depends on our ability to continue to attract top talent, increasing our pipeline of business, and enhancing sales productivity. We focus on productivity per quota-carrying sales representative and the time it takes our sales representatives to reach full productivity. The ACV per sales representative per year increased by approximately 11% from January 31, 2018 to January 31, 2019 and 14% from January 31, 2017 to January 31, 2018.

We manage our pipeline by sales representative to ensure sufficient coverage of our sales targets. Our ability to manage our sales productivity and pipeline are important factors to the success of our business. We also intend to shift marketing spending from broad based initiatives that are better suited to attracting smaller organizations towards enterprise-targeted marketing campaigns and user events that we believe will result in larger initial new customer ACV and more upsell ACV potential.

Leverage Research and Development Investments for Future Growth

Historically, given building Domo was like building seven start-ups in one, we had to make significant investments in research and development to build a platform that powers a business and provides enterprises with features and functionality that they require. We plan to continue to make investments in areas of our business to continue to expand our platform functionality. However, the amount of new investments required to achieve our plans is expected to decrease as a percentage of revenue compared to historical years.

Key Business Metric

Billings

Billings represent our total revenue plus the change in deferred revenue in a period. Billings reflect sales to new customers plus subscription renewals and upsells to existing customers, and represent amounts invoiced for subscription, support and professional services. We typically invoice customers in advance in annual installments for subscriptions to our platform. Because we generate most of our revenue from customers who are invoiced on an annual basis and have a wide range of annual contract values, we may experience variability due to typical enterprise buying patterns and timing of large renewals.

The following table sets forth our billings for the years ended January 31, 2017, 2018 and 2019:

	Year Ended January 31,		
	2017	2018	2019
Billings (in thousands)	\$ 92,412	\$ 129,544	\$ 165,410

Components of Results of Operations

Revenue

We offer subscriptions to our cloud-based platform. We derive our revenue primarily from subscriptions and professional services. Subscription revenue consists primarily of fees to provide our customers access to our cloud-based platform, which includes online customer support resources at no additional cost. Professional service fees include implementation services, optimization services, and training.

Subscription revenue accounted for approximately 79%, 81% and 82% of our revenue for the years ended January 31, 2017, 2018 and 2019, respectively. Subscription revenue is a function of the number of customers, the number of users at each customer, and the price per user.

Subscription revenue is recognized ratably over the related contractual term beginning on the date the platform is made available to the customer. Our new business subscriptions typically have a term of one to three years, and we generally invoice our customers in annual installments at the beginning of each year in the subscription period. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably over the subscription period.

Professional services and other revenue consists of implementation services sold with new subscriptions, as well as professional services sold separately, including training and education. Professional services are generally billed in advance and revenue from these arrangements is recognized as the services are performed. Our professional services engagements typically span from a few weeks to several months.

Cost of Revenue

Cost of subscription revenue consists primarily of third-party hosting services and data center capacity; salaries, benefits, bonuses and stock-based compensation, or employee-related costs, directly associated with cloud infrastructure and customer support personnel; amortization expense associated with capitalized software development costs; depreciation expense associated with computer equipment and software; certain fees paid to various third parties for the use of their technology and services; and allocated overhead. Allocated overhead includes items such as information technology infrastructure, rent, and certain employee benefit costs.

Cost of professional services and other revenue consists primarily of employee-related costs directly associated with these services, third-party consultant fees, and allocated overhead.

Operating Expenses

Sales and Marketing. Sales and marketing expenses consist primarily of employee-related costs directly associated with our sales and marketing staff and commissions. Other sales and marketing costs include digital marketing programs and promotional events to promote our brand, including Domopalooza, our annual user conference, as well as tradeshows, advertising and allocated overhead. Contract acquisition costs, including sales commissions, are deferred and then amortized on a straight-line basis over the period of benefit, which we have determined to be approximately four years for initial contracts. Contract

acquisition costs related to renewal contracts and professional services are recorded as expense when incurred if the period of benefit is one year or less.

Research and Development. Research and development expenses consist primarily of employee-related costs for the design and development of our platform, contractor costs to supplement staff levels, third-party web services, consulting services, and allocated overhead. Our cycle of frequent updates has facilitated rapid innovation and the introduction of new product features throughout our history. We capitalize certain software development costs that are attributable to developing new features and adding incremental functionality to our platform, and amortize such costs as costs of subscription revenue over the estimated life of the new feature or incremental functionality, which is generally three years.

General and Administrative. General and administrative expenses consist of employee-related costs for executive, finance, legal, human resources, recruiting and administrative personnel; professional fees for external legal, accounting, recruiting and other consulting services; and allocated overhead costs.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest expense related to long-term debt and interest income earned on our cash and cash equivalents. It also includes the effect of exchange rates on foreign currency transaction gains and losses as well as foreign currency gains and losses upon remeasurement of intercompany balances. The transactional impacts of foreign currency are recorded as foreign currency losses (gains) in the consolidated statements of operations.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes related to foreign and state jurisdictions in which we conduct business. Because of the uncertainty of the realization of the deferred tax assets, we have a full valuation allowance for domestic net deferred tax assets, including net operating loss carryforwards and tax credits related primarily to research and development.

Results of Operations

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

	Year Ended January 31,		
	2017	2018	2019
	(in thousands)		
Revenue:			
Subscription	\$ 58,664	\$ 87,463	\$ 117,157
Professional services and other	15,876	21,061	25,307
Total revenue	<u>74,540</u>	<u>108,524</u>	<u>142,464</u>
Cost of revenue:			
Subscription ⁽¹⁾	21,486	32,427	32,781
Professional services and other ⁽¹⁾	11,709	12,492	16,773
Total cost of revenue	<u>33,195</u>	<u>44,919</u>	<u>49,554</u>
Gross profit	41,345	63,605	92,910
Operating expenses:			
Sales and marketing ⁽¹⁾	118,935	131,802	131,081
Research and development ⁽¹⁾	76,164	78,261	75,740
General and administrative ⁽¹⁾⁽²⁾⁽³⁾	29,106	29,323	30,176
Total operating expenses	<u>224,205</u>	<u>239,386</u>	<u>236,997</u>
Loss from operations	(182,860)	(175,781)	(144,087)
Other income (expense), net ⁽¹⁾	513	(396)	(8,974)
Loss before income taxes	(182,347)	(176,177)	(153,061)
Provision for income taxes	773	385	1,248
Net loss	<u>\$ (183,120)</u>	<u>\$ (176,562)</u>	<u>\$ (154,309)</u>

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

	Year Ended January 31,		
	2017	2018	2019
	(in thousands)		
Cost of revenue:			
Subscription	\$ 46	\$ 48	\$ 219
Professional services and other	45	40	154
Sales and marketing	1,930	1,845	7,387
Research and development	2,206	2,311	6,519
General and administrative	5,099	5,090	7,492
Other income (expense), net	17	36	30
Total	<u>\$ 9,343</u>	<u>\$ 9,370</u>	<u>\$ 21,801</u>

(2) Includes amortization of certain intangible assets of \$0.3 million, \$0.1 million and \$0.1 million for the years ended January 31, 2017, 2018 and 2019, respectively.

(3) Includes reversal of a contingent tax-related accrual of \$3.5 million for the year ended January 31, 2019.

	Year Ended January 31,		
	2017	2018	2019
Revenue:			
Subscription	79 %	81 %	82 %
Professional services and other	21	19	18
Total revenue	100	100	100
Cost of revenue:			
Subscription	29	30	23
Professional services and other	16	12	12
Total cost of revenue	45	42	35
Gross margin	55	58	65
Operating expenses:			
Sales and marketing	160	121	92
Research and development	102	72	53
General and administrative	39	27	21
Total operating expenses	301	220	166
Loss from operations	(246)	(162)	(101)
Other income (expense), net	1	—	(6)
Loss before income taxes	(245)	(162)	(107)
Provision for income taxes	1	—	1
Net loss	(246)%	(162)%	(108)%

Discussion of the Years Ended January 31, 2018 and 2019

Revenue

	Year Ended January 31,		\$ Change	% Change
	2018	2019		
(in thousands)				
Revenue:				
Subscription	\$ 87,463	\$ 117,157	\$ 29,694	34%
Professional services and other	21,061	25,307	4,246	20
Total revenue	\$ 108,524	\$ 142,464	\$ 33,940	31
Percentage of revenue:				
Subscription	81%	82%		
Professional services and other	19	18		
Total	100%	100%		

Total revenue was \$142.5 million for the year ended January 31, 2019, compared to \$108.5 million for the year ended January 31, 2018, an increase of \$33.9 million, or 31%. Subscription revenue was \$117.2 million, or 82% of total revenue, for the year ended January 31, 2019, compared to \$87.5 million, or 81% of total revenue, for the year ended January 31, 2018. The increase in subscription revenue was primarily due to a \$23.4 million increase from new customers and a \$6.3 million increase from existing customers. Our customer count increased 15% from January 31, 2018 to January 31, 2019. We anticipate that as we continue to close new business and retain our customers that subscription revenue will continue to increase as a percent of total revenue.

Professional services and other revenue was \$25.3 million, or 18% of total revenue, for the year ended January 31, 2019, compared to \$21.1 million, or 19% of total revenue, for the year ended January 31, 2018. This increase is due to a higher volume of implementation and training services provided to our customers.

Cost of Revenue, Gross Profit and Gross Margin

	Year Ended January 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Cost of revenue:				
Subscription	\$ 32,427	\$ 32,781	\$ 354	1%
Professional services and other	12,492	16,773	4,281	34
Total cost of revenue	\$ 44,919	\$ 49,554	\$ 4,635	10
Gross profit	\$ 63,605	\$ 92,910	\$ 29,305	46
Gross margin:				
Subscription	63%	72%		
Professional services and other	41	34		
Total gross margin	59	65		

Cost of subscription revenue was \$32.8 million for the year ended January 31, 2019, compared to \$32.4 million for the year ended January 31, 2018, an increase of \$0.4 million, or 1%. The majority of the increase in cost of subscription revenue was due to employee-related costs, which increased by \$2.1 million primarily as a result of salary increases. Other increases included \$0.9 million related to our data center and \$0.7 million in amortization of capitalized software development costs. These increases were offset by a decrease of \$3.3 million related to optimization of our third-party hosting services.

Cost of professional services and other revenue was \$16.8 million for the year ended January 31, 2019, compared to \$12.5 million for the year ended January 31, 2018. This increase is primarily due to a higher volume of services provided by third-party consultants related to implementation and training.

Subscription gross margin improved due to economies of scale driven by increased subscription revenue and cost improvements due to more proactive management and optimization of our third-party hosting services. We expect subscription gross margin to improve as we continue to effectively manage our data center operations and third-party hosting services.

Services gross margin declined due to heavier use of third-party consultants to perform services for our customers. In addition, rates for these consultants have increased from the prior year. While we expect the cost of professional services will decline as a percentage of total revenue over the long term as our business scales and as we continue to develop our partner ecosystem, such costs could fluctuate from period to period depending on the mix of our customer base, particularly if in a given period we have a concentration of large professional services projects that we delivered which are typically associated with enterprise customers.

Operating Expenses

	Year Ended January 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Operating expenses:				
Sales and marketing	\$ 131,802	\$ 131,081	\$ (721)	(1)%
Research and development	78,261	75,740	(2,521)	(3)
General and administrative	29,323	30,176	853	3
Total operating expenses	\$ 239,386	\$ 236,997	\$ (2,389)	(1)
Percentage of revenue:				
Sales and marketing	121%	92%		
Research and development	72	53		
General and administrative	27	21		

Sales and marketing expenses were \$131.1 million for the year ended January 31, 2019, compared to \$131.8 million for the year ended January 31, 2018, a decrease of \$0.7 million, or 1%. The change was primarily due to a \$10.2 million decrease in marketing programs and event costs. This decrease was offset by an increase of \$8.2 million in employee-related costs, including \$5.6 million of stock-based compensation related to the performance vesting condition of certain RSUs, which was deemed probable of being satisfied upon the effectiveness of the registration statement related to our initial public offering, or IPO, and \$2.6 million attributable to higher headcount and salary increases. Other increases included commission expense, which increased by \$0.7 million due to higher sales, and travel expense, which increased by \$0.4 million.

Sales and marketing expense as a percentage of total revenue decreased from 121% in the year ended January 31, 2018 to 92% in the year ended January 31, 2019. We expect sales and marketing expense to continue to decline as a percentage of total revenue in the long term.

Research and development expenses were \$75.7 million for the year ended January 31, 2019, compared to \$78.3 million for the year ended January 31, 2018, a decrease of \$2.5 million, or 3%. Employee-related costs increased by \$4.2 million due to stock-based compensation related to the performance vesting condition of certain RSUs, which was deemed probable of being satisfied upon the effectiveness of the registration statement related to our IPO. This increase was offset by a \$3.6 million increase in capitalized software development costs (resulting in decreased expense) and a decrease of \$3.0 million in third-party web services for internal use.

Research and development expense as a percentage of revenue decreased from 72% in the year ended January 31, 2018 to 53% in the year ended January 31, 2019. We expect research and development expense to continue to decline as a percentage of total revenue in the long term as we leverage previous investments in our research and development organization.

General and administrative expenses were \$30.2 million for the year ended January 31, 2019, compared to \$29.3 million for the year ended January 31, 2018, an increase of \$0.9 million, or 3%. Employee-related costs increased by \$3.3 million, including \$2.4 million of stock-based compensation related to the performance vesting condition of certain RSUs, which was deemed probable of being satisfied upon the effectiveness of the registration statement related to our IPO, and \$0.9 million attributable to higher headcount and salary increases. Other increases included \$0.8 million in costs associated with being a public company. These increases were offset by a \$3.5 million reversal of a contingent tax-related accrual.

General and administrative expenses as a percent of revenue decreased from 27% in the year ended January 31, 2018 to 21% in the year ended January 31, 2019. In the long term, we expect general and administrative expense to decline as a percentage of total revenue as we leverage previous investments in our general and administrative organization; however, we expect general and administrative expense to increase in absolute dollars due to additional costs associated with operating as a public company including incremental costs for accounting, compliance, insurance, and investor relations.

Other Income (Expense), Net

	Year Ended January 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Other income (expense), net	\$ (396)	\$ (8,974)	\$ (8,578)	2,166%

Other income (expense), net increased \$8.6 million. This increase is primarily due to an increase in interest expense of \$10.0 million related to the credit facility, offset by interest income on IPO proceeds of \$2.1 million. In the short term, we expect interest expense to increase due to a higher debt balance and higher interest rates.

Provision for Income Taxes

	Year Ended January 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Provision for income taxes	\$ 385	\$ 1,248	\$ 863	224%

Provision for income taxes increased \$0.9 million due to the impact of the Tax Cuts and Jobs Act on the income tax provision for the year ended January 31, 2018 and expanded foreign operations during the year ended January 31, 2019. We expect income tax expense to continue to increase in conjunction with growth in our international subsidiaries.

Discussion of the Years Ended January 31, 2017 and 2018

Revenue

	Year Ended January 31,		\$ Change	% Change
	2017	2018		
	(in thousands)			
Revenue:				
Subscription	\$ 58,664	\$ 87,463	\$ 28,799	49%
Professional services and other	15,876	21,061	5,185	33
Total revenue	<u>\$ 74,540</u>	<u>\$ 108,524</u>	<u>\$ 33,984</u>	46
Percentage of revenue:				
Subscription	79%	81%		
Professional services and other	21	19		
Total	<u>100%</u>	<u>100%</u>		

Total revenue was \$108.5 million for the year ended January 31, 2018, compared to \$74.5 million for the year ended January 31, 2017, an increase of \$34.0 million, or 46%. Subscription revenue was \$87.5 million, or 81% of total revenue, for the year ended January 31, 2018, compared to \$58.7 million, or 79% of total revenue, for the year ended January 31, 2017. The increase in subscription revenue was primarily due to a \$15.9 million increase from existing customers and a \$12.9 million increase from new customers. Our customer count increased 27% from January 31, 2017 to January 31, 2018.

Professional services and other revenue was \$21.1 million, or 19% of total revenue, for the year ended January 31, 2018, compared to \$15.9 million, or 21% of total revenue, for the year ended January 31, 2017. This increase is due to a higher volume of implementation and training services provided to our customers.

Cost of Revenue, Gross Profit and Gross Margin

	Year Ended January 31,		\$ Change	% Change
	2017	2018		
	(in thousands)			
Cost of revenue:				
Subscription	\$ 21,486	\$ 32,427	\$ 10,941	51%
Professional services and other	11,709	12,492	783	7
Total cost of revenue	\$ 33,195	\$ 44,919	\$ 11,724	35
Gross profit	\$ 41,345	\$ 63,605	\$ 22,260	54
Gross margin:				
Subscription	63%	63%		
Professional services and other	26	41		
Total gross margin	56	59		

Cost of subscription revenue was \$32.4 million for the year ended January 31, 2018, compared to \$21.5 million for the year ended January 31, 2017, an increase of \$10.9 million, or 51%. The increase in cost of subscription revenue was primarily due to an increase of \$5.3 million in expanded use of our third-party hosting services by existing and new customers and \$2.6 million in employee-related costs, as the average headcount in our cloud infrastructure and customer support organizations increased from 88 for the year ended January 31, 2017 to 102 for the year ended January 31, 2018. The increase was also attributable to an increase of \$1.7 million in amortization of capitalized software developments costs, and an increase of \$1.2 million related to allocated overhead and outside services costs driven by our overall growth.

Cost of professional services and other revenue was \$12.5 million for the year ended January 31, 2018, compared to \$11.7 million for the year ended January 31, 2017. This increase is primarily due to a higher volume of services provided by third-party consultants related to implementation and training.

Subscription gross margin remained flat, while gross margin for professional services and other increased from 26% for the year ended January 31, 2017 to 41% for the year ended January 31, 2018 due to efficiencies gained in delivering our professional services.

Operating Expenses

	Year Ended January 31,		\$ Change	% Change
	2017	2018		
	(in thousands)			
Operating expenses:				
Sales and marketing	\$ 118,935	\$ 131,802	\$ 12,867	11%
Research and development	76,164	78,261	2,097	3
General and administrative	29,106	29,323	217	1
Total operating expenses	\$ 224,205	\$ 239,386	\$ 15,181	7
Percentage of revenue:				
Sales and marketing	160%	121%		
Research and development	102	72		
General and administrative	39	27		

Sales and marketing expenses were \$131.8 million for the year ended January 31, 2018, compared to \$118.9 million for the year ended January 31, 2017, an increase of \$12.9 million, or 11%. The increase was primarily due to an increase of \$11.2 million in marketing programs and event costs and \$1.5 million in costs related to third party consulting. The increase was also attributable to an increase of \$1.1 million in personnel costs as the average sales and marketing headcount increased from 289 for the year ended January 31, 2017 to 300 for the year ended January 31, 2018. The increase is partially offset by a decrease

of \$1.7 million in commission expense primarily due to a decrease in the average commission rate relating to professional services.

Sales and marketing expense as a percentage of total revenue decreased from 160% in the year ended January 31, 2017 to 121% in the year ended January 31, 2018.

Research and development expenses were \$78.3 million for the year ended January 31, 2018, compared to \$76.2 million for the year ended January 31, 2017, an increase of \$2.1 million, or 3%. The increase was primarily due to an increase of \$2.2 million in employee-related costs as discretionary bonuses increased by \$1.4 million and our average research and development headcount increased from 257 during the year ended January 31, 2017 to 266 during the year ended January 31, 2018. The increase was also attributable to a \$2.8 million decrease in capitalized software development costs. The increase is partially offset by a decrease of \$3.3 million in third-party web services for internal use.

Research and development expense as a percentage of revenue decreased from 102% in the year ended January 31, 2017 to 72% in the year ended January 31, 2018.

General and administrative expenses were \$29.3 million for the year ended January 31, 2018, compared to \$29.1 million for the year ended January 31, 2017, an increase of \$0.2 million, or 1%. The increase was primarily due to an increase of \$1.3 million in employee-related costs as we prepare to operate as a public company. The increase was partially offset by a decrease of \$0.9 million in sales and other indirect taxes.

General and administrative expenses as a percent of revenue decreased from 39% in the year ended January 31, 2017 to 27% in the year ended January 31, 2018.

Other Income (Expense), Net

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2018</u>		
	(in thousands)			
Other income (expense), net	\$ 513	\$ (396)	\$ (909)	(177)%

Other income (expense), net increased \$0.9 million. This decrease is primarily due to an increase in interest expense of \$1.1 million due to the credit facility entered into in December 2017 and as amended in April 2018. The increase in interest expense was slightly offset by an increase in other income due to foreign currency transaction gains.

Provision for Income Taxes

	<u>Year Ended January 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2018</u>		
	(in thousands)			
Provision for income taxes	\$ 773	\$ 385	\$ (388)	(50)%

Provision for income taxes decreased \$0.4 million due to effects of the Tax Cuts and Jobs Act.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended January 31, 2019, as well as the percentage of revenue that each line item represents for each quarter. The information for each of these quarters has been prepared on the same basis as the audited annual consolidated financial statements included elsewhere in this Annual Report on Form 10-K and, in the opinion of management, includes all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with GAAP. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended							
	April 30,	July 31,	October 31,	January 31,	April 30,	July 31,	October 31,	January 31,
	2017	2017	2017	2018	2018	2018	2018	2019
	(in thousands)							
Revenue:								
Subscription	\$ 19,103	\$ 21,052	\$ 22,656	\$ 24,652	\$ 26,663	\$ 28,166	\$ 30,398	\$ 31,930
Professional services and other	5,143	4,851	5,646	5,421	5,282	6,101	6,446	7,478
Total revenue	24,246	25,903	28,302	30,073	31,945	34,267	36,844	39,408
Cost of revenue:								
Subscription ⁽¹⁾	6,936	7,570	9,102	8,819	8,056	8,265	8,193	8,267
Professional services and other ⁽¹⁾	2,802	3,083	3,292	3,315	3,510	4,253	4,734	4,276
Total cost of revenue	9,738	10,653	12,394	12,134	11,566	12,518	12,927	12,543
Gross profit	14,508	15,250	15,908	17,939	20,379	21,749	23,917	26,865
Operating expenses:								
Sales and marketing ⁽¹⁾	35,517	31,413	33,552	31,320	39,656	34,002	28,034	29,389
Research and development ⁽¹⁾	19,703	20,191	18,787	19,580	19,064	20,919	18,803	16,954
General and administrative ⁽¹⁾⁽²⁾	7,245	7,288	7,280	7,510	4,644	10,207	7,055	8,270
Total operating expenses	62,465	58,892	59,619	58,410	63,364	65,128	53,892	54,613
Loss from operations	(47,957)	(43,642)	(43,711)	(40,471)	(42,985)	(43,379)	(29,975)	(27,748)
Other income (expense), net ⁽¹⁾	82	243	(74)	(647)	(1,919)	(2,898)	(2,371)	(1,786)
Loss before income taxes	(47,875)	(43,399)	(43,785)	(41,118)	(44,904)	(46,277)	(32,346)	(29,534)
Provision for income taxes	103	94	99	89	603	107	199	339
Net loss	\$ (47,978)	\$ (43,493)	\$ (43,884)	\$ (41,207)	\$ (45,507)	\$ (46,384)	\$ (32,545)	\$ (29,873)

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

	Three Months Ended							
	April 30,	July 31,	October 31,	January 31,	April 30,	July 31,	October 31,	January 31,
	2017	2017	2017	2018	2018	2018	2018	2019
Cost of revenue:								
Subscription	\$ 11	\$ 12	\$ 13	\$ 12	\$ 15	\$ 55	\$ 74	\$ 75
Professional services and other	10	11	10	9	8	70	34	42
Sales and marketing	590	462	453	340	305	3,744	1,441	1,897
Research and development	522	595	628	566	483	2,993	1,630	1,413
General and administrative	1,271	1,276	1,273	1,270	1,265	3,330	1,461	1,436
Other expense (income), net	8	9	8	11	17	(26)	14	25
Total	\$ 2,412	\$ 2,365	\$ 2,385	\$ 2,208	\$ 2,093	\$ 10,166	\$ 4,654	\$ 4,888

(2) Includes amortization of certain intangible assets as follows (in thousands):

	Three Months Ended							
	April 30,	July 31,	October 31,	January 31,	April 30,	July 31,	October 31,	January 31,
	2017	2017	2017	2018	2018	2018	2018	2019
General and administrative	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20

(3) Includes reversals of contingent tax-related accruals as follows (in thousands):

	Three Months Ended							
	April 30,	July 31,	October 31,	January 31,	April 30,	July 31,	October 31,	January 31,
	2017	2017	2017	2018	2018	2018	2018	2019
General and administrative	\$ —	\$ —	\$ —	\$ —	\$ (3,513)	\$ —	\$ —	\$ —

	Three Months Ended							
	April 30, 2017	July 31, 2017	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019
	(as a percentage of total revenue)							
Revenue:								
Subscription	79 %	81 %	80 %	82 %	83 %	82 %	83 %	81 %
Professional services and other	21	19	20	18	17	18	17	19
Total revenue	100	100	100	100	100	100	100	100
Cost of revenue:								
Subscription	29	29	32	29	25	24	22	21
Professional services and other	12	12	12	11	11	13	13	11
Total cost of revenue	41	41	44	40	36	37	35	32
Gross margin	59	59	56	60	64	63	65	68
Operating expenses:								
Sales and marketing	146	121	119	104	124	99	76	75
Research and development	81	78	66	65	60	61	51	43
General and administrative	30	28	26	25	15	30	19	20
Total operating expenses	257	227	211	194	199	190	146	138
Loss from operations	(198)	(168)	(155)	(134)	(135)	(127)	(81)	(70)
Other income (expense), net	—	1	—	(2)	(6)	(8)	(6)	(5)
Loss before income taxes	(198)	(167)	(155)	(136)	(141)	(135)	(87)	(75)
Provision for income taxes	—	—	—	—	2	—	1	1
Net loss	(198)%	(167)%	(155)%	(136)%	(143)%	(135)%	(88)%	(76)%

Quarterly Trends in Revenue

Our quarterly revenue increased sequentially for all periods presented primarily due to increases in the number of new customers, average contract value and expanded relationships with existing customers. In some cases, revenue for professional services decreased period over period due to timing of work completed on large projects. Our professional services revenue has experienced significant volatility in the past and we expect this volatility to continue.

Quarterly Costs and Expenses Trends

Costs of subscription services increased across the first three quarters presented primarily due to the continued expansion of our cloud infrastructure and increased employee headcount. For the three months ended January 31, 2018, April 30, 2018 and October 31, 2018, costs of subscription services decreased compared to the preceding three month period due to optimization of our third-party hosting services. Costs of professional services fluctuated across the quarters presented, primarily due to timing of work completed on large projects. For the three months ended January 31, 2019, costs of professional services decreased compared to the preceding three month period, as we aligned the use of our implementation partner resources with the lower volume of projects delivered during that period.

For all three categories of operating expenses (sales and marketing, research and development, and general and administrative), expenses for the three months ended July 31, 2018 were higher than usual due to stock-based compensation related to the vesting of certain RSUs with a performance condition, which was deemed probable of being satisfied upon the effectiveness of the registration statement related to our IPO.

Sales and marketing costs fluctuated across the quarters presented, primarily due to the timing of marketing events. These costs were higher than usual during the three months ended April 30, 2017 and 2018 due to increased costs associated with our annual Domopalooza user conference. Sales and marketing costs were also higher than usual during the three months ended October 31, 2017 due to increased tradeshow activity relative to other periods. For the three months ended October 31, 2018 and January 31, 2019, sales and marketing costs were lower relative to the other quarters presented due to lower employee-related costs and reduction of advertising costs.

Research and development costs remained relatively flat across the quarters presented, with the exception of the three months ended October 31, 2018 and January 31, 2019, where costs decreased due to lower employee-related costs.

General and administrative costs also remained relatively flat across the quarters presented. These costs were lower than usual during the three months ended April 30, 2018 due to the reversal of a contingent tax-related accrual and were higher during the three months ended January 31, 2019 due to costs associated with being a public company.

Other income (expense), net has increased in recent quarters due to interest expense associated with the credit facility.

Our quarterly operating results may fluctuate due to various factors affecting our performance. In addition, we recognize revenue from subscriptions ratably over the term of the contract. Therefore, changes in our contracting activity in the near term may not impact changes to our reported revenue until future periods.

Quarterly Billings

The following table sets forth billings for each of the eight quarters in the period ended January 31, 2019.

	Three Months Ended							
	April 30,	July 31,	October 31,	January 31,	April 30,	July 31,	October 31,	January 31,
	2017	2017	2017	2018	2018	2018	2018	2019
Billings (in thousands)	\$ 27,663	\$ 26,464	\$ 30,015	\$ 45,402	\$ 33,714	\$ 35,664	\$ 38,791	\$ 57,241

Quarterly Billings Trends

The improvement in billings is due to the acquisition of additional customers and sales of larger subscription contracts to existing customers, which are attributable to our continued focus on selling to larger enterprise customers. The increase in billings during the three months ended January 31, 2018 and 2019 is primarily from seasonality due to the buying patterns of our larger customers and the higher concentration of customers renewing their subscriptions in our fiscal fourth quarter.

Liquidity and Capital Resources

As of January 31, 2019, we had \$177.0 million of cash and cash equivalents. Our cash equivalents are comprised primarily of money market funds. On July 3, 2018, we closed our initial public offering of 10,580,000 shares of Class B common stock at an initial price to the public of \$21.00 per share, resulting in aggregate net proceeds to us of \$202.5 million, after deducting underwriting discounts and offering expenses payable by us. In December 2017, we entered into an \$80 million credit facility and drew \$50 million. In April 2018, we amended the credit facility pursuant to which we were able to incur an additional \$20 million in term loan borrowings, for a total availability of \$100 million under the amended facility. We drew the remaining \$50 million during April 2018.

Since inception, we have financed operations primarily through the periodic sale of convertible preferred stock, cash collected from customers for our subscriptions and services, our IPO and to a lesser extent, debt financing. Our principal uses of cash have consisted of employee-related costs, marketing programs and events, and payments related to hosting our cloud-based platform.

We believe our existing cash and cash equivalents will be sufficient to meet our projected operating requirements for at least the next 12 months. We may need to raise additional funds to invest in growth opportunities, product development, sales and marketing, and other purposes. Our future capital requirements will depend on many factors, including our growth rate, the level of investments we make in product development and sales and marketing activities, the continuing market acceptance of our platform, customer retention rates and other investments to support the growth of our business, and may increase materially from those currently planned. We may seek to raise additional funds through equity or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness likely would have rights that are senior to holders of our equity securities and could contain covenants that restrict operations in the same or similar manner as our credit facility. Any additional equity financing likely would be dilutive to existing stockholders. We cannot assure you that any additional financing will be available to us on acceptable terms, or at all.

Although we are not currently a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of, complementary businesses, services or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity financing, incur indebtedness, or use cash resources. We have no present understandings, commitments or agreements to enter into any such acquisitions.

Credit Facility

The credit facility, as amended, permits us to incur up to \$100 million in term loan borrowings, all of which had been drawn as of January 31, 2019. Each term loan requires that we pay only interest until the maturity date. A portion of the interest that accrues on the outstanding principal of each term loan is payable in cash on a monthly basis, which portion accrues at a floating rate equal to the greater of (1) 7% and (2) three-month LIBOR plus 5.5% per year. As of January 31, 2019, the interest rate was approximately 8.3%. In addition, a portion of the interest that accrues on the outstanding principal of each term loan is capitalized and added to the principal amount of the outstanding term loan on a monthly basis, which portion accrues at a fixed rate equal to 2.5% per year. In December 2017, we incurred \$50 million in term loan borrowings under the credit facility.

We incurred the remaining \$50 million in term loan borrowing under the amended credit facility in April 2018. The amendment increased the closing fee from \$3.6 million to \$4.5 million. In addition, under the amended credit facility, we were required to pay a \$2 million fee upon the earlier of (1) the closing of a transaction in which we are acquired by a third party and (2) December 4, 2027. The obligation to pay this \$2 million fee terminated upon the closing of our initial public offering.

In January 2019, we entered into an amendment to this credit facility which extended the maturity date for both outstanding loans to October 1, 2022. The amendment also revised the maximum debt ratio financial covenant and increased the amount of the closing fee from \$4.5 million to \$7.0 million.

The credit facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict our ability to dispose of assets, make material changes to the nature, control or location of our business, merge with or acquire other entities, incur indebtedness or encumbrances, make distributions to holders of our capital stock, make investments or enter into transactions with affiliates. In addition, we are required to comply with a financial covenant based on the ratio of our outstanding indebtedness to our annualized recurring revenue. As amended, the minimum ratio is 0.85 on January 31, 2019 and April 30, 2019; 0.80 on July 31, 2019 and October 31, 2019; 0.75 on January 31, 2020 and April 30, 2020; 0.70 on July 31, 2020 and October 31, 2020; 0.65 on January 31, 2021 and April 30, 2021; and 0.60 on July 31, 2021 through the maturity date.

The credit facility defines our annualized recurring revenue as four times our aggregate revenue for the immediately preceding quarter (net of recurring discounts and discounts for periods greater than one year) less the annual contract value of any customer contracts pursuant to which we were advised during such quarter would not be renewed at the end of the current term plus annual contract value of existing customer contract increases during such quarter. This covenant is measured quarterly on a three-month trailing basis. Upon the occurrence of an event of default, such as non-compliance with covenants, any outstanding principal, interest and fees become due immediately. We were in compliance with the covenant terms of the credit facility at January 31, 2018 and January 31, 2019. The credit facility is secured by substantially all of our assets.

Backlog

Our new business subscriptions typically have a term of one to three years, and we generally invoice our customers in annual installments at the beginning of each year in the subscription period. Due to this billing pattern, at any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenue, deferred revenue, or elsewhere in our consolidated financial statements, and are considered by us to be backlog. The amount of backlog, which does not include deferred revenue, was \$70.3 million and \$102.3 million as of January 31, 2018 and 2019, respectively. Of the January 31, 2019 amount, \$44.3 million is not reasonably expected to be billed during the year ending January 31, 2020.

We expect that the amount of backlog relative to the total value of our contracts will change from year to year for several reasons, including the amount billed early in the contract term, the specific timing and duration of large customer subscription agreements, varying invoicing cycles of subscription agreements, the specific timing of customer renewal, changes in customer financial circumstances, contract amendments and foreign currency fluctuations. Backlog may also vary based on changes in the average non-cancellable term of subscription agreements. The change in backlog that results from changes in the average non-cancellable term of subscription agreements may not be an indicator of the likelihood of renewal or expected future revenue. Accordingly, we believe that fluctuations in backlog are not necessarily a reliable indicator of future revenue, and we do not utilize backlog as a key management metric internally.

Historical Cash Flow Trends

	Year Ended January 31,		
	2017	2018	2019
	(in thousands)		
Net cash used in operating activities	\$ (144,144)	\$ (148,657)	\$ (131,367)
Net cash used in investing activities	(12,144)	(7,596)	(7,976)
Net cash (used in) provided by financing activities	(3,466)	149,100	254,335

Operating Activities

Net cash used in operating activities is significantly influenced by the amount of cash we invest in our personnel, timing and amounts we use to fund marketing programs and events to expand our customer base, and the costs to provide our cloud-based platform and related outsourced professional services to our customers. These outflows are partially offset by the amount and timing of payments received from our customers.

Net cash used in operating activities during the year ended January 31, 2017, consisted of cash outflows of \$237.9 million exceeding the \$93.8 million of cash collected from customers. Significant components of cash outflows included \$134.7 million for personnel costs and \$56.9 million for marketing programs and events, third-party costs to provide our platform and outsourced professional services.

Net cash used in operating activities during the year ended January 31, 2018 consisted of cash outflows of \$274.0 million exceeding the \$125.3 million of cash collected from customers. Significant components of cash outflows included \$146.4 million for personnel costs and \$74.5 million for marketing programs and events, third-party costs to provide our platform and outsourced professional services.

Net cash used in operating activities during the year ended January 31, 2019 consisted of cash outflows of \$290.6 million exceeding the \$159.2 million of cash collected from customers. Significant components of cash outflows included \$150.6 million for personnel costs and \$74.1 million for marketing programs and events, third-party costs to provide our platform and outsourced professional services.

Investing Activities

Our investing activities have consisted primarily of property and equipment purchases. Significant components of purchased property and equipment include computer equipment and software for our data center.

Net cash used in investing activities during the year ended January 31, 2017 consisted primarily of \$6.7 million of purchased property and equipment and \$4.9 million of capitalized development costs related to internal-use software.

Net cash used in investing activities during the year ended January 31, 2018 consisted primarily of \$5.1 million of purchased property and equipment and \$2.2 million of capitalized development costs related to internal-use software.

Net cash used in investing activities during the year ended January 31, 2019 consisted primarily of \$6.3 million of capitalized development costs related to internal-use software and \$1.6 million of purchased property and equipment.

Financing Activities

Our financing activities have consisted primarily of proceeds from our IPO, issuances of convertible preferred stock, proceeds from our credit facility and to a lesser extent, proceeds received from stock option exercises.

Net cash used in financing activities for the year ended January 31, 2017 consisted primarily of \$4.1 million of issuance costs related to the issuance of convertible preferred stock in the prior year offset in part by \$0.7 million from proceeds received from stock option exercises.

Net cash provided by financing activities for the year ended January 31, 2018 consisted primarily of \$99.1 million of net proceeds from the issuance of convertible preferred stock, \$48.9 million of proceeds from our credit facility, net of issuance costs and \$1.3 million from proceeds received from stock option exercises.

Net cash provided by financing activities for the year ended January 31, 2019 consisted primarily of \$202.6 million of IPO proceeds (net of underwriters' discounts and commissions and offering costs paid during the period), \$49.6 million of proceeds from our credit facility, net of issuance costs, and \$2.3 million from proceeds received from stock option exercises.

Contractual Obligations and Commitments

Contractual obligations are cash that we are obligated to pay as part of certain contracts that we have entered into during the normal course of business. At January 31, 2019, the future non-cancelable minimum payments under these commitments were as follows:

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(in thousands)				
Long-term debt ⁽¹⁾	\$ 7,952	\$ 18,007	\$ 126,426	\$ —	\$ 152,385
Operating lease obligations ⁽²⁾	7,162	4,829	2,257	4,799	19,047
Other obligations ⁽³⁾	20,144	22,867	486	—	43,497
Total contractual obligations	\$ 35,258	\$ 45,703	\$ 129,169	\$ 4,799	\$ 214,929

(1) Includes interest payments of \$45.4 million and a closing fee due at maturity of \$7.0 million.

(2) We lease our facilities under long-term operating leases, which expire at various dates through 2027.

(3) Other obligations are associated with non-cancelable contracts primarily for cloud infrastructure services and software subscriptions, including Amazon Web Services. Obligations under contracts that we can cancel without a significant penalty have been excluded.

Off-Balance Sheet Arrangements

As of January 31, 2019, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss below.

Revenue Recognition

We derive revenue primarily from subscriptions to our cloud-based platform and professional services. Revenue is recognized when control of these services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those services, net of sales taxes.

For sales through channel partners, we consider the channel partner to be the end customer for the purposes of revenue recognition as our contractual relationships with channel partners do not depend on the sale of our services to their customers and payment from the channel partner is not contingent on receiving payment from their customers. Our contractual relationships with channel partners do not allow returns, rebates, or price concessions.

Revenue recognition is determined through the following steps:

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

Subscription Revenue

Subscription revenue primarily consists of fees paid by customers to access our cloud-based platform, including support services. Our subscription agreements generally have annual contractual terms and a smaller percentage have multi-year contractual terms. Revenue is recognized ratably over the related contractual term beginning on the date that the platform is made available to a customer. Access to the platform represents a series of distinct services as we continually provide access to and fulfill our obligation to the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. We recognize revenue ratably because the customer receives and consumes the benefits of the platform throughout the contract period. Our contracts are generally non-cancelable.

Professional Services and Other Revenue

Professional services revenue consists of implementation services sold with new subscriptions as well as professional services sold separately. Other revenue includes training and education. Professional services arrangements are billed in advance, and revenue from these arrangements is recognized as the services are provided, generally based on hours incurred. Training and education revenue is also recognized as the services are provided.

Contracts with Multiple Performance Obligations

Most of our contracts with new customers contain multiple performance obligations, generally consisting of subscriptions and professional services. For these contracts, individual performance obligations are accounted for separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are determined based on historical standalone selling prices, taking into consideration overall pricing objectives, market conditions and other factors, including contract value, customer demographics and the number and types of users within the contract.

As of January 31, 2019, approximately \$183.5 million of revenue was expected to be recognized from remaining performance obligations for subscription contracts. We expect to recognize approximately \$109.1 million of this amount during the year ending January 31, 2020, with an additional \$42.5 million being recognized during the year ending January 31, 2021, and the balance recognized thereafter. As of January 31, 2019, approximately \$16.1 million of revenue was expected to be recognized from remaining performance obligations for professional services and other contracts, \$14.3 million of which is expected to be recognized during the year ending January 31, 2020, and the balance recognized thereafter.

Contract Acquisition Costs

Contract acquisition costs, net are stated at cost net of accumulated amortization and primarily consist of deferred sales commissions, which are considered incremental and recoverable costs of obtaining a contract with a customer. Contract acquisition costs for initial contracts are deferred and then amortized on a straight-line basis over the period of benefit, which we have determined to be approximately four years. The period of benefit is determined by taking into consideration contractual terms, expected customer life, changes in our technology and other factors. Contract acquisition costs for renewal contracts are not commensurate with contract acquisition costs for initial contracts and are recorded as expense when incurred if the period of benefit is one year or less. If the period of benefit is greater than one year, costs are deferred and then amortized on a straight-line basis over the period of benefit. Contract acquisition costs related to professional services and other performance obligations with a period of benefit of one year or less are recorded as expense when incurred. Amortization of contract acquisition costs is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Capitalized Internal-Use Software Costs

We capitalize certain costs related to development of our platform incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Maintenance and training costs are also expensed as incurred. Capitalized costs are included in property and equipment.

Capitalized internal-use software is amortized as subscription cost of revenue on a straight-line basis over its estimated useful life, which is generally three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Valuation of Goodwill

Goodwill is evaluated for impairment annually on November 1, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate or a significant decrease in expected cash flows.

Stock-Based Compensation

We have granted stock-based awards, consisting of stock options and restricted stock units, to our employees, certain consultants and certain members of our board of directors. We record stock-based compensation based on the grant date fair value of the awards, which include stock options and restricted stock units, and recognize the fair value of those awards as expense using the straight-line method over the requisite service period of the award. For restricted stock units that contain performance conditions, we recognize expense using the accelerated attribution method if it is probable the performance conditions will be met. We estimate the grant date fair value of stock options using the Black-Scholes option-pricing model.

Stock-based compensation expense related to purchase rights issued under the 2018 Employee Stock Purchase Plan, or ESPP, is based on the Black-Scholes option-pricing model fair value of the estimated number of awards as of the beginning of the offering period. Stock-based compensation expense is recognized using the straight-line method over the offering period.

The determination of the grant date fair value of stock-based awards is affected by the estimated fair value of our common stock as well as other assumptions and judgments, which are estimated as follows:

- *Fair Value Per Share of Common Stock.* Because there was no public market for our common stock prior to the IPO, the board of directors determined the common stock fair value at the grant date by considering numerous objective and subjective factors, including contemporaneous valuations of our common stock, actual operating and financial performance, market conditions, and performance of comparable publicly traded companies, business developments, the likelihood of achieving a liquidity event, and transactions involving preferred and common stock, among other factors. Subsequent to the IPO, we determine the fair value of common stock as of each grant date using the market closing price of our Class B common stock on the date of grant.
- *Expected Term.* The expected term is determined using the simplified method, which is calculated as the midpoint of the option's contractual term and vesting period. We use this method due to limited stock option exercise history. For the ESPP, the expected term is the beginning of the offering period to the end of each purchase period.
- *Expected Volatility.* Since a public market for our common stock did not exist prior to the IPO and, therefore, we do not have a sufficient trading history of our common stock, expected volatility is estimated based on the volatility of similar publicly held companies over a period equivalent to the expected term of the awards.
- *Risk-free Interest Rate.* The risk-free interest rate is determined using U.S. Treasury rates with a similar term as the expected term of the option.
- *Expected Dividend Yield.* We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Recent Accounting Pronouncements

ASU No. 2014-09

In May 2014, the Financial Accounting Standards Board or FASB issued Accounting Standards Update or ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled

to in exchange for those goods or services. ASU No. 2014-09 also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. Topic 606 and Subtopic 340-40 are collectively referred to herein as the "new standard."

We elected to early adopt the requirements of the new standard as of February 1, 2017 with an initial application date of February 1, 2016, utilizing the full retrospective method of transition. The primary impact of adopting the new standard is the deferral of incremental costs of obtaining subscription contracts. Prior to adopting the new standard, deferral of commissions was not required and our policy was to expense commission costs as incurred. Under the new standard, all incremental costs to obtain the contract are deferred if the period of benefit is greater than one year. These costs are amortized on a straight-line basis over the period of benefit, the determination of which is discussed in the contract acquisition costs policy above.

ASU No. 2016-09

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies and improves several aspects of the accounting for employee share-based payment transactions such as the income tax consequences, classification of awards as either equity or liabilities on the balance sheet, and classification of employee taxes paid on statement of cash flows when an employer withholds shares for tax-withholding purposes. The standard also provides an accounting policy election to account for forfeitures as they occur.

We elected to early adopt ASU 2016-09 as of February 1, 2016, and as part of the adoption elected to account for forfeitures as they occur. Therefore, stock-based compensation expense for the years ended January 31, 2017, 2018 and 2019 has been calculated based on actual forfeitures in the consolidated statements of operations, rather than the previous approach, which was net of estimated forfeitures. The net cumulative effect of this change of \$0.6 million was recorded as a reduction to paid-in capital and accumulated deficit as of February 1, 2016. The other aspects of ASU 2016-09 did not have a material impact on our consolidated financial statements.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to record most leases on the balance sheet and recognize the expenses on the income statement in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. For public entities, the new standard is effective for fiscal years beginning after December 15, 2018 and interim periods within that reporting period. For all other entities, this standard is effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. We expect to adopt this standard as of February 1, 2020, assuming we remain an emerging growth company. We are currently evaluating the impact to our consolidated financial statements and related disclosures, but expect assets and liabilities related to leases to increase as a result of adopting this standard.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities as follows:

Interest Rate Risk

We had cash and cash equivalents of \$177.0 million as of January 31, 2019, which consisted of bank deposits and money market funds. We hold cash and cash equivalents for working capital purposes. We do not have material exposure to market risk with respect to our cash equivalents.

In December 2017, we entered into an \$80 million credit facility and drew \$50 million at closing. In April 2018, we entered into an amendment to this credit facility pursuant to which we were able to incur an additional \$20 million in term loan borrowings, for a total availability of \$100 million under the amended facility. We drew the remaining \$50 million during April 2018. Both of these term loans mature on October 1, 2022. A portion of the interest that accrues on outstanding principal of each term loan is payable in cash on a monthly basis, which portion accrues at a floating rate equal to the greater of (1) 7% and (2) three-month LIBOR plus 5.5% per year. As of January 31, 2019, the interest rate was approximately 8.3%. In addition, a portion of the interest that accrues on the outstanding principal of each term loan is capitalized and added to the principal amount of the outstanding term loan on a monthly basis, which portion accrues at a fixed rate equal to 2.5% per year.

Interest rate risk also reflects our exposure to movements in interest rates associated with our borrowings. At January 31, 2019, we had total debt outstanding with a carrying amount of \$97.2 million, which approximates fair value. A hypothetical 10% change in interest rates after January 31, 2019 would not have a material impact on the fair value of our outstanding debt, even at the borrowing limit, or in the returns on our cash.

Foreign Currency Exchange Risk

Due to our international operations, we have foreign currency risks related to revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Japanese Yen, British Pound Sterling, and the Australian Dollar. Our subscriptions and services contracts are primarily denominated in the local currency of the customer making the purchase. In addition, a portion of operating expenses are incurred outside the United States and are denominated in foreign currencies. Decreases in the relative value of the U.S. dollar to other currencies may negatively affect revenue and other operating results as expressed in U.S. dollars. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.

We have experienced and will continue to experience fluctuations in net loss as a result of transaction gains or losses related to remeasuring certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. We have not engaged in the hedging of foreign currency transactions to date. We are considering the costs and benefits of initiating such a program and may in the future hedge balances and transactions denominated in currencies other than the U.S. dollar as we expand international operations.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Domo, Inc. (the Company) as of January 31, 2018 and 2019, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' (deficit) equity and cash flows for each of the three years in the period ended January 31, 2019, 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 January 31, 2018 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2019, in conformity with U.S. generally accepted accounting principles.

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 Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

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

Salt Lake City, Utah

April 12, 2019

Domo, Inc.

Consolidated Balance Sheets

(in thousands, except per share amounts)

	As of January 31,	
	2018	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,972	\$ 176,973
Accounts receivable, net	35,484	48,421
Contract acquisition costs, net	9,661	10,425
Prepaid expenses and other current assets	6,144	10,935
Total current assets	113,261	246,754
Property and equipment, net	14,952	12,595
Contract acquisition costs, noncurrent, net	11,521	18,030
Intangible assets, net	3,026	4,415
Goodwill	9,478	9,478
Other assets	3,117	1,360
Total assets	\$ 155,355	\$ 292,632
Liabilities, convertible preferred stock and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable	\$ 12,121	\$ 2,609
Accrued expenses and other current liabilities	49,428	48,139
Deferred revenue	66,712	88,959
Total current liabilities	128,261	139,707
Deferred revenue, noncurrent	4,244	4,943
Other liabilities, noncurrent	5,324	6,210
Long-term debt	46,332	97,245
Total liabilities	184,161	248,105
Commitments and contingencies (Note 10)		
Convertible preferred stock, \$0.001 par value per share; 15,328 and no shares authorized as of January 31, 2018 and 2019, respectively; 14,099 and no shares issued and outstanding as of January 31, 2018 and 2019, respectively	693,158	—
Stockholders' (deficit) equity:		
Preferred stock, \$0.001 par value per share; no and 10,000 shares authorized as of January 31, 2018 and 2019, respectively; no shares issued and outstanding as of January 31, 2018 and 2019	—	—
Class A common stock, \$0.001 par value per share; 3,700 shares authorized as of January 31, 2018 and 2019; no and 3,264 shares issued and outstanding as of January 31, 2018 and 2019, respectively	—	3
Class B common stock, \$0.001 par value per share; 21,200 and 500,000 shares authorized as of January 31, 2018 and 2019, respectively; 1,639 and 23,435 shares issued and outstanding as of January 31, 2018 and 2019, respectively	2	23
Additional paid-in capital	35,301	956,145
Accumulated other comprehensive income	506	438
Accumulated deficit	(757,773)	(912,082)
Total stockholders' (deficit) equity	(721,964)	44,527
Total liabilities and stockholders' (deficit) equity	\$ 155,355	\$ 292,632

See accompanying notes to consolidated financial statements.

Domo, Inc.

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Year Ended January 31,		
	2017	2018	2019
Revenue:			
Subscription	\$ 58,664	\$ 87,463	\$ 117,157
Professional services and other	15,876	21,061	25,307
Total revenue	74,540	108,524	142,464
Cost of revenue:			
Subscription	21,486	32,427	32,781
Professional services and other	11,709	12,492	16,773
Total cost of revenue	33,195	44,919	49,554
Gross profit	41,345	63,605	92,910
Operating expenses:			
Sales and marketing	118,935	131,802	131,081
Research and development	76,164	78,261	75,740
General and administrative	29,106	29,323	30,176
Total operating expenses	224,205	239,386	236,997
Loss from operations	(182,860)	(175,781)	(144,087)
Other income (expense), net	513	(396)	(8,974)
Loss before income taxes	(182,347)	(176,177)	(153,061)
Provision for income taxes	773	385	1,248
Net loss	\$ (183,120)	\$ (176,562)	\$ (154,309)
Net loss per share, basic and diluted	\$ (124.90)	\$ (110.70)	\$ (9.43)
Weighted-average number of shares used in computing net loss per share, basic and diluted	1,466	1,595	16,358

See accompanying notes to consolidated financial statements.

Domo, Inc.

Consolidated Statements of Comprehensive Loss

(in thousands)

	Year Ended January 31,		
	2017	2018	2019
Net loss	\$ (183,120)	\$ (176,562)	\$ (154,309)
Foreign currency translation adjustments	112	176	(68)
Comprehensive loss	<u>\$ (183,008)</u>	<u>\$ (176,386)</u>	<u>\$ (154,377)</u>

See accompanying notes to consolidated financial statements.

Domo, Inc.

Consolidated Statements of Convertible Preferred Stock and Stockholders' (Deficit) Equity

(in thousands, except share amounts)

	Convertible Preferred Stock		Stockholders' (Deficit) Equity							
	Shares	Amount	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' (Deficit) Equity
			Shares	Amount	Shares	Amount				
Balance as of February 1, 2016	13,288,510	\$ 594,187	—	\$ —	1,417,691	\$ 1	\$ 14,610	\$ 218	\$ (398,091)	\$ (383,262)
Exercise of stock options	—	—	—	—	113,546	1	747	—	—	748
Stock-based compensation expense	—	—	—	—	—	—	9,326	—	—	9,326
Foreign currency translation adjustments	—	—	—	—	—	—	—	112	—	112
Net loss	—	—	—	—	—	—	—	—	(183,120)	(183,120)
Balance as of January 31, 2017	13,288,510	594,187	—	—	1,531,237	2	24,683	330	(581,211)	(556,196)
Issuance of Series D-2 convertible preferred stock, net of issuance costs of \$3,529	810,427	98,971	—	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	111,688	—	1,338	—	—	1,338
Repurchase of Class B common stock	—	—	—	—	(4,277)	—	(121)	—	—	(121)
Stock-based compensation expense	—	—	—	—	—	—	9,334	—	—	9,334
Class B common stock warrant	—	—	—	—	—	—	67	—	—	67
Foreign currency translation adjustments	—	—	—	—	—	—	—	176	—	176
Net loss	—	—	—	—	—	—	—	—	(176,562)	(176,562)
Balance as of January 31, 2018	14,098,937	693,158	—	—	1,638,648	2	35,301	506	(757,773)	(721,964)
Initial public offering, net of offering costs of \$4,091	—	—	—	—	10,580,000	10	202,526	—	—	202,536
Conversion of convertible preferred stock	(14,098,937)	(693,158)	3,263,659	3	10,835,278	11	693,144	—	—	693,158
Vesting of restricted stock units	—	—	—	—	12,625	—	—	—	—	—
Exercise of stock options	—	—	—	—	367,991	—	2,250	—	—	2,250
Stock-based compensation expense	—	—	—	—	—	—	22,291	—	—	22,291
Common stock warrants	—	—	—	—	—	—	633	—	—	633
Foreign currency translation adjustments	—	—	—	—	—	—	—	(68)	—	(68)
Net loss	—	—	—	—	—	—	—	—	(154,309)	(154,309)
Balance as of January 31, 2019	—	\$ —	3,263,659	\$ 3	23,434,542	\$ 23	\$ 956,145	\$ 438	\$ (912,082)	\$ 44,527

See accompanying notes to consolidated financial statements.

Domo, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended January 31,		
	2017	2018	2019
Cash flows from operating activities			
Net loss	\$ (183,120)	\$ (176,562)	\$ (154,309)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,895	8,051	8,573
Amortization of intangible assets	304	80	214
Amortization of contract acquisition costs	7,782	9,014	8,168
Stock-based compensation expense	9,343	9,370	21,801
Reversal of contingent tax-related accrual	—	—	(3,513)
Capitalized interest	—	202	2,293
Remeasurement of warrant liability	—	(28)	(56)
Change in operating assets and liabilities:			
Accounts receivable, net	(2,802)	(13,186)	(12,937)
Contract acquisition costs	(11,742)	(17,160)	(15,677)
Prepaid expenses and other	(826)	(1,610)	(4,824)
Accounts payable	4,537	3,250	(8,651)
Accrued expenses and other liabilities	9,613	8,902	4,605
Deferred revenue	17,872	21,020	22,946
Net cash used in operating activities	(144,144)	(148,657)	(131,367)
Cash flows from investing activities			
Purchases of property and equipment	(11,644)	(7,281)	(6,373)
Purchases of intangible assets	—	(315)	(1,603)
Issuance of note receivable	(500)	—	—
Net cash used in investing activities	(12,144)	(7,596)	(7,976)
Cash flows from financing activities			
Proceeds from initial public offering, net of underwriting discounts and commissions	—	—	206,627
Payments of costs related to initial public offering	—	(38)	(4,053)
Proceeds from issuance of convertible preferred stock, net of issuance costs	(4,060)	99,058	(87)
Debt proceeds, net of issuance costs	(112)	48,900	49,642
Proceeds from exercise of stock options	748	1,338	2,250
Repurchases of common stock	—	(121)	—
Principal payments on capital lease obligations	(42)	(37)	(44)
Net cash (used in) provided by financing activities	(3,466)	149,100	254,335
Effect of exchange rate changes on cash and cash equivalents	118	141	9
Net (decrease) increase in cash and cash equivalents	(159,636)	(7,012)	115,001
Cash and cash equivalents at beginning of period	228,620	68,984	61,972
Cash and cash equivalents at end of period	\$ 68,984	\$ 61,972	\$ 176,973
Supplemental disclosures of cash flow information			
Cash paid for income taxes	\$ 212	\$ 499	\$ 822
Cash paid for interest	\$ 26	\$ 314	\$ 6,903
Non-cash investing and financing activities			
Stock-based compensation capitalized as internal-use software	\$ —	\$ —	\$ 528
Debt issuance costs in accounts payable, accrued liabilities and other liabilities, noncurrent	\$ —	\$ 2,726	\$ 1,993
Deferred initial public offering costs in accounts payable and accrued liabilities	\$ —	\$ 1,675	\$ —
Issuance of warrants in connection with credit facility	\$ —	\$ 257	\$ 673
Convertible preferred stock issuance costs in accounts payable and accrued liabilities	\$ —	\$ 87	\$ —
Conversion of convertible preferred stock to common stock	\$ —	\$ —	\$ 693,158

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Overview and Basis of Presentation

Description of Business and Basis of Presentation

Domo, Inc. (the Company) provides a cloud-based platform that digitally connects everyone from the CEO to the frontline employee with all the people, data and systems in an organization, giving them access to real-time data and insights and allowing them to manage their business from their smartphones. The Company is incorporated in Delaware. The Company's headquarters are located in American Fork, Utah and the Company has subsidiaries in the United Kingdom, Australia, Japan, Hong Kong, Singapore, New Zealand, and Canada.

The accompanying consolidated financial statements, which include the accounts of the Company and its wholly owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America or GAAP. All intercompany balances and transactions have been eliminated in consolidation. The Company's fiscal year ends on January 31.

Initial Public Offering

On July 3, 2018, the Company closed its initial public offering (IPO), in which the Company issued and sold 10,580,000 shares (inclusive of the underwriters' over-allotment option to purchase 1,380,000 shares, which was exercised on June 29, 2018) of Class B common stock at \$21.00 per share. The Company received aggregate proceeds of \$206.6 million, net of underwriters' discounts and commissions, before deducting offering costs of \$4.1 million.

Immediately prior to the closing of the Company's IPO, 14,098,937 shares of convertible preferred stock outstanding converted into 3,263,659 shares of Class A common stock and 10,835,278 shares of Class B common stock.

Upon the effectiveness of the registration statement for the Company's IPO, which was June 28, 2018, the liquidity event-related performance vesting condition associated with restricted stock units (RSUs) granted prior to the IPO was deemed probable of being satisfied. As a result, the Company recognized stock-based compensation related to these RSUs of \$6.6 million attributable to service prior to such effective date.

Stock Split

On June 15, 2018, the Company amended its amended and restated certificate of incorporation to effect a 15-to-one reverse stock split of its common stock and convertible preferred stock. All of the share and per share information referenced throughout the consolidated financial statements and notes to the consolidated financial statements have been retroactively adjusted to reflect this reverse stock split.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. The Company bases its estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances. Actual results could differ from those estimates. The Company's estimates and judgments include the determination of standalone selling prices for the Company's services, which are used to determine revenue recognition for arrangements with multiple performance obligations; the amortization period for deferred contract acquisition costs; valuation of the Company's stock-based compensation, including the underlying estimated fair value of common stock in periods prior to the date of the Company's IPO; useful lives of fixed assets; capitalization and estimated useful life of internal-use software; valuation estimates used when evaluating impairment of long-lived and intangible assets including goodwill; and the allowance for doubtful accounts.

Foreign Currency

The functional currencies of the Company's foreign subsidiaries are the respective local currencies. The cumulative effect of translation adjustments arising from the use of differing exchange rates from period to period is included in accumulated other comprehensive income within the consolidated balance sheets. Changes in the cumulative foreign translation adjustment are reported in the consolidated statements of convertible preferred stock and stockholders' (deficit) equity and the consolidated statements of comprehensive loss. Transactions denominated in currencies other than the functional currency are remeasured at

Notes to Consolidated Financial Statements (Continued)

1. Overview and Basis of Presentation (Continued)

the end of the period and when the related receivable or payable is settled, which may result in transaction gains or losses. Foreign currency transaction gains and losses are included in other income (expense), net in the consolidated statements of operations and were not material for the years ended January 31, 2017, 2018 and 2019. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at the average exchange rate during the period, and equity balances are translated using historical exchange rates.

Segment Information

The Company operates as one operating segment. The Company's chief operating decision maker is its chief executive officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and money market funds. The fair value of cash equivalents approximated their carrying value as of January 31, 2018 and January 31, 2019.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount (net of allowances), do not require collateral, and do not bear interest. The Company's payment terms generally provide that customers pay within 30 days of the invoice date.

The Company maintains an allowance for doubtful accounts for amounts the Company does not expect to collect. In establishing the required allowance, management considers historical losses, current market conditions, customers' financial condition, the age of the receivables, and current payment patterns. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Changes in the Company's allowance for doubtful accounts for the years ended January 31, 2017, 2018 and 2019 were as follows (in thousands):

Beginning balance	\$	771
Additions		3,519
Write-offs		(2,710)
Balance as of January 31, 2017		1,580
Additions		5,003
Write-offs		(3,664)
Balance as of January 31, 2018		2,919
Additions		5,033
Write-offs		(4,565)
Balance as of January 31, 2019	\$	3,387

Contract Acquisition Costs

Contract acquisition costs, net are stated at cost net of accumulated amortization and primarily consist of deferred sales commissions, which are considered incremental and recoverable costs of obtaining a contract with a customer. Contract acquisition costs for initial contracts are deferred and then amortized on a straight-line basis over the period of benefit, which the Company has determined to be approximately four years. The period of benefit is determined by taking into consideration contractual terms, expected customer life, changes in the Company's technology and other factors. Contract acquisition costs for renewal contracts are not commensurate with contract acquisition costs for initial contracts and are recorded as expense when incurred if the period of benefit is one year or less. If the period of benefit is greater than one year, costs are deferred and then amortized on a straight-line basis over the period of benefit. Contract acquisition costs related to professional services and

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

other performance obligations with a period of benefit of one year or less are recorded as expense when incurred. Amortization of contract acquisition costs is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Amortization expense related to contract acquisition costs was \$7.8 million, \$9.0 million and \$8.2 million for the years ended January 31, 2017, 2018 and 2019, respectively. There was no impairment charge in relation to contract acquisition costs for the periods presented.

Deferred Offering Costs

The Company capitalized qualified legal, accounting and other direct costs related to the IPO. As of January 31, 2018, the balance of deferred offering costs was \$1.7 million, which was included in other assets in the consolidated balance sheets. During the year ended January 31, 2019, the Company reclassified \$4.2 million of offering costs into stockholders' equity as a reduction of the net proceeds received from the IPO. As of January 31, 2019, there were no deferred offering costs.

Property and Equipment

Property and equipment, net, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets or over the related lease terms (if shorter). Repairs and maintenance costs are expensed as incurred.

The estimated useful lives of property and equipment are as follows:

Computer equipment and software	2-3 years
Furniture, vehicles and office equipment	3 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

Capitalized Internal-Use Software Costs

The Company capitalizes certain costs related to development of its platform incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Maintenance and training costs are also expensed as incurred. Capitalized costs are included in property and equipment.

Capitalized internal-use software is amortized as subscription cost of revenue on a straight-line basis over its estimated useful life, which is generally three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill and indefinite-lived intangible assets are not amortized, but rather tested for impairment at least annually on November 1 or more often if and when circumstances indicate that the carrying value may not be recoverable. Finite-lived intangible assets are amortized over their useful lives.

Goodwill is tested for impairment based on reporting units. The Company periodically reevaluates the business and has determined that it continues to operate in one segment, which is also considered the sole reporting unit. Therefore, goodwill is tested for impairment at the consolidated level.

The Company reviews its long-lived assets, including property and equipment and finite-lived intangible assets, for impairment whenever an event or change in facts and circumstances indicates that their carrying amounts may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated. If the carrying amount exceeds the undiscounted cash flows, the assets are determined to be impaired and an impairment charge is recognized as the amount by which the carrying amount exceeds fair value.

There was no goodwill acquired and no impairment charges for goodwill or long-lived assets recorded during the periods presented.

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Company derives revenue primarily from subscriptions to its cloud-based platform and professional services. Revenue is recognized when control of these services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those services, net of sales taxes.

For sales through channel partners, the Company considers the channel partner to be the end customer for the purposes of revenue recognition as the Company's contractual relationships with channel partners do not depend on the sale of the Company's services to their customers and payment from the channel partner is not contingent on receiving payment from their customers. The Company's contractual relationships with channel partners do not allow returns, rebates, or price concessions.

The price of subscriptions is generally fixed at contract inception and therefore, the Company's contracts do not contain a significant amount of variable consideration.

Revenue recognition is determined through the following steps:

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

Subscription Revenue

Subscription revenue primarily consists of fees paid by customers to access the Company's cloud-based platform, including support services. The Company's subscription agreements generally have annual contractual terms and a smaller percentage have multi-year contractual terms. Revenue is recognized ratably over the related contractual term beginning on the date that the platform is made available to a customer. Access to the platform represents a series of distinct services as the Company continually provides access to and fulfills its obligation to the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. The Company recognizes revenue ratably because the customer receives and consumes the benefits of the platform throughout the contract period. The Company's contracts are generally non-cancelable.

Professional Services and Other Revenue

Professional services revenue consists of implementation services sold with new subscriptions as well as professional services sold separately. Other revenue includes training and education. Professional services arrangements are billed in advance, and revenue from these arrangements is recognized as the services are provided, generally based on hours incurred. Training and education revenue is also recognized as the services are provided.

Contracts with Multiple Performance Obligations

Most of the Company's contracts with new customers contain multiple performance obligations, generally consisting of subscriptions and professional services. For these contracts, individual performance obligations are accounted for separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are determined based on historical standalone selling prices, taking into consideration overall pricing objectives, market conditions and other factors, including contract value, customer demographics and the number and types of users within the contract.

Deferred Revenue

The Company's contracts are typically billed annually in advance. Deferred revenue includes amounts collected or billed in excess of revenue recognized. Deferred revenue is recognized as revenue as the related performance obligations are satisfied.

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Deferred revenue that will be recognized during the succeeding twelve-month period is recorded as a current liability and the remaining portion is recorded as a noncurrent liability.

Cost of Revenue

Cost of subscription revenue consists primarily of third-party hosting services and data center capacity; employee-related costs directly associated with cloud infrastructure and customer support personnel, including salaries, benefits, bonuses and stock-based compensation; amortization expense associated with capitalized software development costs; depreciation expense associated with computer equipment and software; certain fees paid to various third parties for the use of their technology and services; and allocated overhead. Allocated overhead includes items such as information technology infrastructure, rent, and employee benefit costs.

Cost of professional services and other revenue consists primarily of employee-related costs associated with these services, including stock-based compensation; third-party consultant fees; and allocated overhead.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$17.8 million, \$26.4 million and \$13.7 million for the years ended January 31, 2017, 2018 and 2019, respectively.

Research and Development

Research and development expenses consist primarily of employee-related costs for the design and development of the Company's platform, contractor costs to supplement staff levels, third-party web services, consulting services, and allocated overhead. Research and development expenses, other than software development costs qualifying for capitalization, are expensed as incurred.

Stock-Based Compensation

The Company records stock-based compensation based on the grant date fair value of the awards, which include stock options and restricted stock units, and recognizes the fair value of those awards as expense using the straight-line method over the requisite service period of the award. For restricted stock units that contain performance conditions, the Company recognizes expense using the accelerated attribution method if it is probable the performance conditions will be met. The Company estimates the grant date fair value of stock options using the Black-Scholes option-pricing model.

Stock-based compensation expense related to purchase rights issued under the 2018 Employee Stock Purchase Plan (ESPP) is based on the Black-Scholes option-pricing model fair value of the estimated number of awards as of the beginning of the offering period. Stock-based compensation expense is recognized using the straight-line method over the offering period.

The determination of the grant date fair value of stock-based awards is affected by the estimated fair value of the Company's common stock as well as other assumptions and judgments, which are estimated as follows:

- *Fair Value Per Share of Common Stock.* Because there was no public market for the Company's common stock prior to the IPO, the board of directors determined the common stock fair value at the grant date by considering numerous objective and subjective factors, including contemporaneous valuations of the Company's common stock, actual operating and financial performance, market conditions, and performance of comparable publicly traded companies, business developments, the likelihood of achieving a liquidity event, and transactions involving preferred and common stock, among other factors. Subsequent to the IPO, the Company determines the fair value of common stock as of each grant date using the market closing price of the Company's Class B common stock on the date of grant.
- *Expected Term.* The expected term is determined using the simplified method, which is calculated as the midpoint of the option's contractual term and vesting period. The Company uses this method due to limited stock option exercise history. For the ESPP, the expected term is the beginning of the offering period to the end of each purchase period.
- *Expected Volatility.* Since a public market for the Company's common stock did not exist prior to the IPO and, therefore, the Company does not have sufficient trading history of its common stock, expected volatility is estimated based on the volatility of similar publicly held companies over a period equivalent to the expected term of the awards.

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

- *Risk-free Interest Rate.* The risk-free interest rate is determined using U.S. Treasury rates with a similar term as the expected term of the option.
- *Expected Dividend Yield.* The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero.

Income Taxes

The Company accounts for income taxes in accordance with the liability method of accounting for income taxes. Under this method, the Company recognizes a liability or asset for the deferred income tax consequences of all temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the assets and liabilities are recovered or settled. These deferred income tax assets or liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to affect taxable income.

Valuation allowances are provided when it is more-likely-than-not that some or all of the deferred income tax assets may not be realized. In assessing the need for a valuation allowance, the Company has considered its historical levels of income, expectations of future taxable income and ongoing tax planning strategies. Because of the uncertainty of the realization of its deferred tax assets, the Company has a full valuation allowance for domestic net deferred tax assets, including net operating loss carryforwards, and tax credits related primarily to research and development. Realization of its deferred tax assets is dependent primarily upon future U.S. taxable income.

Tax positions are recognized in the consolidated financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. The Company's policy for recording interest and penalties related to income taxes, including uncertain tax positions, is to record such items as a component of the provision for income taxes.

Concentrations of Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company maintains its cash and cash equivalents in bank accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in these instruments and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

No single customer accounted for more than 10% of revenue for the years ended January 31, 2017, 2018 and 2019 or more than 10% of accounts receivable as of January 31, 2018 and January 31, 2019.

The Company is primarily dependent upon third parties in order to meet the uptime and performance requirements of its customers. Any disruption of or interference with the Company's use of these third parties would impact operations.

Net Loss per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock share equally in the Company's net losses. Before the IPO, the Company's participating securities also included convertible preferred stock. The holders of convertible preferred stock did not have a contractual obligation to share in the Company's losses, and as a result net losses were not allocated to these participating securities.

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period increased by common shares that could be issued upon conversion or exercise of other outstanding securities to the extent those additional common shares would be dilutive. The dilutive effect of potentially dilutive securities is reflected in diluted net loss per share by application of the treasury stock method. During periods when the Company is in a net loss position, basic net loss per share is the same as diluted net loss per share as the effects of potentially dilutive securities are anti-dilutive.

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)***Recently Adopted Accounting Pronouncements****ASU No. 2014-09*

In May 2014, the Financial Accounting Standards Board or FASB issued Accounting Standards Update or ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. ASU No. 2014-09 also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. Topic 606 and Subtopic 340-40 are collectively referred to herein as the "new standard."

The Company elected to early adopt the requirements of the new standard as of February 1, 2017 with an initial application date of February 1, 2016, utilizing the full retrospective method of transition. The primary impact of adopting the new standard is the deferral of incremental costs of obtaining subscription contracts. Prior to adopting the new standard, deferral of commissions was not required and the Company's policy was to expense commission costs as incurred. Under the new standard, all incremental costs to obtain the contract are deferred if the period of benefit is greater than one year. These costs are amortized on a straight-line basis over the period of benefit, the determination of which is discussed in the contract acquisition costs policy above.

ASU No. 2016-09

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies and improves several aspects of the accounting for employee share-based payment transactions such as the income tax consequences, classification of awards as either equity or liabilities on the balance sheet, and classification of employee taxes paid on statement of cash flows when an employer withholds shares for tax-withholding purposes. The standard also provides an accounting policy election to account for forfeitures as they occur.

The Company elected to early adopt ASU 2016-09 as of February 1, 2016, and as part of the adoption elected to account for forfeitures as they occur. Therefore, stock-based compensation expense for the years ended January 31, 2017, 2018 and 2019 has been calculated based on actual forfeitures in the consolidated statements of operations, rather than the previous approach, which was net of estimated forfeitures. The net cumulative effect of this change of \$0.6 million was recorded as a reduction to paid-in capital and accumulated deficit as of February 1, 2016. The other aspects of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to record most leases on the balance sheet and recognize the expenses on the income statement in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. For public entities, the new standard is effective for fiscal years beginning after December 15, 2018 and interim periods within that reporting period. For all other entities, this standard is effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Company expects to adopt this standard as of February 1, 2020, assuming it remains an emerging growth company. The Company is currently evaluating the impact to its consolidated financial statements and related disclosures, but expects assets and liabilities related to leases to increase as a result of adopting this standard.

3. Fair Value Measurements***Assets Measured at Fair Value on a Recurring Basis***

Financial instruments recorded at fair value in the financial statements are categorized as follows:

- Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, 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 assets or liabilities.

Notes to Consolidated Financial Statements (Continued)

3. Fair Value Measurements (Continued)

- Level 3: Unobservable inputs reflecting management's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The following table summarizes the assets measured at fair value on a recurring basis as of January 31, 2018 and January 31, 2019 by level within the fair value hierarchy (in thousands):

	January 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 15,210	\$ —	\$ —	\$ 15,210
Financial liability:				
Series D-2 convertible preferred stock warrants	\$ —	\$ —	\$ 229	\$ 229
	January 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 170,998	\$ —	\$ —	\$ 170,998

There were no realized or unrealized losses or other-than-temporary impairments for money market funds as of January 31, 2018 and January 31, 2019.

Level 3 instruments consisted of a liability related to warrants to purchase Series D-2 convertible preferred stock, which warrants were originally issued in December 2017 (see Note 9) and later converted to warrants to purchase Class B common stock in April 2018 (see Note 11) (warrant liability). The warrant liability was recorded at fair value upon issuance and remeasured until the date the exercise price-related contingency on the warrants to purchase Class B common stock was resolved, which was the effective date of the Company's IPO. On that date, the liability balance was reclassified to additional paid-in capital within stockholders' equity. As such, no warranty liability balances existed as of January 31, 2019.

These warrant liabilities were estimated using assumptions related to the remaining contractual term of the warrants, the risk-free interest rate, the volatility of comparable public companies over the remaining term and the fair value of underlying shares. The significant unobservable inputs used in the fair value measurement of the warrant liabilities are the fair value of the underlying stock at the valuation date and the estimated term of the warrants. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement, and are recognized in other income (expense), net in the consolidated statements of operations.

Notes to Consolidated Financial Statements (Continued)

3. Fair Value Measurements (Continued)

The changes in the fair value of the Series D-2 convertible preferred stock and Class B common stock warrant liabilities were as follows (in thousands):

Balance as of January 31, 2017	\$	—
Issuance of convertible preferred stock warrants		257
Decrease in fair value of convertible preferred stock warrants		(28)
Balance as of January 31, 2018		229
Decrease in fair value of convertible preferred stock warrants		(16)
Write-off of convertible preferred stock warrant liability due to conversion to warrants on Class B common stock		(213)
Issuance of Class B common stock warrants		166
Decrease in fair value of Class B common stock warrants		(40)
Reclassification to additional paid-in capital of Class B common stock warrant liability due to resolution of contingency		(126)
Balance as of January 31, 2019	\$	—

At each reporting date or immediately prior to an event that changes the classification of the related warrants from liability to equity, the warrant liabilities are remeasured to fair value using the Black-Scholes option-pricing model. The assumptions used as of January 31, 2018 and during the year ended January 31, 2019 were as follows:

	January 31,	
	2018	2019
Expected stock price volatility	45%	42% - 44%
Expected term	2.6 years	2.6 - 3.0 years
Risk-free interest rate	2.72%	2.54% - 2.60%
Expected dividend yield	—	—

During the years ended January 31, 2017, 2018 and 2019, the Company had no transfers between levels of the fair value hierarchy of its assets and liabilities measured at fair value.

Fair Value of Other Financial Instruments

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, accounts payable, accrued liabilities, and other liabilities approximate fair value due to their short-term maturities and are excluded from the fair value tables above.

Notes to Consolidated Financial Statements (Continued)

4. Property and Equipment

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

	As of January 31,	
	2018	2019
Computer equipment and software	\$ 16,201	\$ 16,575
Capitalized internal-use software development costs	11,823	18,140
Leasehold improvements	3,558	2,849
Furniture, vehicles and office equipment	2,430	2,537
	34,012	40,101
Less accumulated depreciation and amortization	(19,060)	(27,506)
	\$ 14,952	\$ 12,595

Depreciation and amortization expense related to property and equipment was \$4.9 million, \$8.1 million and \$8.6 million for the years ended January 31, 2017, 2018 and 2019, respectively.

The Company capitalized \$4.9 million, \$2.2 million and \$6.3 million in software development costs during the years ended January 31, 2017, 2018 and 2019, respectively. Amortization of capitalized software development costs was \$1.5 million, \$3.2 million and \$3.9 million for the years ended January 31, 2017, 2018 and 2019, respectively.

5. Intangible Assets

Intangible assets consisted of the following (in thousands):

	As of January 31,	
	2018	2019
Intellectual property excluding patents	\$ 2,289	\$ 2,289
Software licenses	—	1,603
Patents	950	950
	3,239	4,842
Less accumulated amortization	(213)	(427)
	\$ 3,026	\$ 4,415

Amortization expense related to intangible assets was \$0.3 million, \$0.1 million and \$0.2 million for the years ended January 31, 2017, 2018 and 2019, respectively. Intellectual property excluding patents is considered an indefinite-lived asset due to the fact that it is renewable in perpetuity. Software licenses are amortized over an estimated useful life of three years. The patents were acquired and are being amortized over a weighted-average remaining useful life of approximately 8 years.

Domo, Inc.

Notes to Consolidated Financial Statements (Continued)

5. Intangible Assets (Continued)

As of January 31, 2019, future amortization expense for definite-lived intangible assets is estimated to be as follows (in thousands):

Year Ending January 31,		
2020	\$	614
2021		614
2022		481
2023		80
2024		80
Thereafter		257
	<u>\$</u>	<u>2,126</u>

6. Accrued Expenses and Other Current Liabilities

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

	As of January 31,	
	2018	2019
Accrued payroll taxes	\$ 13,925	\$ 12,251
Accrued expenses	11,677	8,688
Accrued commissions	6,120	6,495
Accrued benefits	6,005	6,142
Accrued bonus	7,200	5,338
Employee stock purchase plan liability	—	3,848
Sales and other taxes payable	966	1,409
Other accrued liabilities	3,535	3,968
	<u>\$ 49,428</u>	<u>\$ 48,139</u>

Notes to Consolidated Financial Statements (Continued)

7. Deferred Revenue and Performance Obligations

Deferred Revenue

Significant changes in the Company's deferred revenue balance for the years ended January 31, 2017, 2018 and 2019 were as follows (in thousands):

Beginning balance at February 1, 2016 (reflects cumulative effect adjustment from adoption of ASU 2014-09)		\$	32,064
Revenue recognized that was included in the deferred revenue balance at the beginning of the period:			
Subscription	\$	(26,964)	
Professional services and other		(4,664)	
Total			(31,628)
Increase due to billings excluding amounts recognized as revenue during the period			49,500
Balance as of January 31, 2017			49,936
Revenue recognized that was included in the deferred revenue balance at the beginning of the period:			
Subscription	\$	(42,383)	
Professional services and other		(6,079)	
Total			(48,462)
Increase due to billings excluding amounts recognized as revenue during the period			69,482
Balance as of January 31, 2018			70,956
Revenue recognized that was included in the deferred revenue balance at the beginning of the period:			
Subscription	\$	(61,283)	
Professional services and other		(4,991)	
Total			(66,274)
Increase due to billings excluding amounts recognized as revenue during the period			89,220
Balance as of January 31, 2019		\$	93,902

Transaction Price Allocated to Remaining Performance Obligations

Transaction price allocated to remaining performance obligations represents the remaining amount of revenue the Company expects to recognize from existing noncancelable contracts, whether billed or unbilled. As of January 31, 2019, approximately \$183.5 million of revenue was expected to be recognized from remaining performance obligations for subscription contracts. The Company expects to recognize approximately \$109.1 million of this amount during the year ending January 31, 2020, with an additional \$42.5 million being recognized during the year ending January 31, 2021, and the balance recognized thereafter. As of January 31, 2019, approximately \$16.1 million of revenue was expected to be recognized from remaining performance obligations for professional services and other contracts, \$14.3 million of which is expected to be recognized during the year ending January 31, 2020, and the balance recognized thereafter.

Notes to Consolidated Financial Statements (Continued)

8. Geographic Information

Revenue by geographic area is determined by the billing address of the customer. The following table sets forth revenue by geographic area (in thousands):

	Year Ended January 31,		
	2017	2018	2019
United States	\$ 64,144	\$ 88,748	\$ 110,181
Outside the United States	10,396	19,776	32,283
Total	\$ 74,540	\$ 108,524	\$ 142,464
Percentage of revenue by geographic area:			
United States	86%	82%	77%
Outside the United States	14%	18%	23%

Other than the United States, no other individual country exceeded 10% of total revenue for the years ended January 31, 2017, 2018 and 2019. As of January 31, 2019, substantially all of the Company's property and equipment was located in the United States.

9. Line of Credit and Credit Facility

Line of Credit

In July 2016, the Company entered into a two-year secured line of credit that allowed for borrowings up to \$20.0 million to fund working capital and general corporate purposes with interest payable on the borrowed amounts at a floating rate equal to the prime rate plus 0.75%. The line of credit was secured by the assets of the Company, excluding intellectual property. The Company was required to pay an annual commitment fee of \$50,000 and a fee of 0.25% per year (payable quarterly) on the unused portion of the facility. Origination fees were amortized over the term of the facility as interest expense. Any amounts outstanding under this facility were originally scheduled to be due and payable on July 18, 2018; however, in November 2017 the line of credit was canceled in conjunction with the Company entering into a new credit facility with a different lender. This credit facility is described in further detail below.

The Company did not make any draws on the line of credit during the term of the agreement.

Credit Facility

In December 2017, the Company entered into an \$80.0 million credit facility and drew \$50.0 million at closing, which was scheduled to mature on January 1, 2021. The Company had until April 30, 2018 to request an additional term loan of up to \$30.0 million under the credit facility. In April 2018, the Company entered into an amendment to this credit facility pursuant to which the Company was able to incur an additional \$20.0 million in term loan borrowings, for a total availability of \$100.0 million under the amended facility. The Company drew the remaining \$50.0 million during April 2018, which was scheduled to mature on May 1, 2021. The credit facility is secured by substantially all of the Company's assets.

Under the amended credit facility, the Company was required to pay a \$2.0 million fee upon the earlier of (1) the closing of a transaction in which the Company was acquired by a third party and (2) December 4, 2027. The obligation to pay this \$2.0 million fee terminated upon the closing of the IPO.

In January 2019, the Company entered into an amendment to this credit facility which extended the maturity date for both outstanding loans to October 1, 2022. The amendment also revised the maximum debt ratio financial covenant and increased the amount of the closing fee.

Each term loan under the credit facility requires interest-only payments until the maturity date. A portion of the interest that accrues on the outstanding principal of each term loan is payable in cash on a monthly basis, which portion accrues at a floating rate equal to the greater of (1) 7% and (2) three-month LIBOR plus 5.5% per year. This interest rate was approximately 8.3% as of January 31, 2019. In addition, a portion of the interest that accrues on the outstanding principal of each term loan is

Domo, Inc.

Notes to Consolidated Financial Statements (Continued)

9. Line of Credit and Credit Facility (Continued)

capitalized and added to the principal amount of the outstanding term loan on a monthly basis, which portion accrues at a fixed rate equal to 2.5% per year. There were no amounts capitalized during the year ended January 31, 2017, and \$0.2 million and \$2.3 million of interest was capitalized during the years ended January 31, 2018 and 2019, respectively.

The amended credit facility requires a closing fee of \$7.0 million to be paid on the earliest of (1) the date the term loan is prepaid, (2) the term loan maturity date, which is October 1, 2022, and (3) the date the term loan becomes due and payable. Due to the long-term nature of the closing fee, it was recorded at present value as an increase to other liabilities, noncurrent and an increase to debt issuance costs. The closing fee liability will be accreted to its full value over the term of the loan, with such accretion recorded as interest expense in other income (expense), net in the consolidated statements of operations. As of January 31, 2018, the Company had incurred other upfront issuance fees of \$1.2 million, with an additional \$0.3 million incurred during the year ended January 31, 2019, which were also recorded as debt issuance costs. Debt issuance costs are presented as an offset to the outstanding principal balance of the term loans on the consolidated balance sheets and are being amortized as interest expense in other income (expense), net in the consolidated statements of operations over the term of the loan using the effective interest rate method.

The balances in long-term debt consisted of the following:

	As of January 31,	
	2018	2019
Principal	\$ 50,201	\$ 102,494
Less: unamortized debt issuance costs	(3,869)	(5,249)
Net carrying amount	\$ 46,332	\$ 97,245

The \$100.0 million credit facility as amended contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company's ability to dispose of assets, make material changes to the nature, control or location of the business, merge with or acquire other entities, incur indebtedness or encumbrances, make distributions to holders of the Company's capital stock, make investments or enter into transactions with affiliates. In addition, the Company is required to comply with a financial covenant based on the ratio of outstanding indebtedness to annualized recurring revenue. Under the amended facility, the minimum ratio is 0.85 on January 31, 2019 and April 30, 2019; 0.80 on July 31, 2019 and October 31, 2019; 0.75 on January 31, 2020 and April 30, 2020; 0.70 on July 31, 2020 and October 31, 2020; 0.65 on January 31, 2021 and April 30, 2021; and 0.60 on July 31, 2021 through the maturity date. The credit facility defines annualized recurring revenue as four times the Company's aggregate revenue for the immediately preceding quarter (net of recurring discounts and discounts for periods greater than one year) less the annual contract value of any customer contracts pursuant to which the Company was advised during such quarter would not be renewed at the end of the current term plus annual contract value of existing customer contract increases during such quarter. This covenant is measured quarterly on a three-month trailing basis. Upon the occurrence of an event of default, such as non-compliance with covenants, any outstanding principal, interest and fees become due immediately. The Company was in compliance with the covenant terms of the credit facility at January 31, 2018 and January 31, 2019.

The Company incurred interest expense of \$0.1 million, \$1.2 million and \$11.1 million for the years ended January 31, 2017, 2018 and 2019, respectively.

Stock Warrants

In connection with the credit facility described above, in December 2017 the Company issued fully vested warrants to purchase 28,462 shares of Series D-2 convertible preferred stock (Series D-2 warrants) with an exercise price of \$126.47 per share. The fair value of the Series D-2 warrants at the time of issuance was recorded as an increase to debt issuance costs. In connection with the April 2018 amendment, the Series D-2 warrants were amended to warrants to purchase 66,664 shares of Class B common stock with an exercise price of \$45.00 per share (common warrants). Upon execution of the April 2018 amendment, unamortized debt issuance costs related to the Series D-2 warrants were adjusted based on the difference in fair value of the Series D-2 warrants and the common warrants at the time of the April 2018 amendment. In connection with the January 2019 amendment to the credit facility, the common warrants were amended to be exercisable for an aggregate of 125,000 shares of Class B common stock at an exercise price of \$17.8736 per share (amended common warrants). Upon execution of

Notes to Consolidated Financial Statements (Continued)

9. Line of Credit and Credit Facility (Continued)

the January 2019 amendment, unamortized debt issuance costs related to the common warrants were adjusted based on the difference in fair value of the common warrants and the amended common warrants at the time of the January 2019 amendment. See Note 11 for further details regarding stock warrants.

10. Commitments and Contingencies

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

The Company is involved in legal proceedings from time to time arising in the normal course of business. As of January 31, 2018 and January 31, 2019, there were no significant outstanding claims against the Company.

Warranties and Indemnification

The Company's subscription services are generally warranted to perform materially in accordance with the terms of the applicable customer service order under normal use and circumstances. Additionally, the Company's arrangements generally include provisions for indemnifying customers against liabilities if its subscription services infringe a third party's intellectual property rights. Furthermore, the Company may also incur liabilities if it breaches the security or confidentiality obligations in its arrangements. To date, the Company has not incurred significant costs and has not accrued a liability in the accompanying consolidated financial statements as a result of these obligations.

The Company has entered into service-level agreements with some of its customers defining levels of uptime reliability and performance and permitting those customers to receive credits for prepaid amounts related to unused subscription services if the Company fails to meet certain of the defined service levels. In very limited instances, the Company allows customers to early terminate their agreements if the Company repeatedly or significantly fails to meet those levels. If the Company repeatedly or significantly fails to meet contracted upon service levels, a contract may require a refund of prepaid unused subscription fees. To date, the Company has not experienced any significant failures to meet defined levels of uptime reliability and performance as set forth in its agreements and, as a result, the Company has not accrued any liabilities related to these agreements in the consolidated financial statements.

Operating Leases

The Company has entered into noncancelable operating lease arrangements, primarily for office space, with various expiration dates through 2027. Certain of the leases include periods of free rent beginning with the lease effective date and increasing rental rates over the term of the leases. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Rent expense under operating leases totaled \$4.2 million, \$5.3 million and \$7.1 million for the years ended January 31, 2017, 2018 and 2019, respectively.

Future minimum lease payments under noncancelable operating leases were as follows as of January 31, 2019 (in thousands):

	Total Payments	Expected Sublease Income	Net Payments
Year Ending January 31:			
2020	\$ 7,162	\$ (449)	\$ 6,713
2021	3,258	(706)	2,552
2022	1,571	(619)	952
2023	1,113	(338)	775
2024	1,144	—	1,144
Thereafter	4,799	—	4,799
	\$ 19,047	\$ (2,112)	\$ 16,935

Notes to Consolidated Financial Statements (Continued)

10. Commitments and Contingencies (Continued)*Other Purchase Commitments*

The Company has also entered into certain noncancelable contractual commitments related to cloud infrastructure services in the ordinary course of business. As of January 31, 2019, these commitments were \$10.7 million and \$20.0 million, which are due during the fiscal years ending January 31, 2020 and 2021, respectively.

11. Stockholders' (Deficit) Equity*Convertible Preferred Stock*

The Company previously issued several series of convertible preferred stock, each with such designations, rights, qualifications, limitations, and restrictions as set forth in the Company's certificate of incorporation, as in effect prior to the IPO. Immediately prior to the completion of the IPO, as described in Note 1, all shares of convertible preferred stock then outstanding were automatically converted into 3,263,659 shares of Class A common stock and 10,835,278 shares of Class B common stock.

Preferred Stock

The Company's Board of Directors has the authority, without further action by the Company's stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, and privileges thereof, including voting rights. As of January 31, 2018 and January 31, 2019, no shares of preferred stock were issued and outstanding.

Common Stock

The Company has two classes of common stock, Class A and Class B. Each share of Class A common stock is entitled to 40 votes per share and is convertible at any time into one share of Class B common stock. Each share of Class A common stock will convert automatically into one share of Class B common stock upon any transfer, whether or not for value. Each share of Class B common stock is entitled to one vote per share. Holders of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or the Company's certificate of incorporation. Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of Class A common stock and Class B common stock are entitled to receive dividends, if any, as may be declared by the Company's board of directors.

At January 31, 2018 and January 31, 2019, there were 3,700,000 shares of Class A common stock authorized. There were no shares of Class A common stock issued and outstanding at January 31, 2018 and 3,263,659 shares of Class A common stock issued and outstanding at January 31, 2019.

At January 31, 2018 and January 31, 2019, there were 21,200,000 and 500,000,000 shares of Class B common stock authorized, respectively, and 1,638,648 and 23,434,542 shares of Class B common stock issued and outstanding, respectively.

Class B Common Stock Warrants

In connection with the amendment to the credit facility that occurred in April 2018, the warrants to purchase 28,462 shares of Series D-2 convertible preferred stock described in Note 9 were amended to warrants to purchase 66,664 shares of Class B common stock at an exercise price equal to \$45.00 per share. The warrants are exercisable at any time prior to expiration, which was to occur on the earlier of the third anniversary of the IPO or December 2027. Due to the exercise price-related contingency that existed with the Class B common stock warrants, they were being accounted for as a liability and were included in other liabilities, noncurrent on the consolidated balance sheets. The liability was revalued each reporting period until the contingency was resolved and the change in fair value was recorded in other income (expense), net. The contingency was resolved on the effective date of the Company's IPO, at which time the liability was remeasured to fair value and the remaining liability balance was reclassified to additional paid-in capital within stockholders' equity.

In connection with the January 2019 amendment to the credit facility, the warrants to purchase 66,664 shares of Class B common stock were amended to be exercisable for an aggregate of 125,000 shares of Class B common stock at an exercise price of \$17.8736 per share. The warrants are exercisable at any time prior to expiration, which occurs on June 28, 2021 (the third anniversary of the IPO). The difference in the fair value of the Class B common stock warrants at the time of the amendment to the credit facility in January 2019 associated with the increase in shares and the lower exercise price was recorded as an adjustment to additional paid-in capital and debt issuance costs.

Notes to Consolidated Financial Statements (Continued)

11. Stockholders' (Deficit) Equity (Continued)

In connection with the line of credit signed in July 2016, the Company issued a warrant to purchase 3,333 shares of Class B common stock with a strike price of \$34.35 per share. The warrant expires ten years from the date of issuance.

In connection with a loan signed in November 2011 and for which the last principal payment was made in September 2015, the Company issued a warrant to purchase 3,729 shares of Class B common stock with a strike price of \$4.80 per share. The warrant expires ten years from the date of issuance.

At January 31, 2018 and January 31, 2019, all warrants were outstanding and exercisable.

12. Equity Incentive Plans

In April 2011, Domo established the 2011 Equity Incentive Plan (2011 Plan), which was amended in September 2011 to provide for the issuance of stock options and other stock-based awards. In June 2018, the Company adopted the 2018 Equity Incentive Plan (2018 Plan). The 2018 Plan provides for the grant of incentive and nonstatutory stock options, restricted stock, RSUs, stock appreciation rights, performance units, and performance shares to employees, consultants, and members of the Company's board of directors.

A total of 5,238,423 shares of Class B common stock were initially reserved for issuance under the 2018 Plan. The number of shares available for issuance under the 2018 Plan also includes an annual increase on the first day of each fiscal year equal to the least of: (1) 3,500,000 shares; (2) 5% of the outstanding shares of Class A and Class B common stock as of the last day of the immediately preceding fiscal year; and (3) such other amount as the Company's board of directors may determine no later than the last day of the immediately preceding year. As of January 31, 2019, there were 4,466,868 shares available for grant under the 2018 Plan.

In connection with the IPO, the 2011 Plan was terminated. With the establishment of the 2018 Plan, the Company no longer grants equity-based awards under the 2011 Plan and any shares that expire, terminate, are forfeited or repurchased by the Company, or are withheld by the Company to cover tax withholding obligations, under the 2011 Plan, will become available for future grant under the 2018 Plan.

The Company recognized stock-based compensation expense related to its equity incentive plans as follows (in thousands):

	Year Ended January 31,		
	2017	2018	2019
Cost of revenue:			
Subscription	\$ 46	\$ 48	\$ 219
Professional services and other	45	40	154
Sales and marketing	1,930	1,845	7,387
Research and development	2,206	2,311	6,519
General and administrative	5,099	5,090	7,492
Interest expense	17	36	30
Total	\$ 9,343	\$ 9,370	\$ 21,801

Notes to Consolidated Financial Statements (Continued)

12. Equity Incentive Plans (Continued)

Stock Options

Stock options typically vest over a four year period and have a term of ten years from the date of grant. The weighted-average grant-date fair value of stock options granted was \$12.89 per share and \$13.20 per share for the years ended January 31, 2017 and 2018, respectively. No stock options were granted during the year ended January 31, 2019. The grant-date fair value of stock options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended January 31,	
	2017	2018
Expected stock price volatility	48 %	47 %
Expected term	6 years	6 years
Risk-free interest rate	1.28% - 1.42%	1.83 %
Expected dividend yield	—	—
Fair value of common stock	\$27.60	\$28.20

The following table sets forth the outstanding common stock options and related activity for the years ended January 31, 2017, 2018 and 2019:

	Shares Subject to Outstanding Options	Weighted- Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 31, 2016	2,312,633	\$ 20.20	8.0	\$ 59,509
Granted	399,239	27.60		
Exercised	(113,546)	6.58		
Forfeited	(45,702)	33.64		
Expired	(10,599)	22.21		
Outstanding as of January 31, 2017	2,542,025	21.72	7.3	19,377
Granted	161,715	28.20		
Exercised	(111,688)	12.00		
Forfeited	(102,828)	35.79		
Expired	(23,982)	31.63		
Outstanding as of January 31, 2018	2,465,242	21.90	6.4	12,185
Exercised	(367,991)	6.09		
Forfeited	(101,782)	30.69		
Expired	(139,130)	34.06		
Outstanding as of January 31, 2019	1,856,339	\$ 23.64	5.6	\$ 8,443
Vested and exercisable at January 31, 2019	1,709,661	\$ 23.20	5.4	\$ 8,443

The aggregate intrinsic value of options exercised was \$2.8 million, \$2.5 million and \$4.5 million for the years ended January 31, 2017, 2018 and 2019, respectively. The intrinsic value represents the excess of the estimated fair value of the Company's common stock on the date of exercise over the exercise price of each option. The intrinsic value of options as of January 31, 2019 is based on the market closing price of the Company's Class B common stock on that date.

As of January 31, 2019, there was \$1.8 million of unrecognized stock-based compensation expense related to outstanding stock options which is expected to be recognized over a weighted-average period of 1.2 years.

Notes to Consolidated Financial Statements (Continued)

12. Equity Incentive Plans (Continued)

Restricted Stock Units

Restricted stock units (RSUs) granted under the Plan vest and settle upon the satisfaction of a service-based condition and, for RSUs granted prior to the IPO, a liquidity event-related performance vesting condition. The service-based condition for these awards is generally satisfied over three or four years with a cliff vesting period of one or two years and quarterly vesting thereafter. Some RSUs have a two-year vesting schedule, with one third of the RSUs vesting at twelve, eighteen, and twenty-four months. Upon the effectiveness of the registration statement for the Company's IPO, which was June 28, 2018, the liquidity event-related performance vesting condition associated with RSUs granted prior to the IPO was deemed probable of being satisfied. As a result, the Company recognized stock-based compensation related to these RSUs using the accelerated attribution method of \$6.6 million attributable to service prior to such effective date.

The following table sets forth the outstanding RSUs and related activity for the years ended January 31, 2017, 2018 and 2019:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding as of January 31, 2016	—	\$ —
Granted	33,666	27.60
Outstanding as of January 31, 2017	33,666	27.60
Granted	988,601	23.40
Canceled	(21,041)	27.60
Outstanding as of January 31, 2018	1,001,226	23.40
Granted	1,743,393	18.06
Vested	(12,625)	27.60
Canceled	(403,872)	21.29
Outstanding as of January 31, 2019	2,328,122	\$ 19.77

As of January 31, 2019, there was \$30.7 million of unrecognized stock-based compensation expense related to outstanding RSUs which is expected to be recognized over a weighted-average period of 2.1 years.

Employee Stock Purchase Plan

In June 2018, the Company's board of directors adopted the ESPP and a total of 1,047,684 shares of Class B common stock were initially reserved for issuance under the ESPP. The number of shares of Class B common stock available for issuance under the ESPP increases on the first day of each fiscal year equal to the least of: (1) 1,050,000 shares of Class B common stock, (2) 1.5% of the outstanding shares of Class A and Class B common stock of the Company on the last day of the immediately preceding fiscal year, and (3) such other amount as the administrator of the ESPP may determine on or before the last day of the immediately preceding year.

The ESPP generally provides for consecutive overlapping 24-month offering periods comprised of four six-month purchase periods; provided, however, that the first purchase period in the first offering period will have a duration of approximately nine months. The offering periods are scheduled to start on the first trading day on or after April 1 and October 1 of each year. The first offering period commenced on June 29, 2018 and is scheduled to end on the first trading day on or after October 1, 2020. The ESPP is intended to qualify as a tax-qualified plan under Section 423 of the Internal Revenue Code and permits participants to elect to purchase shares of Class B common stock through payroll deductions of up to 15% of their eligible compensation. A participant may purchase a maximum of 2,000 shares during each purchase period.

Amounts deducted and accumulated by the participant will be used to purchase shares of Class B common stock at the end of each purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of Class B common stock on the first trading day of each offering period or the fair market value of Class B common stock on the applicable exercise date. If the fair market value of a share of Class B common stock on the exercise date of an offering period is less than it was on the first trading day of that offering period, participants automatically will be withdrawn from that offering period following

Domo, Inc.

Notes to Consolidated Financial Statements (Continued)

12. Equity Incentive Plans (Continued)

their purchase of shares on the exercise date and will be re-enrolled in a new offering period. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of Class B common stock. Participation ends automatically upon termination of employment.

As of January 31, 2019, a total of 833,512 shares were issuable to employees based on contribution elections made under the ESPP and no shares had yet been purchased. As of January 31, 2019, total unrecognized stock-based compensation related to the ESPP was \$4.1 million, which is expected to be recognized over a weighted-average period of 1.7 years.

The fair value of the purchase rights for the ESPP are estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected stock price volatility	31% - 36%
Expected term	0.75 - 2.25 years
Risk-free interest rate	2.22% - 2.54%
Expected dividend yield	-

13. Income Taxes

The components of the income tax provision were as follows (in thousands):

	Year Ended January 31,		
	2017	2018	2019
Current income provision:			
Federal	\$ —	\$ —	\$ —
State	89	3	9
Foreign	443	233	1,137
	<u>532</u>	<u>236</u>	<u>1,146</u>
Deferred income tax provision:			
Federal	45	(32)	(125)
State	8	12	(39)
Foreign	188	169	266
	<u>241</u>	<u>149</u>	<u>102</u>
Provision for income taxes	<u>\$ 773</u>	<u>\$ 385</u>	<u>\$ 1,248</u>

Notes to Consolidated Financial Statements (Continued)

13. Income Taxes (Continued)

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate to income before income tax expense as a result of the following (in thousands):

	Year Ended January 31,		
	2017	2018	2019
Tax benefit at U.S. federal statutory rate (1)	\$ (61,998)	\$ (57,992)	\$ (32,143)
State income taxes, net of federal tax benefit	(10,841)	(11,679)	(10,114)
Non-deductible expenses	1,522	1,095	997
Foreign taxes	37	48	697
Stock-based compensation	1,081	896	1,469
Research and development credits	(1,784)	(2,516)	(2,618)
Change in valuation allowance	72,769	(15,199)	42,975
Deferred tax effect of Tax Act rate change	—	85,725	—
Other	(13)	7	(15)
Provision for income taxes	\$ 773	\$ 385	\$ 1,248

(1) The statutory tax rates used in this analysis were 34%, 33% and 21% for the years ended January 31, 2017, 2018 and 2019, respectively. The rate used for the year ended January 31, 2018 takes into account the number of days in the fiscal year after the Tax Cuts and Jobs Act was enacted where the statutory rate decreased to 21%.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities were as follows (in thousands):

	As of January 31,	
	2018	2019
Deferred tax assets:		
Net operating loss carryforwards	\$ 186,299	\$ 223,765
Stock based compensation	6,892	9,784
Accruals and other reserves	5,821	4,222
Research and development credit carryforwards	9,615	12,729
Other	1,871	5,229
Gross deferred tax assets	210,498	255,729
Valuation allowance	(203,704)	(246,679)
Total deferred tax assets, net of valuation allowance	6,794	9,050
Deferred tax liabilities:		
Contract acquisition costs	(5,132)	(6,987)
Capitalized software	(1,929)	(2,581)
Basis difference in intangible assets	(471)	(297)
Total deferred tax liabilities	(7,532)	(9,865)
Net deferred tax liabilities	\$ (738)	\$ (815)

In assessing whether deferred tax assets should be recognized, the Company considered whether it is more-likely-than-not that some portion or all of the deferred tax assets would be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies

Notes to Consolidated Financial Statements (Continued)

13. Income Taxes (Continued)

in making this assessment. The Company determined it was more-likely-than-not that its domestic deferred tax assets would not be realized as of January 31, 2018 and 2019 and, accordingly, recorded a full valuation allowance. Net deferred tax liabilities are included in other liabilities, noncurrent on the consolidated balance sheets.

In December 2017, the Tax Cuts and Jobs Act (Tax Act) was enacted, which resulted in widespread changes to the U.S. tax code. One such change was establishing a flat corporate income tax rate of 21% to replace previous rates that ranged from 15% to 35%. As a result, the Company remeasured its U.S. deferred tax assets and liabilities as of January 31, 2018 to reflect the lower rate expected to apply when these temporary differences reverse.

The remeasurement resulted in a reduction in deferred tax assets of \$85.7 million. This was fully offset by a corresponding change to the Company's valuation allowance. The Tax Act also provides for a transition to a new territorial system of taxation and generally requires companies to include certain untaxed foreign earnings of non-U.S. subsidiaries into taxable income in 2017. As a result, the Company realized a one-time deemed income inclusion of deferred foreign income from the Company's non-U.S. subsidiaries of \$0.7 million, which income was offset by the Company's net operating losses.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed the Company to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As of January 31, 2019, the Company has finalized all provisional amounts related to the Tax Act. Finalizing provisional adjustments related to the Tax Act did not have a material impact on the Company's consolidated financial statements as of January 31, 2019.

As of January 31, 2019, the Company had federal and state NOLs available to offset future taxable income, if any, of \$815.1 million and \$1,048.5 million, respectively. The federal NOLs will begin to expire in 2028. The state NOLs will expire depending upon the various rules in the states in which the Company operates. Full realization of the NOLs is dependent on generating sufficient taxable income prior to their expiration. The ability to realize the NOLs and other deferred tax assets could also be limited by previous or future changes in ownership in accordance with rules in Internal Revenue Code Section 382.

As of January 31, 2019, the Company also had unused federal and state research and development tax credits of \$12.2 million and \$6.0 million, respectively. The federal credits begin to expire in 2020 and the state credits began to expire in 2016. As of January 31, 2019, the Company also had foreign tax credits of \$0.4 million which begin to expire in 2020.

During the fiscal years ended years ended January 31, 2017, 2018 and 2019, the aggregate changes in the total gross amount of unrecognized tax benefits were as follows (in thousands):

	Year Ended January 31,		
	2017	2018	2019
Beginning balance	\$ 2,055	\$ 2,737	\$ 3,637
(Decrease) increase in unrecognized tax benefits taken in prior years	(27)	675	872
Increase in unrecognized tax benefits related to current year	709	225	49
	<u>\$ 2,737</u>	<u>\$ 3,637</u>	<u>\$ 4,558</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is zero due to the valuation allowance. The Company does not expect a significant change in its unrecognized tax benefits over the next twelve months.

The Company files U.S. federal, U.S. state and foreign tax returns. For both federal and state tax returns, the Company is subject to examination for tax years since 2009 due to carry forward of net operating losses and research and development credits. The Company could be subject to examination in Japan for tax years since 2011, in the UK for tax years since 2014 and in Australia for tax years since 2015.

The Company paid income taxes of \$0.2 million, \$0.5 million and \$0.8 million during the years ended years ended January 31, 2017, 2018 and 2019, respectively.

Notes to Consolidated Financial Statements (Continued)

14. Net Loss Per Share (Continued)

14. Net Loss Per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock share equally in the Company's net losses. Before the IPO, the Company's participating securities also included convertible preferred stock. The holders of convertible preferred stock did not have a contractual obligation to share in the Company's losses, and as a result net losses were not allocated to these participating securities.

The following tables set forth the calculation of basic and diluted net loss per share during the periods presented. The shares issued in the IPO and the shares of Class A and Class B common stock issued upon conversion of the outstanding shares of convertible preferred stock in the IPO are included in the table below weighted for the period outstanding in the years ended January 31, 2017, 2018 and 2019 (in thousands, except per share amounts):

	Year Ended January 31,					
	2017		2018		2019	
	Class A	Class B	Class A	Class B	Class A	Class B
Numerator:						
Net loss	\$ —	\$ (183,120)	\$ —	\$ (176,562)	\$ (18,305)	\$ (136,004)
Denominator:						
Weighted-average number of shares used in computing net loss per share, basic and diluted	—	1,466	—	1,595	1,941	14,417
Net loss per share, basic and diluted	\$ —	\$ (124.90)	\$ —	\$ (110.70)	\$ (9.43)	\$ (9.43)

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

	Year Ended January 31,		
	2017	2018	2019
Convertible preferred stock on an if-converted basis	13,288,510	13,938,953	5,716,829
Options to purchase common stock	676,467	553,581	469,936
Restricted stock units	—	—	310,811
Common stock warrants	3,179	3,023	4,357
	<u>13,968,156</u>	<u>14,495,557</u>	<u>6,501,933</u>

15. Employee Benefit Plan

The Company has a defined contribution retirement savings plan qualified under Section 401(k) of the Internal Revenue Code (IRC), which is a pretax savings plan covering substantially all employees. Under the plan, employees may contribute up to 50% of their pretax salary, subject to certain IRC limitations. Employees are eligible to participate beginning on the first day of the month following their first 30 days of employment. The Company recorded expenses for contributions to its retirement savings plan of \$2.9 million, \$3.2 million and \$3.4 million during the years ended January 31, 2017, 2018 and 2019, respectively.

16. Related Party Transactions

Certain members of the Company's board of directors serve as directors of and/or are executive officers of and, in some cases, are investors in, companies that are customers or vendors of the Company. Certain of the Company's executive officers also serve as directors of or serve in an advisory capacity to companies that are customers or vendors of the Company. As of

Notes to Consolidated Financial Statements (Continued)

16. Related Party Transactions (Continued)

January 31, 2018 and January 31, 2019, the Company had \$0.6 million and \$0.6 million receivable from these customers, respectively. As of January 31, 2018 and January 31, 2019, amounts payable to these vendors were immaterial. During the years ended January 31, 2017, 2018 and 2019, the Company recognized revenue of \$0.8 million, \$1.6 million and \$1.9 million, respectively, related to these customers. During the years ended January 31, 2017, 2018 and 2019, the Company recognized expense of \$1.2 million, \$0.8 million and \$0.7 million, respectively, related to these vendors.

The Company previously utilized an aircraft owned by one of the Company's executive officers on an as-needed basis. This arrangement was terminated in June 2018. The Company recorded expenses related to usage of the aircraft of \$0.9 million, \$0.7 million and \$0.3 million during the years ended January 31, 2017, 2018 and 2019, respectively.

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 of our principal executive officer and principal financial officer, has 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 the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, 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 are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. 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.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2019 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2019.

Our board of directors has adopted a Code of Business Conduct and Ethics, or the Code of Conduct, that applies to all officers, directors and employees, which is available on our website at ir.domo.com under "Governance". The nominating and corporate governance committee of our board of directors is responsible for overseeing the Code of Conduct and must approve any waivers of the Code of Conduct for employees, executive officers and directors. We expect that any amendments to the Code of Conduct, or any waivers of its requirements, will be disclosed on our website, as required by applicable law or the Nasdaq listing standards.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2019 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2019.

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 our Proxy Statement relating to our 2019 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2019.

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

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2019 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2019.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement relating to our 2019 Annual Meeting of Stockholders. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 31, 2019.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as a part of this Annual Report on Form 10-K:

(a) Financial Statements

The information concerning our financial statements, including the Report of Independent Registered Public Accounting Firm required by this item is incorporated by reference herein to the section of this Annual Report on Form 10-K in Item 8, entitled "Consolidated Financial Statements and Supplementary Data."

(b) Financial Statement Schedules

All schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in Item 8, entitled "Consolidated Financial Statements and Supplementary Data."

(c) Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

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, thereunto duly authorized.

DOMO, INC.

Date: April 12, 2019

By: /s/ Joshua G. James

Joshua G. James
Founder and Chief Executive Officer
(Principal Executive Officer)

Date: April 12, 2019

By: /s/ Bruce Felt

Bruce Felt
Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Joshua G. James, with full power of substitution and resubstitution, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file, any and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorney-in-fact and agents or any of them or their and his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
<hr/> <i>/s/ Joshua G. James</i> Joshua G. James	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	April 12, 2019
<hr/> <i>/s/ Bruce Felt</i> Bruce Felt	Chief Financial Officer <i>(Principal Accounting and Financial Officer)</i>	April 12, 2019
<hr/> <i>/s/ Fraser Bullock</i> Fraser Bullock	Director	April 12, 2019
<hr/> <i>/s/ Carine S. Clark</i> Carine S. Clark	Director	April 12, 2019
<hr/> <i>/s/ Dana Evan</i> Dana Evan	Director	April 12, 2019
<hr/> <i>/s/ Mark Gorenberg</i> Mark Gorenberg	Director	April 12, 2019
<hr/> <i>/s/ Nehal Raj</i> Nehal Raj	Director	April 12, 2019

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Date	
3.1	Amended and Restated Certificate of Incorporation					X
3.2	Amended and Restated Bylaws					X
4.1	Specimen Common Stock Certificate of the registrant	S-1	333-225348	4.1	June 18, 2018	
4.2	Amended and Restated Investors' Rights Agreement, dated April 13, 2017, by and among the registrant and the investors and founders named therein	S-1	333-225348	4.2	June 1, 2018	
4.3	Warrant to purchase 50,000 shares of Class B common stock, issued to Silicon Valley Bank on July 18, 2016	S-1	333-225348	4.4	June 1, 2018	
4.4	Form of Amended and Restated Warrant to Purchase Stock, dated as of January 4, 2019	8-K	001-38553	4.1	January 7, 2019	
10.1+	Form of Director and Executive Officer Indemnification Agreement	S-1	333-225348	10.1	June 18, 2018	
10.2+	2011 Equity Incentive Plan, as amended	S-1	333-225348	10.2	June 1, 2018	
10.3+	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2011 Equity Incentive Plan and Form of RSU Agreement under the 2011 Equity Incentive Plan	S-1	333-225348	10.3	June 1, 2018	
10.4+	2018 Equity Incentive Plan and forms of agreements thereunder	S-1	333-225348	10.4	June 18, 2018	
10.5+	2018 Employee Stock Purchase Plan	S-1	333-225348	10.5	June 18, 2018	
10.6+	Executive Incentive Compensation Plan	S-1	333-225348	10.6	June 18, 2018	
10.7	Loan and Security Agreement, dated as of December 5, 2017, between the registrant, Wilmington Trust National Association and Obsidian Agency Services, Inc.	S-1	333-225348	10.7	June 1, 2018	
10.8	First Amendment to Loan and Security Agreement and Pledge Agreement dated as of April 17, 2018, between the registrant, Wilmington Trust National Association and Obsidian Agency Services, Inc.	S-1	333-225348	10.8	June 1, 2018	
10.9	Third Amendment to Loan and Security Agreement, dated as of January 4, 2019, by and among Domo, Inc., a Delaware corporation, Domo, Inc., a Utah corporation, the lenders from time to time party thereto, and Obsidian Agency Services Inc.	8-K	001-38553	10.1	January 7, 2019	
10.10+	Form of Change in Control and Severance Agreement	S-1	333-225348	10.9	June 18, 2018	
10.11+	Outside Director Compensation Policy	S-1	333-225348	10.10	June 18, 2018	
10.12	Aircraft Dry Lease Agreement, dated October 15, 2015 between the registrant and JJ Spud LLC	S-1	333-225348	10.11	June 1, 2018	
10.13+	Confirmatory Employment Letter, dated June 17, 2018, between the registrant and Joshua James	S-1	333-225348	10.12	June 18, 2018	
10.14+	Confirmatory Employment Letter, dated June 15, 2018, between the registrant and Bruce Felt	S-1	333-225348	10.13	June 18, 2018	
10.15+	Confirmatory Employment Letter, dated June 16, 2018, between the registrant and Catherine Wong	S-1	333-225348	10.14	June 18, 2018	
21.1	Subsidiaries of the registrant	S-1	333-225348	21.1	June 1, 2018	
23.1	Consent of Independent Registered Public Accounting Firm					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

31.2	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	X
32.1*	<u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema Linkbase Document	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

+ Indicates a management contract or compensatory plan.

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

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**OF****DOMO, INC.**

Domo, Inc., a corporation organized and existing under the laws of the State of Delaware (the “**Corporation**”), certifies that:

1. The name of the Corporation is Domo, Inc. The Corporation’s original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on September 20, 2010 under the name Shacho, Inc.
2. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the General Corporation Law of the State of Delaware.
3. The text of the Certificate of Incorporation of the Corporation is amended and restated in its entirety to read as set forth in EXHIBIT A attached hereto.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by Joshua G. James, a duly authorized officer of the Corporation, on July 3, 2018.

DOMO, INC.

By: /s/ Joshua G. James
Name: Joshua G. James
Title: Chief Executive Officer

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

DOMO, INC.

ARTICLE I

The name of the corporation is Domo, Inc. (the “*Corporation*”).

ARTICLE II

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the “*Delaware General Corporation Law*”).

ARTICLE III

The address of the registered office of the Corporation in the State of Delaware is 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE IV

The total number of shares of stock that the Corporation shall have authority to issue is 513,263,659, consisting of 503,263,659 shares of Common Stock (the “*Common Stock*”), \$0.001 par value per share, 3,263,659 of which shall be designated Class A Common Stock (the “*Class A Common Stock*”), and 500,000,000 of which shall be designated Class B Common Stock (the “*Class B Common Stock*”), and 10,000,000 shares of Preferred Stock (the “*Preferred Stock*”), \$0.001 par value per share.

ARTICLE V

The rights, powers, preferences, privileges, restrictions and other matters relating to the Common Stock are as follows:

1. Definitions. For purposes of this Article V, the following definitions apply:

1.1 “*Acquisition*” means (A) any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the shares of capital stock of the Corporation immediately prior to such consolidation, merger or reorganization continue to represent a majority of the voting power of the surviving entity (or, if the surviving entity is a wholly owned subsidiary, its Parent) immediately after such consolidation, merger or reorganization (provided that,

for the purpose of this Section V.1.1, all stock, options, warrants, purchase rights or other securities exercisable for or convertible into Common Stock outstanding immediately prior to such merger, consolidation or reorganization shall be deemed to be outstanding immediately prior to such merger, consolidation or reorganization and, if applicable, converted or exchanged in such merger, consolidation or reorganization on the same terms as the actual outstanding shares of capital stock are converted or exchanged); or (B) any transaction or series of related transactions to which the Corporation is a party in which shares of the Corporation are transferred such that in excess of fifty percent (50%) of the Corporation's voting power is transferred; provided that an Acquisition shall not include any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Corporation or any successor or indebtedness of the Corporation is cancelled or converted or a combination thereof.

1.2 “**Amended and Restated Certificate**” means this Amended and Restated Certificate of Incorporation of the Corporation, as may be amended.

1.3 “**Asset Transfer**” means a sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Corporation.

1.4 “**Board**” means the Board of Directors of the Corporation.

1.5 “**Disability**” or “**Disabled**” means the permanent and total disability of the Founder such that the Founder is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death within 12 months or which has lasted or can be expected to last for a continuous period of not less than 12 months as determined by a licensed medical practitioner jointly selected by a majority of the Independent Directors and the Founder. If the Founder is incapable of selecting a licensed physician, then the Founder's spouse shall make the selection, or in the absence or incapacity of the Founder's spouse, the Founder's adult children by majority vote shall make the selection, or in the absence of adult children of the Founder or their inability to act by majority vote, a natural person then acting as the successor trustee of a revocable living trust which was created by the Founder and which holds more shares of all classes of capital stock of the Corporation than any other revocable living trust created by the Founder shall make the selection, or in absence of any such successor trustee, the legal guardian or conservator of the estate of the Founder shall make the selection.

1.6 “**Final Conversion Date**” means:

(a) the date, or the occurrence of an event, specified by the holders of a majority of the then outstanding shares of Class A Common Stock by affirmative written election, acting as a separate class; or

(b) the date that is nine months after the death or Disability of the Founder, provided, that such date may be extended but not for a total period of longer than eighteen (18) months from such death or Disability to a date approved by a majority of the Independent Directors then in office.

1.7 “**Founder**” means Joshua G. James.

1.8 “**Independent Directors**” means the members of the Board designated as independent directors in accordance with the Listing Standards.

1.9 “**IPO Date**” means the first date that shares of a class of the Corporation’s capital stock have been listed for trading on the New York Stock Exchange, NASDAQ Global Select Market or NASDAQ Global Market or any successor markets or exchanges (each, a “**Securities Exchange**”).

1.10 “**Liquidation Event**” means any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, or any Acquisition or Asset Transfer.

1.11 “**Listing Standards**” means (i) the requirements of any national stock exchange under which the Corporation’s equity securities are listed for trading that are generally applicable to companies with common equity securities listed thereon or (ii) if the Corporation’s equity securities are not listed for trading on a national stock exchange, the requirements of the New York Stock Exchange generally applicable to companies with equity securities listed thereon.

1.12 “**Parent**” of an entity means any entity that directly or indirectly owns or controls a majority of the voting power of the voting securities of such entity.

1.13 “**Permitted Entity**” means, with respect to any Qualified Stockholder , any trust, account, plan, corporation, partnership, limited liability company or other individual or entity specified in Section V.1.14(b) with respect to such Qualified Stockholder, so long as such Permitted Entity meets the requirements of the exception set forth in Section V.1.14 applicable to such Permitted Entity.

1.14 “**Permitted Transfer**” means

(a) any Transfer from the Founder, from the Founder’s Permitted Entities, from the Founder’s Qualified Trustee or from the Founder’s Permitted Transferees, to the Founder’s estate as a result of the Founder’s death, to the Founder, to the Founder’s Permitted Entities to the Founder’s Qualified Trustee or to any other individual or entity specified in Section V.1.14(b) below; and

(b) any Transfer of a share of Class A Common Stock by a Qualified Stockholder to any of the Permitted Entities listed below and from any of the Permitted Entities listed below to such Qualified Stockholder or to such Qualified Stockholder’s other Permitted Entities:

(i) a trust for the benefit of such Qualified Stockholder or persons other than the Qualified Stockholder so long as a Qualified Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such trust; provided that in the event a Qualified Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such trust,

each such share of Class A Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock;

(ii) a trust under the terms of which a Qualified Stockholder has retained a “qualified interest” within the meaning of §2702(b)(1) of the Internal Revenue Code, as amended, or a reversionary interest, so long as a Qualified Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such trust; provided, however, that in the event a Qualified Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such trust, each such share of Class A Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock;

(iii) an Individual Retirement Account, as defined in Section 408(a) of the Internal Revenue Code, as amended, or a pension, profit sharing, stock bonus or other type of plan or trust of which such Qualified Stockholder is a participant or beneficiary and which satisfies the requirements for qualification under Section 401 of the Internal Revenue Code, as amended; provided that in each case such Qualified Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held in such account, plan or trust, and provided, further, that in the event the Qualified Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such account, plan or trust, each such share of Class A Common Stock then held by such account, plan or trust shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock;

(iv) a corporation in which such Qualified Stockholder directly, or indirectly, owns shares with sufficient Voting Control in the corporation, or otherwise has legally enforceable rights, such that the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such corporation; provided that in the event the Qualified Stockholder no longer owns sufficient shares or no longer has sufficient legally enforceable rights to ensure the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such corporation, each such share of Class A Common Stock then held by such corporation shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock;

(v) a partnership in which such Qualified Stockholder directly, or indirectly, owns partnership interests with sufficient Voting Control in the partnership, or otherwise has legally enforceable rights, such that the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such partnership; provided that in the event the Qualified Stockholder no longer owns sufficient partnership interests or no longer has sufficient legally enforceable rights to ensure the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such partnership, each such share of Class A Common Stock then held by such partnership shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock;

(vi) a limited liability company in which such Qualified Stockholder directly, or indirectly, owns membership interests with sufficient Voting Control in the limited liability company, or otherwise has legally enforceable rights, such that the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such limited liability company; provided that in the event the Qualified Stockholder no longer owns sufficient membership interests or no longer has sufficient legally enforceable rights to ensure the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such limited liability company, each such share of Class A Common Stock then held by such limited liability company shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock; or

(vii) any entity (including, without limitation, any charitable trust or other entity exempt from taxation under 501(c)(3) of the Internal Revenue Code, as amended) in which such Qualified Stockholder directly, or indirectly, owns equity interests with sufficient Voting Control in such entity, or otherwise has legally enforceable rights, such that the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such entity; provided that in the event the Qualified Stockholder no longer owns sufficient equity interests or no longer has sufficient legally enforceable rights to ensure the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such entity, each such share of Class A Common Stock then held by such entity shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock.

For the avoidance of doubt, to the extent any shares are deemed to be held by a trustee of a trust described in (i), (ii), (iii) or (vii) above, the Transfer shall be a Permitted Transfer and the trustee shall be deemed a Permitted Entity so long as the other requirements of (i), (ii), (iii) or (vii) above are otherwise satisfied.

1.15 “**Permitted Transferee**” means a transferee of shares of Class A Common Stock, or rights or interests therein, received in a Transfer that constitutes a Permitted Transfer.

1.16 “**Qualified Stockholder**” means (a) the Founder or (b) a Permitted Transferee.

1.17 “**Qualified Trustee**” means a professional in the business of providing trustee services, including private professional fiduciaries, trust companies, accounting, legal or financial advisors, or bank trust departments, that (a) is subject to appointment and removal solely by a Founder or, following a Founder’s death or during the Founder’s Disability, by the Founder’s designated proxy (who may be another person selected by the Founder and approved to act in that role by the Independent Directors), and (b) has no pecuniary interest in any Class A Common Stock held by any entity of which such person is a trustee. Without limiting the generality of the foregoing, the Founder shall be deemed to have sole dispositive power and exclusive Voting Control with respect to any shares of Class A Common Stock over which a Qualified Trustee exercises dispositive power or Voting Control. In the event the Founder’s Qualified Trustee resigns as trustee, or becomes ineligible to be a Qualified Trustee, or otherwise ceases to serve as a Qualified Trustee,

the Founder shall have sixty (60) days to appoint a replacement Qualified Trustee before any shares of Class A Common Stock over which the Qualified Trustee had sole dispositive power and exclusive Voting Control become subject to the automatic conversion provisions of Section V.5 below.

1.18 “*Transfer*” of a share of Class A Common Stock means, directly or indirectly, any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law (including by merger, consolidation or otherwise), including, without limitation, a transfer of a share of Class A Common Stock to a broker or other nominee (regardless of whether there is a corresponding change in beneficial ownership), or the transfer of, or entering into a binding agreement with respect to, Voting Control (as defined below) over such share by proxy or otherwise. A “*Transfer*” will also be deemed to have occurred with respect to all shares of Class A Common Stock beneficially held by an entity that is a Qualified Stockholder, if after the IPO Date there is a Transfer of the voting power of the voting securities of such entity or any direct or indirect Parent of such entity, such that the previous holders of such voting power no longer retain sole dispositive power and exclusive Voting Control with respect to the shares of Class A Common Stock held by such entity. Notwithstanding the foregoing, the following will not be considered a “*Transfer*”:

(a) granting a revocable proxy to officers or directors of the Corporation at the request of the Board in connection with actions to be taken at an annual or special meeting of stockholders or in connection with any action by written consent of the stockholders solicited by the Board;

(b) entering into a voting trust, agreement or arrangement (with or without granting a proxy), and taking any action contemplated thereunder, solely with stockholders who are holders of Class A Common Stock, which voting trust, agreement or arrangement (i) is disclosed either in a Schedule 13D filed with the Securities and Exchange Commission or in writing to the Secretary of the Corporation, (ii) either has a term not exceeding one year or is terminable by the holder of the shares subject thereto at any time and (iii) does not involve any payment of cash, securities, property or other consideration to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner;

(c) pledging shares of Class A Common Stock by a stockholder that creates a mere security interest in such shares pursuant to a bona fide loan or indebtedness transaction for so long as such stockholder continues to exercise Voting Control over such pledged shares; provided, however, that a foreclosure on such shares or other similar action by the pledgee will constitute a “*Transfer*” unless such foreclosure or similar action qualifies as a “*Permitted Transfer*” at such time;

(d) granting a proxy by the Founder, the Founder’s Permitted Entities or the Founder’s Permitted Transferees to (i) a person or entity designated by the Founder and approved by a majority of the Independent Directors then in office or (ii) a Qualified Trustee, to exercise dispositive power and/or Voting Control of shares of Class A Common Stock owned directly or

indirectly, beneficially and of record, by the Founder, the Founder's Permitted Entities or the Founder's Permitted Transferees, effective either (A) on the death of the Founder or (B) during any Disability of the Founder, including the exercise of such proxy by such person;

(e) entering into a trading plan pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, with a broker or other nominee; provided, however, that a sale of such shares of Class A Common Stock pursuant to such plan shall constitute a "Transfer" at the time of such sale;

(f) the fact that the spouse of any Qualified Stockholder possesses or obtains an interest in such holder's shares of Class A Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a "Transfer"; and

(g) entering into a support, voting, tender or similar agreement, arrangement or understanding (with or without granting a proxy), and taking any action contemplated thereunder, in connection with a Liquidation Event, provided that such Liquidation Event was approved by a majority of the Independent Directors then in office.

1.19 "**Voting Control**" means, with respect to a share of capital stock or other security, the power (whether exclusive or shared) to vote or direct the voting of such security, including by proxy, voting agreement or otherwise.

1.20 "**Voting Threshold Date**" means the first date on which the outstanding shares of Class A Common Stock represent less than a majority of the total voting power of the then outstanding shares of the Corporation entitled to vote generally in the election of directors.

1.21 "**Whole Board**" means the total number of authorized directors whether or not there exist any vacancies or unfilled seats in previously authorized directorships.

2. **Identical Rights.** Except as otherwise provided in this Amended and Restated Certificate or required by applicable law, shares of Common Stock shall have the same rights and powers, rank equally (including as to dividends and distributions, and any liquidation, dissolution or winding up of the corporation but excluding voting and other matters as described in Section V.3 below), share ratably and be identical in all respects as to all matters, including:

2.1 Subject to the prior rights of holders of all classes and series of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board. Any dividends paid to the holders of shares of Common Stock shall be paid pro rata, on an equal priority, pari passu basis, unless different treatment of the shares of any such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of such applicable class of Common Stock treated adversely, voting separately as a class.

2.2 The Corporation shall not declare or pay any dividend or make any other distribution to the holders of Common Stock payable in securities of the Corporation unless the same dividend or distribution with the same record date and payment date shall be declared and paid on all shares of Common Stock; provided, however, that (i) dividends or other distributions payable in shares of Class A Common Stock or rights to acquire shares of Class A Common Stock may be declared and paid to the holders of Class A Common Stock without the same dividend or distribution being declared and paid to the holders of the Class B Common Stock if, and only if, a dividend payable in shares of Class B Common Stock or rights to acquire shares of Class B Common Stock are declared and paid to the holders of Class B Common Stock at the same rate and with the same record date and payment date and (ii) dividends or other distributions payable in shares of Class B Common Stock or rights to acquire shares of Class B Common Stock may be declared and paid to the holders of Class B Common Stock without the same dividend or distribution being declared and paid to the holders of the Class A Common Stock if, and only if, a dividend payable in shares of Class A Common Stock or rights to acquire shares of Class A Common Stock are declared and paid to the holders of Class A Common Stock at the same rate and with the same record date and payment date; and provided, further, that nothing in the foregoing shall prevent the Corporation from declaring and paying dividends or other distributions payable in shares of one class of Common Stock or rights to acquire one class of Common Stock to holders of all classes of Common Stock.

2.3 If the Corporation in any manner subdivides or combines the outstanding shares of Class A Common Stock or Class B Common Stock, then the outstanding shares of all Common Stock will be subdivided or combined in the same proportion and manner.

3. Voting Rights.

3.1 Common Stock.

(a) Class A Common Stock. Each holder of shares of Class A Common Stock will be entitled to forty votes for each share thereof held at the record date for the determination of the stockholders entitled to vote on such matters.

(b) Class B Common Stock. Each holder of shares of Class B Common Stock will be entitled to one vote for each share thereof held at the record date for the determination of the stockholders entitled to vote on such matters.

3.2 General. Except as otherwise expressly provided herein or as required by law, the holders of Class A Common Stock and Class B Common Stock will vote together and not as separate series or classes.

3.3 Authorized Shares. The number of authorized shares of Common Stock or any class or series thereof may be increased or decreased (but not below (i) the number of shares of Common Stock or, in the case of a class or series of Common Stock, such class or series, then outstanding plus (ii) with respect to Class B Common Stock, the number of shares reserved for issuance pursuant to Section V.8) by the affirmative vote of the holders of a majority of the voting power of the Class A Common Stock and Class B Common Stock, voting together as a single class,

irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law; provided, that the number of authorized shares of Class A Common Stock shall not be increased without the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock, voting as a separate class.

3.4 Election of Directors. Subject to any rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the holders of Common Stock, voting together as a single class, shall be entitled to elect and remove all directors of the Company.

4. Liquidation Rights. In the event of a Liquidation Event, subject to the rights of any Preferred Stock that may then be outstanding, the assets of the Corporation legally available for distribution to stockholders shall be distributed on an equal priority, pro rata basis to the holders of Common Stock, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class; provided, however, that for the avoidance of doubt, consideration to be paid or received by a holder of Common Stock in connection with any Liquidation Event pursuant to any employment, consulting, severance or similar services arrangement shall not be deemed to be “distribution to stockholders” for the purpose of this Section V.4; *provided, further, however*, that shares of such classes may receive, or have the right to elect to receive, different or disproportionate consideration in connection with such consolidation, merger or other transaction if the only difference in the per share consideration to the holders of the Class A Common Stock and Class B Common Stock is that any securities distributed to the holder of a share of Class A Common Stock have forty (40) times the voting power of any securities distributed to the holder of a share of Class B Common Stock.

5. Conversion of the Class A Common Stock. The Class A Common Stock will be convertible into Class B Common Stock as follows:

5.1 Each share of Class A Common Stock will automatically convert into one fully paid and nonassessable share of Class B Common Stock on the Final Conversion Date.

5.2 With respect to any holder of Class A Common Stock, each share of Class A Common Stock held by such holder will automatically be converted into one fully paid and nonassessable share of Class B Common Stock, as follows:

(a) on the affirmative written election of such holder or, if later, at the time or the happening of a future event specified in such written election (which election may be revoked by such holder prior to the date on which the automatic conversion would otherwise occur unless otherwise specified by such holder);

(b) subject to Section V.5.2(c) below, on the occurrence of a Transfer of such share of Class A Common Stock, other than a Permitted Transfer; or

(c) with respect to Class A Common Stock held of record by the Founder, the Founder’s Permitted Entities or by the Founder’s Permitted Transferees, upon the death or

Disability of the Founder; *provided, however*, that, with respect to the shares of Class A Common Stock held of record by the Founder, the Founder's Permitted Entities or the Founder's Permitted Transferees, each share of Class A Common Stock held of record by the Founder, the Founder's Permitted Entities or the Founder's Permitted Transferees shall automatically convert into one (1) fully paid and nonassessable share of Class B Common Stock upon that date which is nine (9) months after the date of death or Disability of the Founder or such later date not to exceed a total period of eighteen (18) months after the date of death or Disability of the Founder as may be approved by a majority of the Independent Directors then in office, during which period prior to the conversion of such shares of Class A Common Stock into Class B Common Stock, Voting Control over the Founder's shares (including shares held of record by the Founder's Permitted Entities and Permitted Transferees) shall be exercised in accordance with any applicable proxy or voting agreement in place at the time of such death or Disability entered into in accordance with Section V.1.18 of this Amended and Restated Certificate or, if no such proxy or voting agreement is in place at the time of such death or Disability, a person (including a person serving as trustee) previously designated by the Founder and approved by the Board may exercise Voting Control over the Founder's shares (including shares held of record by the Founder's Permitted Entities and Permitted Transferees) of Class A Common Stock.

6. Procedures. The Corporation may, from time to time, establish such policies and procedures relating to the conversion of the Class A Common Stock to Class B Common Stock and the general administration of this dual class stock structure, including the issuance of stock certificates with respect thereto, as it may deem necessary or advisable, and may from time to time request that holders of shares of Class A Common Stock furnish certifications, affidavits or other proof to the Corporation as it deems necessary to verify the ownership of Class A Common Stock and to confirm that a conversion to Class B Common Stock has not occurred. A determination by the Corporation as to whether or not a Transfer has occurred and results in a conversion to Class B Common Stock shall be conclusive and binding.

7. Immediate Effect. In the event of and upon a conversion of shares of Class A Common Stock to shares of Class B Common Stock pursuant to Section V.5, such conversion(s) shall be deemed to have been made at the time that the Transfer of shares, death or Disability, as applicable, occurred or immediately upon the Final Conversion Date subject in all cases to any transition periods specifically provided for in this Amended and Restated Certificate. Upon any conversion of Class A Common Stock to Class B Common Stock in accordance with this Amended and Restated Certificate, all rights of such holder of shares of Class A Common Stock shall cease and the person or persons in whose names or names the certificate or certificates representing the shares of Class B Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class B Common Stock.

8. Reservation of Stock Issuable Upon Conversion. The Corporation will at all times reserve and keep available out of its authorized but unissued shares of Class B Common Stock, solely for the purpose of effecting the conversion of the shares of the Class A Common Stock, such number of its shares of Class B Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class A Common Stock; and if at any time the number of

authorized but unissued shares of Class B Common Stock will not be sufficient to effect the conversion of all then-outstanding shares of Class A Common Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class B Common Stock to such number of shares as will be sufficient for such purpose.

9. No Reissuance of Class A Common Stock. No share or shares of Class A Common Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares that the Corporation shall be authorized to issue.

10. Preemptive Rights. No stockholder of the Corporation shall have a right to purchase shares of capital stock of the Corporation sold or issued by the Corporation except to the extent that such a right may from time to time be set forth in a written agreement between the Corporation and a stockholder.

ARTICLE VI

1. Rights of Preferred Stock. The Board is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board (authority to do so being hereby expressly vested in the Board), and by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a “*Preferred Stock Designation*”), to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof.

The Board is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, the number of which was fixed by it, subsequent to the issuance of shares of such series then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the Amended and Restated Certificate or the resolution of the Board originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

2. Vote to Increase or Decrease Authorized Shares. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of stock of the Corporation entitled to vote thereon, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation, irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law.

ARTICLE VII

1. Board Size. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors that constitutes the entire Board shall be fixed by, or in the manner provided in, the Bylaws of the Corporation; provided that, from and after the Voting Threshold Date, the number of directors that constitutes the entire Board shall be fixed by a resolution adopted by a majority of the Whole Board. At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected and until their successors have been duly elected and qualified or until their earlier resignation or removal; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the Delaware General Corporation Law.

2. Board Structure. From and after the Voting Threshold Date, the directors, other than any who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three (3) classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The Board may assign members of the Board already in office to such classes at the time such classification becomes effective. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of the stockholders following the Voting Threshold Date, the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Voting Threshold Date, and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the Voting Threshold Date. At each annual meeting of stockholders, commencing with the first regularly scheduled annual meeting of stockholders following the Voting Threshold Date, each of the successors elected to replace the directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office for a three-year term and until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. Prior to the Voting Threshold Date, all directors shall be elected at each annual meeting of stockholders to serve until the next annual meeting of stockholders (except, for the avoidance of doubt, as provided in this Section VII.2 in the event the Voting Threshold Date occurs) and until his or her successor shall have been duly elected and qualified. Notwithstanding the foregoing provisions of this Article VII, whether before or after the Voting Threshold Date, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal. From and after the Voting Threshold Date, if the number of directors is thereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable. No decrease in the number of directors constituting the Board, whether before or after the Voting Threshold Date, shall shorten the term of any incumbent director.

3. Removal; Vacancies. Any director may be removed from office by the stockholders of the Corporation as provided in Section 141(k) of the Delaware General Corporation Law. Prior to the Voting Threshold Date, vacancies occurring on the Board for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares

of stock of the Corporation entitled to vote generally in the election of directors. From and after the Voting Threshold Date, vacancies occurring on the Board for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board, although less than a quorum, or by a sole remaining director, and not by stockholders. A person elected to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be duly elected and qualified.

ARTICLE VIII

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

1. Board Power. The business and affairs of the Corporation shall be managed by or under the direction of the Board. In addition to the powers and authority expressly conferred by statute or by this Amended and Restated Certificate or the Bylaws of the Corporation, the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

2. Written Ballot. Elections of directors need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

3. Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by the Delaware General Corporation Law, the Board is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation; provided that, prior to the Voting Threshold Date, the Board shall not be authorized to amend or repeal, or adopt a provision inconsistent with, Article III, Section 3.2 of the Bylaws of the Corporation.

4. Special Meetings. Special meetings of the stockholders may be called only by (i) the Board pursuant to a resolution adopted by a majority of the Whole Board; (ii) the chairman of the Board; (iii) the chief executive officer of the Corporation; (iv) the president of the Corporation (in the absence of a chief executive officer); or (v) prior to the Voting Threshold Date, the holders of at least fifty percent (50%) of the voting power of the Class A Common Stock and Class B Common Stock, voting together as a single class and acting in compliance with the Bylaws of the Corporation.

5. No Stockholder Action by Written Consent. Subject to the rights of the holders of any series of Preferred Stock, and except for any written election to convert shares of Class A Common Stock to Class B Common Stock as contemplated in this Amended and Restated Certificate, from and after the Voting Threshold Date, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Subject to the rights of the holders of any series of Preferred Stock, and except for any written election to convert shares of Class A Common Stock to Class B Common Stock as contemplated in this Amended and Restated Certificate, before the Voting Threshold Date, any

action required or permitted to be taken by the stockholders of the Corporation may be taken without a meeting

6. No Cumulative Voting. No stockholder will be permitted to cumulate votes at any election of directors.

ARTICLE IX

To the fullest extent permitted by law, no director of the Corporation shall be personally liable for monetary damages for breach of fiduciary duty as a director. Without limiting the effect of the preceding sentence, if the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Neither any amendment nor repeal of this Article IX, nor the adoption of any provision of this Amended and Restated Certificate inconsistent with this Article IX, shall eliminate, reduce or otherwise adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such amendment, repeal or adoption of such an inconsistent provision.

ARTICLE X

If any provision of this Amended and Restated Certificate becomes or is declared on any ground by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Amended and Restated Certificate, and the court will replace such illegal, void or unenforceable provision of this Amended and Restated Certificate with a valid and enforceable provision that most accurately reflects the Corporation's intent, in order to achieve, to the maximum extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Amended and Restated Certificate shall be enforceable in accordance with its terms.

Except as provided in Article IX above, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; *provided, however*, that, notwithstanding any other provision of this Amended and Restated Certificate or any provision of law that might otherwise permit a lesser vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate, (i) prior to the Voting Threshold Date, (a) the affirmative vote of the holders of a majority of the voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate or adopt any new provision of this Amended and Restated Certificate and (b) the affirmative vote of a majority of the outstanding shares of Class A Common Stock and the affirmative vote of a majority of the outstanding shares of Class B Common Stock, each voting separately as a class, shall be required to amend or repeal, or adopt any provision of this

Amended and Restated Certificate inconsistent with, Article V or this clause (i)(b) of Article X of this Amended and Restated Certificate (except in either (a) or (b) by virtue of a filing of a Preferred Stock Designation, but subject to any vote required by law or by other provisions of this Amended and Restated Certificate with respect to such Preferred Stock Designation), and (ii) from and after the Voting Threshold Date, the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision of this Amended and Restated Certificate inconsistent with, Article VII, Article VIII or this Article X.

AMENDED AND RESTATED BYLAWS OF
Domo, Inc.

(as amended on July 3, 2018 effective as of the
closing of the corporation's initial public offering)

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ARTICLE I - CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Domo, Inc. shall be fixed in the corporation's certificate of incorporation, as the same may be amended from time to time.

1.2 OTHER OFFICES

The corporation may at any time establish other offices at any place or places.

ARTICLE II - MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. The board of directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the "DGCL").

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year. The board of directors shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and any other proper business, brought in accordance with Section 2.4 of these bylaws, may be transacted. The board of directors, acting pursuant to a resolution adopted by a majority of the Whole Board, may cancel, postpone or reschedule any previously scheduled annual meeting at any time, before or after the notice for such meeting has been sent to the stockholders. For purposes of these bylaws, the term "**Whole Board**" shall mean the total number of authorized directors whether or not there exist any vacancies or unfilled seats in previously authorized directorships.

2.3 SPECIAL MEETING

(i) A special meeting of the stockholders, other than as required by statute, may be called at any time by (a) the board of directors, acting pursuant to a resolution adopted by a majority of the Whole Board, (b) the chairperson of the board of directors, (c) the chief executive officer or the president (in the absence of a chief executive officer) or (d) prior to the Voting Threshold Date (as such term is defined in the corporation's certificate of incorporation), by written request of the holders of at least 50% of the voting power of the corporation's Class A Common Stock and Class B Common Stock, voting together as a single class, provided that such written request is in compliance with the requirements of Section 2.3(ii), but a special meeting may not be called by any other person or persons. The board of directors, acting pursuant to a resolution adopted by a majority of the Whole Board, may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

(ii) If any person(s) other than the board of directors calls a special meeting, the request shall:

(a) be in writing;

(b) specify the general nature of the business proposed to be transacted, subject to any additional applicable requirements as are set forth in Section 2.4(iii) and in Section 2.4(i)(b) (for the proposal of business other than nominations); and

(c) be delivered personally or sent by registered mail to the secretary of the corporation.

Upon receipt of such a request, the board of directors shall determine the date, time and place of such special meeting, which must be scheduled to be held on a date that is not less than thirty (30) and not more than ninety (90) days after receipt by the secretary of the request therefor, and the secretary of the corporation shall prepare a proper notice thereof. No business may be transacted at such special meeting other than the business specified in the notice to stockholders of such meeting. A request to call a special meeting by any person other than the board of directors will not be valid unless made in accordance with the requirements and procedures set forth in this Section 2.3(ii).

(iii) The notice of a special meeting shall include the purpose for which the meeting is called. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting by or at the direction of the board of directors, chairperson of the board of directors, chief executive officer or president (in the absence of a chief executive officer) or in the notice specified in Section 2.3(ii) above. Nothing contained in this Section 2.3(iii) shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 ADVANCE NOTICE PROCEDURES

(i) *Advance Notice of Stockholder Business.* At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be brought: (A) pursuant to the corporation's proxy materials with respect to such meeting, (B) by or at the direction of the board of directors, or (C) by a stockholder of the corporation who (1) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(i), on the record date for the determination of stockholders entitled to notice of the annual meeting and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has timely complied in proper written form with the notice procedures set forth in this Section 2.4(i). In addition, for business to be properly brought before an annual meeting by a stockholder, such business must be a proper matter for stockholder action pursuant to these bylaws and applicable law. For the avoidance of doubt, clause (C) above shall be the exclusive means for a stockholder to bring business (other than business included in the corporation's proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or any successor thereto (the "**1934 Act**")) before an annual meeting of stockholders.

(a) To comply with clause (C) of Section 2.4(i) above, a stockholder's notice must set forth all information required under this Section 2.4(i) and must be timely received by the secretary of the corporation. To be timely, a stockholder's notice must be received by the secretary at the principal executive offices of the corporation not later than the 45th day nor earlier than the 75th day before the one-year anniversary of the date on which the corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the preceding year's annual meeting; *provided, however*, that in the event that no annual meeting was held in the previous year or if the date of the annual meeting is

advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year's annual meeting, then, for notice by the stockholder to be timely, it must be so received by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of (i) the 90th day prior to such annual meeting, or (ii) the tenth day following the day on which Public Announcement (as defined below) of the date of such annual meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described in this Section 2.4(i)(a). "**Public Announcement**" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

(b) To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter of business the stockholder intends to bring before the annual meeting: (1) a brief description of the business intended to be brought before the annual meeting, the text of the proposed business (including the text of any resolutions proposed for consideration) and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the corporation's books, of the stockholder proposing such business and any Stockholder Associated Person (as defined below), (3) the class and number of shares of the corporation that are held of record or are beneficially owned by the stockholder or any Stockholder Associated Person and any derivative positions held or beneficially held by the stockholder or any Stockholder Associated Person, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, (5) any material interest of the stockholder or a Stockholder Associated Person in such business, and (6) a statement whether either such stockholder or any Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry the proposal (such information provided and statements made as required by clauses (1) through (6), a "**Business Solicitation Statement**"). In addition, to be in proper written form, a stockholder's notice to the secretary must be supplemented not later than ten days following the record date for the determination of stockholders entitled to notice of the meeting to disclose the information contained in clauses (3) and (4) above as of such record date. For purposes of this Section 2.4, a "**Stockholder Associated Person**" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 2.4(i) and, if applicable, Section 2.4(ii). In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that business was not properly brought before the annual meeting and in accordance with the provisions of this Section 2.4(i), and, if the

chairperson should so determine, he or she shall so declare at the annual meeting that any such business not properly brought before the annual meeting shall not be conducted.

(ii) *Advance Notice of Director Nominations at Annual Meetings.* Notwithstanding anything in these bylaws to the contrary, only persons who are nominated in accordance with the procedures set forth in this Section 2.4(ii) shall be eligible for election or re-election as directors at an annual meeting of stockholders. Nominations of persons for election to the board of directors of the corporation shall be made at an annual meeting of stockholders only (A) by or at the direction of the board of directors or (B) by a stockholder of the corporation who (1) was a stockholder of record at the time of the giving of the notice required by this Section 2.4(ii), on the record date for the determination of stockholders entitled to notice of the annual meeting and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has complied with the notice procedures set forth in this Section 2.4(ii). In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

(a) To comply with clause (B) of Section 2.4(ii) above, a nomination to be made by a stockholder must set forth all information required under this Section 2.4(ii) and must be received by the secretary of the corporation at the principal executive offices of the corporation at the time set forth in, and in accordance with, the final three sentences of Section 2.4(i)(a) above; provided, however, that in the event that the number of directors to be elected to the board of directors is increased and there is no Public Announcement naming all of the nominees for director or specifying the size of the increased board made by the corporation at least ten (10) days before the last day a stockholder may deliver a notice of nomination pursuant to the foregoing provisions, a stockholder's notice required by this Section 2.4(ii) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the secretary at the principal executive offices of the corporation not later than the close of business on the tenth day following the day on which such Public Announcement is first made by the corporation.

(b) To be in proper written form, such stockholder's notice to the secretary must set forth:

(1) as to each person (a "**nominee**") whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the nominee, (B) the principal occupation or employment of the nominee, (C) the class and number of shares of the corporation that are held of record or are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (D) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the nominee, (E) a description of all arrangements or understandings between or among the stockholder, any nominee or any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, including a description of any compensatory, payment or other financial agreement, arrangement or understanding involving the nominee and of any compensation or other payment received by or on behalf of the nominee, in each case in connection with candidacy or service as a director of the corporation, (F) a written statement executed by the nominee acknowledging and representing that the nominee intends to serve a full term on the board of directors if elected and that, as a director of the corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the corporation and its stockholders, and (G) any other information relating to the nominee that would be required

to be disclosed about such nominee if proxies were being solicited for the election of the nominee as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation the nominee's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and

(2) as to such stockholder giving notice, (A) the information required to be provided pursuant to clauses (2) through (5) of Section 2.4(i)(b) above, and the supplement referenced in the second sentence of Section 2.4(i)(b) above (except that the references to "business" in such clauses shall instead refer to nominations of directors for purposes of this paragraph), and (B) a statement whether either such stockholder or Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of a number of the corporation's voting shares reasonably believed by such stockholder or Stockholder Associated Person to be necessary to elect such nominee(s) (such information provided and statements made as required by clauses (A) and (B) above, a "**Nominee Solicitation Statement**").

(c) At the request of the board of directors, any person nominated by a stockholder for election as a director must furnish to the secretary of the corporation (1) that information required to be set forth in the stockholder's notice of nomination of such person as a director as of a date subsequent to the date on which the notice of such person's nomination was given and (2) such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such stockholder's nomination shall not be considered in proper form pursuant to this Section 2.4(ii).

(d) Without exception, no person shall be eligible for election or re-election as a director of the corporation at an annual meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 2.4(ii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or in any other notice to the corporation or if the Nominee Solicitation Statement applicable to such nominee or any other relevant notice contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the annual meeting, and the defective nomination shall be disregarded.

(iii) *Advance Notice of Director Nominations for Special Meetings.*

(a) For a special meeting of stockholders at which directors are to be elected pursuant to Section 2.3, nominations of persons for election to the board of directors shall be made only (1) by or at the direction of the board of directors or (2) by any stockholder of the corporation who (A) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(iii), on the record date for the determination of stockholders entitled to notice of the special meeting and on the record date for the determination of stockholders entitled to vote at the special meeting and (B) delivers a timely written notice of the nomination to the secretary of the corporation that includes the information set forth in Sections 2.4(ii)(b) and (ii)(c) above. To be timely, such notice must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at

such meeting. A person shall not be eligible for election or re-election as a director at a special meeting unless the person is nominated (i) by or at the direction of the board of directors or (ii) by a stockholder in accordance with the notice procedures set forth in this Section 2.4(iii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or in any other notice to the corporation or if the Nominee Solicitation Statement applicable to such nominee or any other relevant notice contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading.

(b) The chairperson of the special meeting shall, if the facts warrant, determine and declare at the meeting that a nomination or business was not made in accordance with the procedures prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the meeting, and the defective nomination or business shall be disregarded.

(iv) *Other Requirements and Rights.* In addition to the foregoing provisions of this Section 2.4, a stockholder must also comply with all applicable requirements of state law and of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4, including, with respect to business such stockholder intends to bring before the annual meeting that involves a proposal that such stockholder requests to be included in the corporation's proxy statement, the requirements of Rule 14a-8 (or any successor provision) under the 1934 Act. Nothing in this Section 2.4 shall be deemed to affect any right of the corporation to omit a proposal from the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act.

2.5 NOTICE OF STOCKHOLDERS' MEETINGS

Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise provided in the DGCL, the certificate of incorporation or these bylaws, the written notice of any meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

2.6 QUORUM

The holders of a majority of the voting power of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. Where a separate vote by a class or series or classes or series is required, a majority of the voting power of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws.

If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at

which a quorum is present or represented, any business may be transacted that might have been transacted at the original meeting.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL and Section 2.11 of these bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.8 CONDUCT OF BUSINESS

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business and discussion as seem to the chairperson in order. The chairperson of any meeting of stockholders shall have the power to adjourn the meeting to another place, if any, date or time. The chairperson of any meeting of stockholders shall be designated by the board of directors; in the absence of such designation, the chairperson of the board, if any, or the chief executive officer (in the absence of the chairperson of the board), or the president (in the absence of the chairperson of the board and the chief executive officer), or in their absence any other executive officer of the corporation, shall serve as chairperson of the stockholder meeting.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as otherwise provided by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of the voting power of the shares of such class or series or classes or series present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Subject to the rights of the holders of the shares of any series of Preferred Stock, and except for any written election to convert shares of the corporation's Class A Common Stock to Class B Common Stock as contemplated in the certificate of incorporation, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 RECORD DATES

In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the provisions of Section 213 of the DGCL and this Section 2.11 at the adjourned meeting.

In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

2.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

A written proxy may be in the form of an electronic transmission which sets forth or is submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or in any other form permitted by law.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; *provided, however*, if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, *provided* that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the corporation's principal place of business. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then such list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

2.14 INSPECTORS OF ELECTION

Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The corporation may designate one (1) or more persons as alternate inspectors to replace any inspector who fails to act. Such inspectors shall take all actions as contemplated under Section 231 of the DGCL or any successor provision thereto.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are multiple inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is *prima facie* evidence of the facts stated therein.

ARTICLE III - DIRECTORS

3.1 POWERS

The business and affairs of the corporation shall be managed by or under the direction of the board of directors, except as may be otherwise provided in the DGCL or the certificate of incorporation.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, (1) prior to the Voting Threshold Date (as such term is defined in the corporation's certificate of incorporation), the number of directors shall be determined from time to time by resolution adopted by the stockholders and (2) from and after the Voting Threshold Date, the number of directors shall be determined from time to time by resolution adopted by a majority of the Whole Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

If so provided in the certificate of incorporation, the directors of the corporation shall be divided into three classes. Until such time, the directors of the corporation shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon notice given in writing or by electronic transmission to the chairperson of the board of directors (or, if none, to the chief executive officer of the corporation) or to the secretary of the corporation. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable.

Unless otherwise provided in the certificate of incorporation or these bylaws, or applicable law or permitted in the specific case by resolution of the board of directors, and subject to the rights of holders of Preferred Stock, prior to the Voting Threshold Date (as such term is defined in the corporation's certificate of incorporation), any vacancy in the board of directors resulting from the death, resignation, removal or disqualification of any director or for any other reason, and any newly created directorship resulting from any increase in the authorized number of directors to be elected by all stockholders entitled to vote generally in the election of directors may be filled by the stockholders. Following the Voting Threshold Date (as such term is defined in the corporation's certificate of incorporation), any vacancy in the board of directors resulting from the death, resignation, removal or disqualification of any director or for any other reason, and any newly created directorship resulting from any increase in the authorized number of directors to be elected by all stockholders entitled to vote generally in the election of directors, may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and not by stockholders. Unless otherwise provided in the certificate of incorporation or these bylaws, and following the Voting Threshold Date, when one or more directors resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective. If the directors are divided into classes as provided by the certificate of incorporation, a person so chosen to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors may participate in a meeting of the board of directors by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairperson of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile;
- (iv) sent by electronic mail; or
- (v) otherwise given by electronic transmission (as defined in Section 7.2),

directed to each director at that director's address, telephone number, facsimile number, electronic mail address or other contact for notice by electronic transmission, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile, (iii) sent by electronic mail or (iv) otherwise given by electronic transmission, it shall be delivered, sent or otherwise directed to each director, as applicable, at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting, unless required by statute.

3.8 QUORUM; VOTING

At all meetings of the board of directors, a majority of the Whole Board shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

The affirmative vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken

without a meeting if all members of the board of directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board of directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Any person (whether or not then a director) may provide, whether through instruction to an agent or otherwise, that a consent to action will be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made and such consent shall be deemed to have been given for purposes of this Section 3.9 at such effective time so long as such person is then a director and did not revoke the consent prior to such time. Any such consent shall be revocable prior to its becoming effective.

3.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.11 REMOVAL OF DIRECTORS

Prior to the Voting Threshold Date (as such term is defined in the corporation's certificate of incorporation), any director may be removed from office at any time, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares then entitled to vote for the election of directors. From and after the Voting Threshold Date, no director may be removed except for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the then-outstanding shares of capital stock of the corporation then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV - COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the Whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) Section 3.5 (place of meetings and meetings by telephone);
- (ii) Section 3.6 (regular meetings);
- (iii) Section 3.7 (special meetings and notice);
- (iv) Section 3.8 (quorum; voting);
- (v) Section 3.9 (action without a meeting); and
- (vi) Section 7.5 (waiver of notice)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members. *However:*

- (i) the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the board of directors; and
- (iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

4.4 SUBCOMMITTEES

Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the board of directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE V - OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the board of directors, a chairperson of the board of directors, a vice chairperson of the board of directors, a chief executive officer, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and

any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The board of directors shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers as the business of the corporation may require. Each of such officers shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors or, except in the case of an officer chosen by the board of directors unless as otherwise provided by resolution of the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors or as provided in Section 5.3.

5.6 REPRESENTATION OF SECURITIES OF OTHER ENTITIES

The chairperson of the board of directors, the chief executive officer, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the chief executive officer, the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares or other securities of any other entity or entities standing in the name of this corporation, including the right to act by written consent. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS

All officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the board of directors.

ARTICLE VI - STOCK

6.1 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Unless otherwise provided by resolution of the board of directors, every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of, the corporation by any two officers of the corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The corporation shall not have power to issue a certificate in bearer form.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly-paid shares, or upon the books and records of the corporation in the case of uncertificated partly-paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully-paid shares, the corporation shall declare a dividend upon partly-paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.2 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the registered owner thereof shall be given a notice, in writing or by electronic transmission, containing the information required to be set forth or stated on certificates pursuant to this Section 6.2 or Sections 156, 202(a), 218(a) or 364 of the DGCL or with respect to this Section 6.2 a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

6.3 LOST CERTIFICATES

Except as provided in this Section 6.3, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same

time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.4 DIVIDENDS

The board of directors, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock, subject to the provisions of the certificate of incorporation. The board of directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

6.5 TRANSFER OF STOCK

Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and, if such stock is certificated, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer.

6.6 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.7 REGISTERED STOCKHOLDERS

The corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner; and

(ii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII - MANNER OF GIVING NOTICE AND WAIVER

7.1 NOTICE OF STOCKHOLDERS' MEETINGS

Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the corporation's records. An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or other agent of the corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 NOTICE BY ELECTRONIC TRANSMISSION

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if:

- (i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and
- (ii) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given as provided under Section 232 of the DGCL. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An “**electronic transmission**” means any form of communication, not directly involving the physical transmission of paper, including the use of, or participation in, one or more electronic networks or databases (including one or more distributed electronic networks or databases), that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

7.3 NOTICE TO STOCKHOLDERS SHARING AN ADDRESS

Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice. This Section 7.3 shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

7.4 NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL

Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice

to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

7.5 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, or the board of directors or a committee thereof, as the case may be, need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII - INDEMNIFICATION

8.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN THIRD PARTY PROCEEDINGS

Subject to the other provisions of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director or officer of the corporation, or is or was a director or officer of the corporation serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

8.2 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

Subject to the other provisions of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the corporation, or is or was a director or officer of the corporation serving at the request of the corporation as

a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

8.3 SUCCESSFUL DEFENSE

To the extent that a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 8.1 or Section 8.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

8.4 INDEMNIFICATION OF OTHERS

Subject to the other provisions of this Article VIII, the corporation shall have power to indemnify its employees and agents to the extent not prohibited by the DGCL or other applicable law. The board of directors shall have the power to delegate to any person or persons identified in subsections (1) through (4) of Section 145(d) of the DGCL the determination of whether employees or agents shall be indemnified.

8.5 ADVANCE PAYMENT OF EXPENSES

Expenses (including attorneys' fees) actually and reasonably incurred by an officer or director of the corporation in defending any Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this Article VIII or the DGCL. Such expenses (including attorneys' fees) actually and reasonably incurred by former directors and officers or other current or former employees and agents of the corporation or by persons currently or formerly serving at the request of the corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 8.6(ii) or 8.6(iii) prior to a determination that the person is not entitled to be indemnified by the corporation.

8.6 LIMITATION ON INDEMNIFICATION

Subject to the requirements in Section 8.3 and the DGCL, the corporation shall not be obligated to indemnify any person pursuant to this Article VIII in connection with any Proceeding (or any part of any Proceeding):

(i) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(ii) for an accounting or disgorgement of profits pursuant to Section 16(b) of the 1934 Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(iii) for any reimbursement of the corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the corporation, as required in each case under the 1934 Act (including any such reimbursements that arise from an accounting restatement of the corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), or the payment to the corporation of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);

(iv) initiated by such person, including any Proceeding (or any part of any Proceeding) initiated by such person against the corporation or its directors, officers, employees, agents or other indemnitees, unless (a) the board of directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (b) the corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the corporation under applicable law, (c) otherwise required to be made under Section 8.7 or (d) otherwise required by applicable law; or

(v) if prohibited by applicable law.

8.7 DETERMINATION; CLAIM

If a claim for indemnification or advancement of expenses under this Article VIII is not paid in full within 90 days after receipt by the corporation of the written request therefor, the claimant shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses. The corporation shall indemnify such person against any and all expenses that are actually and reasonably incurred by such person in connection with any action for indemnification or advancement of expenses from the corporation under this Article VIII, to the extent such person is successful in such action, and to the extent not prohibited by law. In any such suit, the corporation shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses.

8.8 NON-EXCLUSIVITY OF RIGHTS

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person’s official capacity and as to action in another capacity while holding such office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

8.9 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity,

or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

8.10 SURVIVAL

The rights to indemnification and advancement of expenses conferred by this Article VIII shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

8.11 EFFECT OF REPEAL OR MODIFICATION

A right to indemnification or to advancement of expenses arising under a provision of the certificate of incorporation or a bylaw shall not be eliminated or impaired by an amendment to the certificate of incorporation or these bylaws after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought, unless the provision in effect at the time of such act or omission explicitly authorizes such elimination or impairment after such action or omission has occurred.

8.12 CERTAIN DEFINITIONS

For purposes of this Article VIII, references to the "**corporation**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "**other enterprises**" shall include employee benefit plans; references to "**finances**" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "**serving at the request of the corporation**" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "**not opposed to the best interests of the corporation**" as referred to in this Article VIII.

ARTICLE IX - GENERAL MATTERS

9.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

Except as otherwise provided by law, the certificate of incorporation or these bylaws, the board of directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any document or instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.2 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

9.3 SEAL

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.4 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term “**person**” includes both a corporation and a natural person.

ARTICLE X - AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote; *provided, however*, that, from and after the Voting Threshold Date (as such term is defined in the corporation’s certificate of incorporation), the affirmative vote of the holders of at least two-thirds (2/3) of the total voting power of outstanding voting securities, voting together as a single class, shall be required for the stockholders of the Corporation to alter, amend or repeal, or adopt any provision of these bylaws. However, the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

A bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of directors shall not be further amended or repealed by the board of directors.

ARTICLE XI - EXCLUSIVE FORUM

Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the corporation to the corporation or the corporation’s stockholders, (iii) any action arising pursuant to any provision of the DGCL or the certificate of incorporation or these bylaws (as either may be amended from time to time), or (iv) any action asserting a claim governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten (10) days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court, or for which such court does not have subject matter jurisdiction.

Unless the corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

Any person or entity purchasing or otherwise acquiring any interest in any security of the corporation shall be deemed to have notice of and consented to the provisions of this Article XI.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-225978) pertaining to the 2011 Equity Incentive Plan, 2018 Equity Incentive Plan, and 2018 Employee Stock Purchase Plan of Domo, Inc. of our report dated April 12, 2019, with respect to the consolidated financial statements of Domo, Inc. included in this Annual Report (Form 10-K) for the year ended January 31, 2019.

/s/ Ernst & Young LLP

Salt Lake City, UT
April 12, 2019

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joshua G. James, certify that:

1. I have reviewed this Annual Report on Form 10-K of Domo, 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)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 12, 2019

/s/ Joshua G. James

Joshua G. James

Founder and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bruce Felt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Domo, 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)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) (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) (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: April 12, 2019

/s/ Bruce Felt

Bruce Felt

Chief Financial Officer

(Principal Accounting and Financial Officer)

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

In connection with the filing of the Annual Report on Form 10-K for the fiscal year ended January 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report") by Domo, Inc. (the "Company"), Joshua James, as the Chief Executive Officer of the Company, and Bruce Felt, as the Chief Financial Officer of the Company, each hereby certifies 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 his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 12, 2019

/s/ Joshua G. James

Joshua G. James

Founder and Chief Executive Officer (Principal Executive Officer)

/s/ Bruce Felt

Bruce Felt

Chief Financial Officer (Principal Accounting and Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Domo, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.