

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended October 31, 2020

OR

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

For the transition period from \_\_\_ to \_\_\_

Commission File Number: 001-38240

**MONGODB, INC.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

1633 Broadway, 38th Floor

New York, NY

(Address of principal executive offices)

26-1463205

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

10019

(Zip Code)

Registrant's telephone number, including area code: 646-727-4092

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.001 per share	MDB	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

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

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

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

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

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

As of December 7, 2020, there were 60,266,318 shares of the registrant's Class A common stock, par value \$0.001 per share, outstanding.

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**PART I—FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS.**  
**MONGODB, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(in thousands, except share and per share data)*  
*(unaudited)*

	October 31, 2020	January 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 414,762	\$ 706,192
Short-term investments	551,539	280,326
Accounts receivable, net of allowance for doubtful accounts of \$4,710 and \$2,515 as of October 31, 2020 and January 31, 2020, respectively	91,784	85,554
Deferred commissions	30,090	24,219
Prepaid expenses and other current assets	15,611	16,905
Total current assets	1,103,786	1,113,196
Property and equipment, net	63,588	58,316
Operating lease right-of-use assets	36,909	11,147
Goodwill	55,830	55,830
Acquired intangible assets, net	28,400	34,779
Deferred tax assets	728	615
Other assets	66,620	54,684
<b>Total assets</b>	<b>\$ 1,355,861</b>	<b>\$ 1,328,567</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,644	\$ 2,849
Accrued compensation and benefits	56,802	41,427
Operating lease liabilities	4,314	3,750
Other accrued liabilities	27,457	26,860
Deferred revenue	179,322	167,498
Total current liabilities	271,539	242,384
Deferred tax liability, non-current	828	821
Operating lease liabilities, non-current	36,501	8,113
Deferred revenue, non-current	16,497	23,281
Convertible senior notes, net	947,652	911,075
Other liabilities, non-current	61,040	60,035
<b>Total liabilities</b>	<b>1,334,057</b>	<b>1,245,709</b>
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Class A common stock, par value of \$0.001 per share; 1,000,000,000 shares authorized as of October 31, 2020 and January 31, 2020; 60,255,524 shares issued and 60,156,153 shares outstanding as of October 31, 2020; 48,512,090 shares issued and outstanding as of January 31, 2020	60	48
Class B common stock, par value of \$0.001 per share; no shares and 100,000,000 shares authorized as of October 31, 2020 and January 31, 2020, respectively; no shares issued and outstanding as of October 31, 2020; 8,969,824 shares issued and 8,870,453 shares outstanding as of January 31, 2020	—	9
Additional paid-in capital	883,002	752,127
Treasury stock, 99,371 shares (repurchased at an average of \$13.27 per share) as of October 31, 2020 and January 31, 2020	(1,319)	(1,319)
Accumulated other comprehensive income (loss)	(337)	225
Accumulated deficit	(859,602)	(668,232)
<b>Total stockholders' equity</b>	<b>21,804</b>	<b>82,858</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,355,861</b>	<b>\$ 1,328,567</b>

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

**MONGODB, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(in thousands, except share and per share data)*  
*(unaudited)*

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
Revenue:				
Subscription	\$ 144,069	\$ 103,827	\$ 401,403	\$ 281,977
Services	6,702	5,614	17,978	16,220
Total revenue	<u>150,771</u>	<u>109,441</u>	<u>419,381</u>	<u>298,197</u>
Cost of revenue:				
Subscription	38,642	26,497	103,240	73,465
Services	7,468	5,694	22,851	17,100
Total cost of revenue	<u>46,110</u>	<u>32,191</u>	<u>126,091</u>	<u>90,565</u>
Gross profit	<u>104,661</u>	<u>77,250</u>	<u>293,290</u>	<u>207,632</u>
Operating expenses:				
Sales and marketing	83,214	57,015	227,417	156,659
Research and development	54,363	39,387	149,250	107,395
General and administrative	25,175	19,562	66,534	50,541
Total operating expenses	<u>162,752</u>	<u>115,964</u>	<u>443,201</u>	<u>314,595</u>
Loss from operations	<u>(58,091)</u>	<u>(38,714)</u>	<u>(149,911)</u>	<u>(106,963)</u>
Other income (expense):				
Interest income	572	1,986	4,331	6,520
Interest expense	(14,093)	(4,813)	(41,838)	(14,442)
Other expense, net	(113)	(283)	(1,583)	(994)
Loss before provision for (benefit from) income taxes	<u>(71,725)</u>	<u>(41,824)</u>	<u>(189,001)</u>	<u>(115,879)</u>
Provision for (benefit from) income taxes	926	559	2,142	(2,920)
Net loss	<u>\$ (72,651)</u>	<u>\$ (42,383)</u>	<u>\$ (191,143)</u>	<u>\$ (112,959)</u>
Net loss per share, basic and diluted	<u>\$ (1.22)</u>	<u>\$ (0.75)</u>	<u>\$ (3.27)</u>	<u>\$ (2.03)</u>
Weighted-average shares used to compute net loss per share, basic and diluted	<u>59,368,167</u>	<u>56,411,779</u>	<u>58,476,521</u>	<u>55,600,484</u>

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

**MONGODB, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*(in thousands)*  
*(unaudited)*

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
Net loss	\$ (72,651)	\$ (42,383)	\$ (191,143)	\$ (112,959)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on available-for-sale securities	(341)	219	(24)	298
Foreign currency translation adjustment	(65)	302	(538)	65
Other comprehensive gain (loss)	(406)	521	(562)	363
Total comprehensive loss	\$ (73,057)	\$ (41,862)	\$ (191,705)	\$ (112,596)

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

**MONGODB, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(in thousands, except share data)*  
*(unaudited)*

	Class A and Class B Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
<b>Balances as of January 31, 2020</b>	57,382,543	\$ 57	\$ 752,127	\$ (1,319)	\$ 225	\$ (668,232)	\$ 82,858
Cumulative effect of accounting change	—	—	—	—	—	(227)	(227)
Stock option exercises	373,394	1	2,994	—	—	—	2,995
Repurchase of early exercised options	(79)	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	42	—	—	—	42
Vesting of restricted stock units	241,569	—	—	—	—	—	—
Stock-based compensation	—	—	30,567	—	—	—	30,567
Conversion of 2024 convertible senior notes	8	—	—	—	—	—	—
Unrealized gain on available-for-sale securities	—	—	—	—	848	—	848
Foreign currency translation adjustment	—	—	—	—	(75)	—	(75)
Net loss	—	—	—	—	—	(53,967)	(53,967)
<b>Balances as of April 30, 2020</b>	57,997,435	58	785,730	(1,319)	998	(722,426)	63,041
Stock option exercises	471,269	1	4,050	—	—	—	4,051
Repurchase of early exercised options	(881)	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	25	—	—	—	25
Vesting of restricted stock units	305,428	—	—	—	—	—	—
Stock-based compensation	—	—	37,525	—	—	—	37,525
Issuance of common stock under the Employee Stock Purchase Plan	84,482	—	8,963	—	—	—	8,963
Unrealized loss on available-for-sale securities	—	—	—	—	(531)	—	(531)
Foreign currency translation adjustment	—	—	—	—	(398)	—	(398)
Net loss	—	—	—	—	—	(64,525)	(64,525)
<b>Balances as of July 31, 2020</b>	58,857,733	59	836,293	(1,319)	69	(786,951)	48,151
Stock option exercises	987,837	1	6,738	—	—	—	6,739
Vesting of early exercised stock options	—	—	19	—	—	—	19
Vesting of restricted stock units	310,573	—	—	—	—	—	—
Stock-based compensation	—	—	39,952	—	—	—	39,952
Conversion of 2024 convertible senior notes	10	—	—	—	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	—	(341)	—	(341)
Foreign currency translation adjustment	—	—	—	—	(65)	—	(65)
Net loss	—	—	—	—	—	(72,651)	(72,651)
<b>Balances as of October 31, 2020</b>	60,156,153	\$ 60	\$ 883,002	\$ (1,319)	\$ (337)	\$ (859,602)	\$ 21,804

	Class A and Class B Common Stock		Additional Paid- In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
<b>Balances as of January 31, 2019</b>	54,321,810	\$ 54	\$ 754,612	\$ (1,319)	\$ (174)	\$ (488,607)	\$ 264,566
Cumulative effect of accounting change	—	—	—	—	—	(4,103)	(4,103)
Stock option exercises	831,901	1	6,437	—	—	—	6,438
Repurchase of early exercised options	(3,981)	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	127	—	—	—	127
Vesting of restricted stock units	126,346	—	—	—	—	—	—
Stock-based compensation	—	—	14,009	—	—	—	14,009
Unrealized gain on available-for-sale securities	—	—	—	—	58	—	58
Foreign currency translation adjustment	—	—	—	—	13	—	13
Net loss	—	—	—	—	—	(33,240)	(33,240)
<b>Balances as of April 30, 2019</b>	55,276,076	55	775,185	(1,319)	(103)	(525,950)	247,868
Stock option exercises	665,543	1	4,913	—	—	—	4,914
Repurchase of early exercised options	(209)	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	70	—	—	—	70
Vesting of restricted stock units	206,587	—	—	—	—	—	—
Stock-based compensation	—	—	17,662	—	—	—	17,662
Issuance of common stock under the Employee Stock Purchase Plan	90,619	—	6,394	—	—	—	6,394
Unrealized gain on available-for-sale securities	—	—	—	—	21	—	21
Foreign currency translation adjustment	—	—	—	—	(250)	—	(250)
Net loss	—	—	—	—	—	(37,336)	(37,336)
<b>Balances as of July 31, 2019</b>	56,238,616	56	804,224	(1,319)	(332)	(563,286)	239,343
Stock option exercises	232,389	1	1,933	—	—	—	1,934
Repurchase of early exercised options	(542)	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	53	—	—	—	53
Vesting of restricted stock units	208,199	—	—	—	—	—	—
Stock-based compensation	—	—	19,367	—	—	—	19,367
Unrealized gain on available-for-sale securities	—	—	—	—	219	—	219
Foreign currency translation adjustment	—	—	—	—	302	—	302
Net loss	—	—	—	—	—	(42,383)	(42,383)
<b>Balances as of October 31, 2019</b>	56,678,662	\$ 57	\$ 825,577	\$ (1,319)	\$ 189	\$ (605,669)	\$ 218,835

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

**MONGODB, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*  
*(unaudited)*

	Nine Months Ended October 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Net loss	\$ (191,143)	\$ (112,959)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,515	9,824
Stock-based compensation	108,044	51,038
Amortization of debt discount and issuance costs	36,577	9,833
Amortization of finance right-of-use assets	2,981	2,982
Amortization of operating right-of-use assets	4,747	2,055
Non-cash interest on finance lease liabilities	—	1,823
Deferred income taxes	(88)	(4,541)
Accretion of discount on short-term investments	383	(3,619)
Unrealized foreign exchange (gain) loss	(1,915)	—
Change in operating assets and liabilities:		
Accounts receivable	(4,157)	5,123
Prepaid expenses and other current assets	247	189
Deferred commissions	(17,161)	(12,205)
Other long-term assets	(117)	(148)
Accounts payable	743	(152)
Accrued liabilities	19,633	16,176
Operating lease liabilities	(2,737)	(1,979)
Deferred revenue	5,765	14,898
Other liabilities, non-current	4,655	740
Net cash used in operating activities	<u>(24,028)</u>	<u>(20,922)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(10,942)	(2,350)
Acquisition, net of cash acquired	—	(38,629)
Investment in non-marketable securities	(500)	—
Proceeds from maturities of marketable securities	540,000	410,000
Purchases of marketable securities	(812,574)	(363,530)
Net cash provided by (used in) investing activities	<u>(284,016)</u>	<u>5,491</u>
<b>Cash flows from financing activities</b>		
Payments of issuance costs for convertible senior notes	(4,154)	—
Proceeds from exercise of stock options, including early exercised stock options	13,798	13,283
Proceeds from the issuance of common stock under the Employee Stock Purchase Plan	8,963	6,394
Repurchase of early exercised stock options	(11)	(35)
Principal repayments of finance leases	(3,450)	(798)
Proceeds from tenant improvement allowance on finance lease	856	—
Net cash provided by financing activities	<u>16,002</u>	<u>18,844</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	618	62
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(291,424)</u>	<u>3,475</u>
Cash, cash equivalents and restricted cash, beginning of period	706,706	148,347
Cash, cash equivalents and restricted cash, end of period	<u>\$ 415,282</u>	<u>\$ 151,822</u>
<b>Supplemental cash flow disclosure</b>		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 1,145	\$ 2,211
Interest expense	<u>\$ 4,387</u>	<u>\$ 1,125</u>
<b>Reconciliation of cash, cash equivalents and restricted cash within the condensed consolidated balance sheets, end of period, to the amounts shown in the statements of cash flows above</b>		
Cash and cash equivalents	\$ 414,762	\$ 151,307
Restricted cash, non-current	520	515
Total cash, cash equivalents and restricted cash	<u>\$ 415,282</u>	<u>\$ 151,822</u>

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

**MONGODB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Description of Business**

MongoDB, Inc. (“MongoDB” or the “Company”) was originally incorporated in the state of Delaware in November 2007 under the name 10Gen, Inc. In August 2013, the Company changed its name to MongoDB, Inc. The Company is headquartered in New York City. MongoDB is the leading, modern, general purpose database platform. The Company’s robust platform enables developers to build and modernize applications rapidly and cost-effectively across a broad range of use cases. Organizations can deploy the Company’s platform at scale in the cloud, on-premise or in a hybrid environment. In addition to selling its software, the Company provides post-contract support, training and consulting services for its offerings. The Company’s fiscal year ends January 31.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying interim condensed consolidated balance sheet as of October 31, 2020, the interim condensed consolidated statements of stockholders’ equity for the three and nine months ended October 31, 2020 and 2019, the interim condensed consolidated statements of operations and of comprehensive loss for the three and nine months ended October 31, 2020 and 2019 and the interim condensed consolidated statements of cash flows for the nine months ended October 31, 2020 and 2019 are unaudited. The interim unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company’s financial position as of October 31, 2020, its statements of stockholders’ equity as of October 31, 2020 and 2019, its results of operations and of comprehensive loss for the three and nine months ended October 31, 2020 and 2019 and its statements of cash flows for the nine months ended October 31, 2020 and 2019. The financial data and the other financial information disclosed in the notes to these interim condensed consolidated financial statements related to the three- and nine-month periods are also unaudited. The results of operations for the three and nine months ended October 31, 2020 are not necessarily indicative of the results to be expected for the fiscal year ending January 31, 2021 or for any other future year or interim period.

The interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission. The condensed balance sheet data as of January 31, 2020 was derived from the Company’s audited financial statements, but does not include all disclosures required by U.S. GAAP. Therefore, these interim unaudited condensed consolidated financial statements and accompanying footnotes should be read in conjunction with the Company’s annual consolidated financial statements and related footnotes included in its Annual Report on Form 10-K for the fiscal year ended January 31, 2020 (the “2020 Form 10-K”).

*Use of Estimates*

The preparation of the interim unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include, but are not limited to, revenue recognition, allowances for doubtful accounts, the incremental borrowing rate related to the Company’s lease liabilities, stock-based compensation, fair value of the liability component of the convertible debt, fair value of common stock prior to the initial public offering, legal contingencies, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, fair value of non-marketable securities and accounting for income taxes. The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events.

The ongoing COVID-19 pandemic has resulted in a global slowdown of economic activity that is likely to continue to decrease demand for a broad variety of goods and services, including from the Company’s customers, while also disrupting sales channels and marketing activities for an unknown period of time. The Company currently expects its revenue to continue to be negatively impacted by the slowdown in activity associated with the ongoing COVID-19 pandemic in the near-term.

**MONGODB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, assumptions and judgments or adjust the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's financial statements.

*Related Party Transactions*

All contracts with related parties are executed in the ordinary course of business. There were no material related party transactions in the three and nine months ended October 31, 2020 and 2019. As of October 31, 2020 and January 31, 2020, there were no material amounts payable to or amounts receivable from related parties.

*Significant Accounting Policies*

There have been no changes to the Company's significant accounting policies as described in the Company's 2020 Form 10-K other than (1) with respect to the Company's recent investments in non-marketable securities during the three months ended October 31, 2020, as described in "Non-marketable Securities" below, and (2) as a result of the Company's adoption of the new accounting guidance related to current expected credit losses, effective February 1, 2020, as discussed in "Recently Adopted Accounting Pronouncements - Credit Losses" below. Further disclosures with respect to the Company's credit losses are also included in Note 3, *Fair Value Measurements* and Note 8, *Revenue*.

*Non-marketable Securities*

Non-marketable securities consist of equity investments in privately-held companies, which are classified as other assets on the consolidated balance sheets. These non-marketable equity securities do not have readily determinable fair values. Under the measurement alternative election, the Company accounts for these non-marketable securities at cost and adjusted for observable price changes in orderly transactions for the identical or similar investments of the same issuer or upon impairment and are not eligible for the net-asset-value practical expedient from fair value measurement. The measurement alternative election is reassessed each reporting period to determine whether the non-marketable securities continue to be eligible for this election.

The Company periodically evaluates its non-marketable securities for impairment when events and circumstances indicate that the carrying amount of the investment may not be recovered. Impairment indicators may include, but are not limited to, a significant deterioration in earnings performance, credit rating, asset quality or business outlook or a significant adverse change in the regulatory, economic, or technological environment.

During the three months ended October 31, 2020, the Company invested an aggregate \$0.5 million in cash in non-marketable equity securities of two privately-held system integrators in an effort to accelerate such companies' development of expertise with respect to MongoDB's offerings. The Company evaluated its ownership, contractual and other interests in these entities and determined the Company has a variable interest in both entities. The Company's maximum loss exposure is limited to the carrying value of these investments. The Company determined that, as of October 31, 2020, there were no variable interest entities required to be consolidated in the Company's consolidated financial statements, as the Company was not the primary beneficiary and did not have the power to direct activities that most significantly impact the entities' economic performance.

*Recently Adopted Accounting Pronouncements*

*Goodwill Impairment.* In January 2017, the FASB issued ASU 2017-04—*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new standard simplifies the measurement of goodwill by eliminating step two of the two-step impairment test. Step two measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance, effective February 1, 2020, did not have an impact on the Company's condensed consolidated financial statements.

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*Cloud Computing.* In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under ASC 350-40, in order to determine which costs to capitalize and recognize as an asset and which costs to expense. The Company adopted ASU 2018-15, effective February 1, 2020, prospectively for implementation costs incurred after the date of adoption. ASU 2018-15 did not have an impact on the Company's condensed consolidated financial statements upon adoption.

*Credit Losses.* In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, which includes the Company's accounts receivable, including unbilled receivables, as well as certain financial instruments. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. Effective February 1, 2020, the Company adopted ASU 2016-13 using the modified retrospective transition approach, which requires a cumulative effect adjustment to the balance sheet as of February 1, 2020.

As a result of the adoption, the Company recorded a cumulative effect adjustment to increase the accumulated deficit by \$0.2 million, which represented the accelerated recognition of credit losses under the expected credit loss model of calculating current expected credit losses compared to the previous incurred loss impairment model. The following two significant accounting policies have changed from the Company's 2020 Form 10-K as a result of the adoption of ASU 2016-13.

*Accounts Receivable and Allowance for Doubtful Accounts*

The Company records a receivable when an unconditional right to consideration exists, such that only the passage of time is required before payment of consideration is due. Timing of revenue recognition may differ from the timing of invoicing to customers. If revenue recognized on a contract exceeds the billings, then the Company records an unbilled receivable for that excess amount, which is included as part of accounts receivable, net in the Company's condensed consolidated balance sheets.

The Company is exposed to credit losses primarily through the sales of subscriptions and services, which are recorded as accounts receivable, inclusive of unbilled receivables. The Company performs initial and ongoing evaluations of its customers' financial position and generally extends credit without collateral. Accounts receivable are recorded at amortized cost, net of an allowance for doubtful accounts, and do not bear interest.

The allowance for doubtful accounts represents the best estimate of lifetime expected credit losses against the existing accounts receivable, inclusive of unbilled receivables, based on certain factors including past collection experience, credit quality of the customer, current aging of the receivable balance, current economic conditions, reasonable and supportable forecasts, as well as specific circumstances arising with individual customers. Extensive judgment is required in assessing these factors. Due to the short-term nature of the Company's accounts receivable, forecasts have limited relevance to the Company's expected credit loss estimates. Accounts receivable are written off against the allowance when management determines a balance is uncollectible and the Company no longer actively pursues collection of the receivable. The Company's estimates of the allowance for credit losses may not be indicative of our actual credit losses requiring additional charges to be incurred to reflect the actual amount collected.

*Marketable Securities*

The Company's short-term investments consist of U.S. government treasury securities. The Company determines the appropriate classification of its short-term investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its short-term investments as available-for-sale debt securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, the Company classifies its short-term investments within current assets on the condensed consolidated balance sheets.

Available-for-sale debt securities are recorded at fair value each reporting period. Realized gains and losses are determined based on the individual security level and are reported in other income (expense), net in the condensed

## MONGODDB, INC.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

consolidated statements of operations. Unrealized gains on these short-term investments are reported as a separate component of accumulated other comprehensive income (loss) on the condensed consolidated balance sheets until realized.

If the estimated fair value of an available-for-sale debt security is below its amortized cost basis, then the Company evaluates for impairment. The Company considers its intent to sell the security or whether it is more likely than not that it will be required to sell the security before recovery of its amortized basis. If either of these criteria are met, the debt security's amortized cost basis is written down to fair value through other income (expense), net in the condensed consolidated statements of operations. If neither of these criteria are met, the Company evaluates whether unrealized losses have resulted from a credit loss or other factors. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, as well as other factors. An impairment relating to credit losses is recorded through an allowance for credit losses reported in other income (expense), net in the condensed consolidated statements of operations. The allowance is limited by the amount that the fair value of the debt security is below its amortized cost basis. When a credit loss exists, the Company compares the present value of cash flows expected to be collected from the debt security with the amortized cost basis of the security to determine what allowance amount, if any, should be recorded. Unrealized losses not resulting from credit losses are recorded through accumulated other comprehensive income (loss) on the condensed consolidated balance sheets.

*New Accounting Pronouncements Not Yet Adopted*

*Debt.* In August 2020, the FASB issued ASU 2020-06—*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The new standard simplifies the accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that required separate accounting for embedded conversion features. Accordingly, under ASU 2020-06, convertible debt instruments will likely be reported as a single liability instrument with no separate accounting for embedded conversion features. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. Additionally, among other changes, the new guidance eliminates some of the conditions for equity classification in ASC 815-40-25 for contracts in an entity's own equity, thereby permitting these equity contracts to qualify for the derivative scope exception. The new standard also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. ASU 2020-06 is effective for the Company beginning February 1, 2022, although early adoption is permitted for fiscal periods beginning February 1, 2021. The new standard can be adopted using either a modified or full retrospective transition method. The Company is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements and intends to early adopt the new standard on February 1, 2021.

*Income Taxes.* In December 2019, the FASB issued ASU 2019-12—*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application and simplification of GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for the Company beginning February 1, 2021, although early adoption of the amendments is permitted. The Company is currently evaluating the impact of ASU 2019-12 on its consolidated financial statements.

**3. Fair Value Measurements**

The following tables present information about the Company's financial assets and liabilities that have been measured at fair value on a recurring basis as of October 31, 2020 and January 31, 2020 and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

	Fair Value Measurement at October 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash and cash equivalents:				
Money market funds	\$ 286,167	\$ —	\$ —	\$ 286,167
Short-term investments:				
U.S. government treasury securities	551,539	—	—	551,539
Total financial assets	<u>\$ 837,706</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 837,706</u>
	Fair Value Measurement at January 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash and cash equivalents:				
Money market funds	\$ 623,856	\$ —	\$ —	\$ 623,856
Short-term investments:				
U.S. government treasury securities	280,326	—	—	280,326
Total financial assets	<u>\$ 904,182</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 904,182</u>

The Company utilized the market approach and Level 1 valuation inputs to value its money market mutual funds and U.S. government treasury securities because published net asset values were readily available. The contractual maturity of all marketable securities was less than one year as of October 31, 2020 and January 31, 2020. As of October 31, 2020 and January 31, 2020, gross unrealized gains and losses for cash equivalents and short-term investments were not material. Accordingly, the Company concluded that an allowance for credit losses was unnecessary for short-term investments as of October 31, 2020. Gross realized gains and losses were immaterial for each of the three and nine month periods ended October 31, 2020 and 2019.

*Convertible Senior Notes*

In addition to its cash, cash equivalents and short-term investments, the Company measures the fair value of its outstanding convertible senior notes on a quarterly basis for disclosure purposes. The Company considers the fair value of its convertible senior notes at October 31, 2020 to be a Level 2 measurement due to limited trading activity of the convertible senior notes. Refer to Note 5, *Convertible Senior Notes*, for further details.

*Non-marketable Securities*

As of October 31, 2020, the total amount of non-marketable equity securities included in other assets on the Company's condensed consolidated balance sheets was \$0.5 million. The Company did not have any such non-marketable securities in any prior periods. Refer to Note 2, *Summary of Significant Accounting Policies*, for further details. The Company classifies these assets as Level 3 within the fair value hierarchy only if an impairment or observable price changes in orderly transactions are recognized on these non-marketable equity securities during the period. The estimation of fair value for these investments is inherently complex due to the lack of readily available market data and inherent lack of liquidity and requires the Company's judgment and the use of significant unobservable inputs in an inactive market. In addition, the determination of whether an orderly transaction is for the identical or a similar investment requires significant management judgment, including understanding the differences in the rights and obligations of the investments, the extent to which those differences would affect the fair values of those investments and the stage of operational development of the entities. For the three and nine months ended October 31, 2020, there have been no adjustments to the carrying values of the Company's non-marketable securities.

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**4. Goodwill and Acquired Intangible Assets, Net**

As of October 31, 2020, there have been no changes to the carrying amount of goodwill from the balance presented as of January 31, 2020. The gross carrying amount and accumulated amortization of the Company's intangible assets are as follows (in thousands):

	October 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Developed technology	\$ 34,700	\$ (15,590)	\$ 19,110
Domain name	155	(155)	—
Customer relationships	15,200	(5,910)	9,290
Total	<u>\$ 50,055</u>	<u>\$ (21,655)</u>	<u>\$ 28,400</u>

  

	January 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Developed technology	\$ 34,700	\$ (11,495)	\$ 23,205
Domain name	155	(151)	4
Customer relationships	15,200	(3,630)	11,570
Total	<u>\$ 50,055</u>	<u>\$ (15,276)</u>	<u>\$ 34,779</u>

Acquired intangible assets are amortized on a straight-line basis. As of October 31, 2020, the weighted-average remaining useful lives of identifiable, acquisition-related intangible assets was 3.5 years for developed technology and 3.1 years for customer relationships. Amortization expense of intangible assets was \$2.1 million and \$6.4 million for the three and nine months ended October 31, 2020, respectively. Amortization expense for developed technology and the domain name was included as research and development expense in the Company's condensed consolidated statements of operations. Amortization expense for customer relationships was included as sales and marketing expense in the Company's condensed consolidated statements of operations.

As of October 31, 2020, future amortization expense related to the intangible assets is as follows (in thousands):

Years Ending January 31,	
Remainder of 2021	\$ 2,125
2022	8,500
2023	8,500
2024	7,825
2025	1,450
Total	<u>\$ 28,400</u>

**5. Convertible Senior Notes**

In June 2018, the Company issued \$250.0 million aggregate principal amount of 0.75% convertible senior notes due 2024 in a private placement and, in July 2018, the Company issued an additional \$50.0 million aggregate principal amount of convertible senior notes pursuant to the exercise in full of the initial purchasers' option to purchase additional convertible senior notes (collectively, the "2024 Notes"). The 2024 Notes are senior unsecured obligations of the Company and interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2018, at a rate of 0.75% per year. The 2024 Notes will mature on June 15, 2024, unless earlier converted, redeemed or repurchased. The total net proceeds from the offering, after deducting initial purchase discounts and debt issuance costs, were approximately \$291.1 million.

In January 2020, the Company issued \$1.0 billion aggregate principal amount of 0.25% convertible senior notes due 2026 in a private placement and, also in January 2020, the Company issued an additional \$150.0 million aggregate principal amount of convertible senior notes pursuant to the exercise in full of the initial purchasers' option to purchase additional convertible senior notes (collectively, the "2026 Notes"). The 2026 Notes are senior unsecured obligations of the Company and interest is payable semiannually in arrears on July 15 and January 15 of each year, beginning on July 15, 2020, at a rate of 0.25% per year. The 2026 Notes will mature on January 15, 2026, unless earlier converted, redeemed or repurchased. The

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

total net proceeds from the offering, after deducting initial purchase discounts and estimated debt issuance costs, were approximately \$1.13 billion.

On January 14, 2020, in connection with the issuance of the 2026 Notes, the Company used a portion of the net proceeds to repurchase \$210.0 million aggregate principal amount of the 2024 Notes (the “2024 Notes Partial Repurchase”) leaving \$90.0 million aggregate principal outstanding on the 2024 Notes immediately after the exchange. The 2024 Notes Partial Repurchase were not pursuant to a redemption notice and were individually privately negotiated transactions. The 2024 Notes Partial Repurchase and issuance of the 2026 Notes were deemed to have substantially different terms due to the significant difference between the value of the conversion option immediately prior to and after the exchange, and accordingly, the 2024 Notes Partial Repurchase was accounted for as a debt extinguishment. The Company used \$479.2 million of the net proceeds from the issuance of the 2026 Notes to complete the 2024 Notes Partial Repurchase, of which \$175.1 million and \$303.9 million were allocated to the liability and equity components of the 2024 Notes, respectively, and \$0.2 million was allocated to the proportional interest paid.

Refer to Note 7, *Convertible Senior Notes*, in the Notes to Consolidated Financial Statements included in Part II, Item 8 of the Company’s 2020 Form 10-K for further information on the 2024 Notes, the 2026 Notes and the 2024 Notes Partial Repurchase.

During the three months ended October 31, 2020, the conditional conversion feature of the 2024 Notes was triggered as the last reported sale price of the Company’s Class A common stock was more than or equal to 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on October 30, 2020 (the last trading day of the fiscal quarter) and therefore the 2024 Notes are currently convertible, in whole or in part, at the option of the holders from November 1, 2020 through January 31, 2021. Whether the 2024 Notes will be convertible following such period will depend on the continued satisfaction of this condition or another conversion condition in the future. During the nine months ended October 31, 2020, the Company converted immaterial amounts of their 2024 Notes to certain holders, unrelated to the 2024 Notes Partial Repurchase. Since the Company has the election of repaying the 2024 Notes in cash, shares of the Company’s Class A common stock, or a combination of both, the Company continued to classify the liability component of the 2024 Notes as long-term debt on the Company’s consolidated balance sheet as of October 31, 2020.

During the three months ended October 31, 2020, the conditions allowing holders of the 2026 Notes to convert have not been met. The 2026 Notes were therefore not convertible during the three and nine months ended October 31, 2020 and the liability component was classified as long-term debt on the Company’s condensed consolidated balance sheet as of October 31, 2020.

The net carrying amounts of the liability component of the 2024 Notes and 2026 Notes were as follows (in thousands):

	October 31, 2020	
	2024 Notes	2026 Notes
Principal	\$ 90,001	\$ 1,150,000
Unamortized debt discount	(16,477)	(260,875)
Unamortized debt issuance costs	(1,338)	(13,659)
Net carrying amount	<u>\$ 72,186</u>	<u>\$ 875,466</u>

As of October 31, 2020, the total estimated fair values (Level 2) of the outstanding 2024 Notes and the 2026 Notes were approximately \$327.2 million and \$1.51 billion, respectively. The fair values were determined based on the closing trading price per \$100 of the 2024 Notes and 2026 Notes as of the last day of trading for the period. The fair values of the 2024 Notes and 2026 Notes are primarily affected by the trading price of the Company’s Class A common stock and market interest rates.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The following table sets forth the interest expense related to the 2024 Notes and 2026 Notes (in thousands):

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2020		2019		2020		2019	
	2024 Notes	2026 Notes	2024 Notes	2026 Notes	2024 Notes	2026 Notes	2024 Notes	2026 Notes
Contractual interest expense	\$ 168	\$ 718	\$ 563	\$ —	\$ 506	\$ 2,156	\$ 1,688	\$ —
Amortization of debt discount	1,002	10,826	3,132	—	2,958	32,058	9,248	—
Amortization of issuance costs	70	469	202	—	203	1,366	585	—
<b>Total</b>	<b>\$ 1,240</b>	<b>\$ 12,013</b>	<b>\$ 3,897</b>	<b>\$ —</b>	<b>\$ 3,667</b>	<b>\$ 35,580</b>	<b>\$ 11,521</b>	<b>\$ —</b>

#### *Capped Calls*

In connection with the pricing of the 2024 Notes and 2026 Notes, the Company entered into privately negotiated capped call transactions with certain counterparties (the “Capped Calls”). The Capped Calls associated with the 2024 Notes each have an initial strike price of approximately \$68.15 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2024 Notes. These Capped Calls have initial cap prices of \$106.90 per share, subject to certain adjustments.

The Capped Calls associated with the 2026 Notes each have an initial strike price of approximately \$211.20 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2026 Notes. These Capped Calls have initial cap prices of \$296.42 per share, subject to certain adjustments.

Refer to Note 7, *Convertible Senior Notes*, in the Notes to Consolidated Financial Statements included in Part II, Item 8 of the Company’s 2020 Form 10-K for further information on the Capped Calls.

## **6. Leases**

#### *Finance Lease*

In December 2017, the Company entered into a lease agreement for 106,230 rentable square feet of office space (the “Premises”) to accommodate its growing employee base in New York City. The Company received delivery of the Premises on January 1, 2018 to commence construction to renovate the Premises. Total estimated aggregate base rent payments over the initial 12-year term of the lease are \$87.3 million and payments began in July 2019. The Company has the option to extend the term of the lease by an additional 5 years.

#### *Operating Leases*

The Company has entered into non-cancelable operating leases, primarily related to rental of office space expiring through 2032. The Company recognizes operating lease costs on a straight-line basis over the term of the agreement, taking into account adjustments for market provisions such as free or escalating base monthly rental payments or deferred payment terms such as rent holidays that defer the commencement date of the required payments. The Company may receive renewal or expansion options, leasehold improvement allowances or other incentives on certain lease agreements. The Company’s material operating lease agreements with recent lease commencement dates are described below.

- February 1, 2020 was the lease commencement date for the Company’s agreement, signed in December 2019, to lease approximately 40,000 square feet of office space in Dublin, Ireland for a term of 12 years with two five-year renewal options. This agreement was determined to be an operating lease with total estimated aggregate base rent payments, excluding the renewal options, of approximately \$27.0 million, based on the exchange rates as of February 1, 2020.
- July 1, 2020 was the lease commencement date for the Company’s agreement, signed in October 2019, to lease an additional 21,000 square feet of office space in New York City for a term of 64 months with no renewal period. The total aggregate base rent payments for this operating lease are \$8.4 million with payments beginning 4 months subsequent to the commencement date.

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*Lease Costs*

The components of the Company's lease costs included in its condensed consolidated statement of operations were as follows (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
Finance lease cost:				
Amortization of right-of-use assets	\$ 993	\$ 994	\$ 2,981	\$ 2,982
Interest on lease liabilities	852	916	2,604	2,739
Operating lease cost	2,335	1,152	6,189	3,505
Short-term lease cost	435	785	1,968	1,488
<b>Total lease cost</b>	<b>\$ 4,615</b>	<b>\$ 3,847</b>	<b>\$ 13,742</b>	<b>\$ 10,714</b>

*Balance Sheet Components*

The balances of the Company's finance and operating leases were recorded on the condensed consolidated balance sheet as follows (in thousands):

	October 31, 2020	January 31, 2020
<b>Finance Lease:</b>		
Property and equipment, net	\$ 36,431	\$ 39,411
Other accrued liabilities	4,159	4,633
Other liabilities, non-current	55,607	59,257
<b>Operating Leases:</b>		
Operating lease right-of-use assets	\$ 36,909	\$ 11,147
Operating lease liabilities (current)	4,314	3,750
Operating lease liabilities, non-current	36,501	8,113

*Supplemental Information*

The following table presents supplemental information related to the Company's finance and operating leases (in thousands, except weighted-average information):

	Nine Months Ended October 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance lease	\$ 2,604	\$ 916
Operating cash flows from operating leases	4,146	3,204
Financing cash flows from finance lease	3,450	798
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 30,593	\$ 3,930
Weighted-average remaining lease term (in years):		
Finance lease	9.2	10.2
Operating leases	7.9	4.3
Weighted-average discount rate:		
Finance lease	5.6 %	5.6 %
Operating leases	4.6 %	6.1 %

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*Maturities of Lease Liabilities*

Future minimum lease payments under non-cancelable finance and operating leases on an annual undiscounted cash flow basis as of October 31, 2020 were as follows (in thousands):

<b>Year Ending January 31,</b>	<b>Finance Lease</b>	<b>Operating Leases</b>
Remainder of 2021	\$ 1,346	\$ 1,141
2022	8,073	7,638
2023	8,073	7,682
2024	8,073	6,768
2025	8,445	5,694
Thereafter	42,829	20,033
Total minimum payments	76,839	48,956
Less imputed interest	(17,073)	(8,141)
Present value of future minimum lease payments	59,766	40,815
Less current obligations under leases	(4,159)	(4,314)
Non-current lease obligations	\$ 55,607	\$ 36,501

Excluded in the lease obligation table above is a new agreement to lease approximately 16,000 square feet of office space in Palo Alto, which will be recognized as an operating lease upon the lease commencement date. The lease term is eight years with one option to extend for an additional five years. The total estimated aggregate base rent payments are \$14.2 million with payments beginning four months subsequent to the commencement date. The lease commencement date is uncertain given the impacts of the ongoing COVID-19 pandemic and associated construction and occupancy restrictions.

**7. Commitments and Contingencies***Non-cancelable Material Commitments*

During the nine months ended October 31, 2020, other than certain non-cancelable operating leases described in Note 6, *Leases*, there have been no material changes outside the ordinary course of business to the Company's contractual obligations and commitments from those disclosed in the 2020 Form 10-K.

*Legal Matters*

From time to time, the Company has become involved in claims, litigation and other legal matters arising in the ordinary course of business, including intellectual property claims, labor and employment claims and breach of contract claims. For example, on March 12, 2019, Realtime Data ("Realtime") filed a lawsuit against the Company in the United States District Court for the District of Delaware alleging that the Company is infringing three U.S. patents that it holds: U.S. Patent No. 9,116,908, U.S. Patent No. 9,667,751 and U.S. Patent No. 8,933,825. The patent infringement allegations in the lawsuit relate to data compression, decompression, storage and retrieval. Realtime seeks monetary damages and injunctive relief. In August 2019, the District Court approved the Company and Realtime's stipulation to stay Realtime's lawsuit against the Company pending the outcome of Realtime's appeal of the District Court's decision to invalidate two of the asserted patents in a separate action. On October 23, 2020, the Federal Circuit issued its opinion on the appeal and remanded that action back to the District Court for further proceedings. The stay on proceedings in Realtime's lawsuit against the Company remains in place at this time.

The Company investigates all claims, litigation and other legal matters as they arise. Although claims and litigation are inherently unpredictable, the Company is currently not aware of any matters that, if determined adversely to the Company, would individually or taken together have a material adverse effect on its business, financial position, results of operations or cash flows.

The Company accrues estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of claims and litigation are inherently unpredictable, the Company believes that there was less than a reasonable possibility that the Company had incurred a material loss with respect to such loss contingencies, as of October 31, 2020 and January 31, 2020, therefore, the Company has not recorded an accrual for such contingencies.

**MONGODB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*Indemnification*

The Company enters into indemnification provisions under its agreements with other companies in the ordinary course of business, including business partners, landlords, contractors and parties performing its research and development. Pursuant to these arrangements, the Company agrees to indemnify, hold harmless and reimburse the indemnified party for certain losses suffered or incurred by the indemnified party as a result of the Company's activities. The terms of these indemnification agreements are generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the fair value of these agreements is not material. The Company maintains commercial general liability insurance and product liability insurance to offset certain of the Company's potential liabilities under these indemnification provisions.

The Company has entered into indemnification agreements with each of its directors and executive officers. These agreements require the Company to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with the Company.

**8. Revenue Recognition***Disaggregation of Revenue*

Based on the information provided to and reviewed by the Company's Chief Executive Officer, the Company believes that the nature, amount, timing and uncertainty of its revenue and cash flows and how they are affected by economic factors is most appropriately depicted through the Company's primary geographical markets and subscription product categories. The Company's primary geographical markets are North and South America ("Americas"); Europe, Middle East and Africa ("EMEA"); and Asia Pacific. The Company also disaggregates its subscription products between its MongoDB Atlas-related offerings, which includes mLab, and other subscription products, which includes MongoDB Enterprise Advanced.

The following table presents the Company's revenues disaggregated by primary geographical markets, subscription product categories and services (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
<b>Primary geographical markets:</b>				
Americas	\$ 93,255	\$ 71,332	\$ 261,836	\$ 194,055
EMEA	44,552	30,374	123,762	83,504
Asia Pacific	12,964	7,735	33,783	20,638
<b>Total</b>	<b>\$ 150,771</b>	<b>\$ 109,441</b>	<b>\$ 419,381</b>	<b>\$ 298,197</b>
<b>Subscription product categories and services:</b>				
MongoDB Atlas-related	\$ 71,110	\$ 44,133	\$ 186,354	\$ 111,783
Other subscription	72,959	59,694	215,049	170,194
Services	6,702	5,614	17,978	16,220
<b>Total</b>	<b>\$ 150,771</b>	<b>\$ 109,441</b>	<b>\$ 419,381</b>	<b>\$ 298,197</b>

Customers located in the United States accounted for 57% of total revenue for both the three and nine months ended October 31, 2020, and 61% and 60% of total revenue for the three and nine months ended October 31, 2019, respectively. Customers located in the United Kingdom accounted for 10% of total revenue for both the three and nine months ended October 31, 2020, and 9% and 10% for the three and nine months ended October 31, 2019, respectively. No other country accounted for 10% or more of revenue for the periods presented.

*Contract Liabilities*

The Company's contract liabilities are recorded as deferred revenue in the Company's condensed consolidated balance sheet and consists of customer invoices issued or payments received in advance of revenues being recognized from the Company's subscription and services contracts. Deferred revenue, including current and non-current balances, as of October 31, 2020 and January 31, 2020 was \$195.8 million and \$190.8 million, respectively. Approximately 35% and 37% of the total

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

revenue recognized for the nine months ended October 31, 2020 and 2019, respectively, was from deferred revenue at the beginning of each respective period.

*Remaining Performance Obligations*

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted customer contracts at the end of any given period. As of October 31, 2020, the aggregate transaction price allocated to remaining performance obligations was \$217.7 million. Approximately 55% is expected to be recognized as revenue over the next 12 months and the remainder thereafter. The Company applies the practical expedient to omit disclosure with respect to the amount of the transaction price allocated to remaining performance obligations if the related contract has a total duration of 12 months or less.

*Unbilled Receivables*

Revenue recognized in excess of invoiced amounts creates an unbilled receivable, which represents the Company's unconditional right to consideration in exchange for goods or services that the Company has transferred to the customer. Unbilled receivables were recorded as part of accounts receivable, net in the Company's condensed consolidated balance sheets. As of October 31, 2020, unbilled receivables were \$7.0 million.

*Allowance for Doubtful Accounts*

The adoption of ASU 2016-13 on February 1, 2020 required the Company to shift from an incurred loss impairment model to an expected credit loss model. Accordingly, the Company is required to consider expectations of forward-looking losses, in addition to historical loss rates, to estimate its allowance for doubtful accounts on its account receivables. The following is a summary of the changes in the Company's allowance for doubtful accounts (in thousands):

	<b>Allowance for Doubtful Accounts</b>	
Balance at January 31, 2020	\$	2,515
Adoption of new accounting standard		50
Provision		3,426
Recoveries/write-offs		(1,281)
Balance at October 31, 2020	\$	4,710

The Company is closely monitoring the potential impact from the ongoing COVID-19 pandemic and associated global economic uncertainty on its business. A higher allowance was recorded during the nine months ended October 31, 2020 due to the potential adverse impact the ongoing COVID-19 pandemic may have on factors that affect the Company's estimate of current expected credit losses, including possible financial difficulties faced by a portion of the Company's customers.

*Costs Capitalized to Obtain Contracts with Customers*

Deferred commissions were \$94.1 million as of October 31, 2020. Amortization expense with respect to deferred commissions was \$7.2 million and \$20.5 million for the three and nine months ended October 31, 2020, respectively, and \$4.9 million and \$13.9 million for the three and nine months ended October 31, 2019, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

**9. Equity Incentive Plans and Employee Stock Purchase Plan**

*2008 Stock Incentive Plan and 2016 Equity Incentive Plan*

The Company adopted the 2008 Stock Incentive Plan (as amended, the "2008 Plan") in 2008 and the 2016 Equity Incentive Plan (as amended, the "2016 Plan") in 2016, primarily for the purpose of granting stock-based awards to employees, directors and consultants, including stock options, restricted stock units ("RSUs") and other stock-based awards. With the establishment of the 2016 Plan in December 2016, all shares available for grant under the 2008 Plan were transferred to the 2016 Plan. The Company no longer grants any stock-based awards under the 2008 Plan and any shares underlying stock options canceled under the 2008 Plan will be automatically transferred to the 2016 Plan.

*Stock Options*

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The 2016 Plan provides for the issuance of incentive stock options to employees and nonstatutory stock options to employees, directors or consultants. The Company's Board of Directors or a committee thereof determines the vesting schedule for all equity awards. Stock option awards generally vest over a period of four years with 25% vesting on the one-year anniversary of the award and the remainder vesting monthly over the next 36 months of the grantee's service to the Company.

The following table summarizes stock option activity for the nine months ended October 31, 2020 (in thousands, except share and per share data and years):

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance - January 31, 2020	6,178,999	\$ 7.60	5.7	\$ 965,860
Stock options exercised	(1,832,500)	7.55		
Stock options forfeited and expired	(81,338)	9.14		
Balance - October 31, 2020	<u>4,265,161</u>	\$ 7.59	5.0	\$ 942,099
Vested and exercisable - January 31, 2020	<u>4,693,273</u>	\$ 7.08	5.4	\$ 736,034
Vested and exercisable - October 31, 2020	<u>3,708,457</u>	\$ 7.23	4.9	\$ 820,453

*Restricted Stock Units*

The 2016 Plan provides for the issuance of RSUs to employees, directors and consultants. RSUs granted to new employees generally vest over a period of four years with 25% vesting on the one-year anniversary of the vesting start date and the remainder vesting quarterly over the next 12 quarters, subject to the grantee's continued service to the Company. RSUs granted to existing employees generally vest quarterly over a period of four years, subject to the grantee's continued service to the Company.

The following table summarizes RSU activity for the nine months ended October 31, 2020:

	Shares	Weighted-Average Grant Date Fair Value per RSU
Unvested - January 31, 2020	3,281,431	\$ 102.30
RSUs granted	1,611,032	171.05
RSUs vested	(857,570)	99.55
RSUs forfeited and canceled	(364,169)	114.03
Unvested - October 31, 2020	<u>3,670,724</u>	\$ 131.95

*2017 Employee Stock Purchase Plan*

In October 2017, the Company's Board of Directors adopted, and stockholders approved, the 2017 Employee Stock Purchase Plan (the "2017 ESPP"). Subject to any plan limitations, the 2017 ESPP allows eligible employees to contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of the Company's Class A common stock at a discounted price per share. During the nine months ended October 31, 2020, the Company issued 84,482 shares of Class A common stock under the 2017 ESPP. The Company's current offering period began June 16, 2020 and is expected to end December 15, 2020.

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*Stock-Based Compensation Expense*

Total stock-based compensation expense recognized in the Company's unaudited condensed consolidated statements of operations is as follows (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
Cost of revenue—subscription	\$ 2,446	\$ 1,274	\$ 6,508	\$ 3,476
Cost of revenue—services	1,513	793	4,142	2,107
Sales and marketing	14,696	6,844	38,754	17,728
Research and development	15,442	6,879	41,415	17,513
General and administrative	5,855	3,577	17,225	10,214
Total stock-based compensation expense	\$ 39,952	\$ 19,367	\$ 108,044	\$ 51,038

**10. Net Loss Per Share**

On June 11, 2020, all outstanding shares of the Company's Class B common stock, par value \$0.001 per share, automatically converted into the same number of shares of Class A common stock, par value \$0.001 per share, pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following such conversion. The conversion occurred pursuant to Article V, Section 5(a) of the Amended and Restated Certificate of Incorporation, which provided that each share of Class B common stock would convert automatically into one fully paid and nonassessable share of Class A common stock at 5:00 p.m. in New York City, New York on the first trading day falling on or after the date on which the outstanding shares of Class B common stock represented less than 10% of the aggregate number of shares of the then outstanding Class A common stock and Class B common stock. The Company filed a certificate with the Secretary of State of the State of Delaware effecting the retirement and cancellation of our Class B common stock. This certificate of retirement had the additional effect of eliminating the authorized Class B common stock, thereby reducing the total number of our authorized shares of common stock by 100,000,000.

The Company calculates basic net loss per share by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents outstanding for the period, including stock options and restricted stock units. Basic and diluted net loss per share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive due to the net loss reported for each period presented.

For periods in which there were Class B shares outstanding, the rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock were identical, except with respect to voting. Each share of Class A common stock was and is entitled to one vote per share and each share of Class B common stock was entitled to ten votes per share. As the liquidation and dividend rights were identical for Class A and Class B common stock, the undistributed earnings were allocated on a proportionate basis and the resulting net loss per share would, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>Numerator:</i>				
Net loss	\$ (72,651)	\$ (42,383)	\$ (191,143)	\$ (112,959)
<i>Denominator:</i>				
Weighted-average shares used to compute net loss per share, basic and diluted	59,368,167	56,411,779	58,476,521	55,600,484
Net loss per share, basic and diluted	\$ (1.22)	\$ (0.75)	\$ (3.27)	\$ (2.03)

The shares underlying the conversion option in the 2024 Notes and 2026 Notes were not considered in the calculation of diluted net loss per share as the effect would have been anti-dilutive. Based on the initial conversion price, the entire outstanding principal amount of the 2024 Notes and 2026 Notes as of October 31, 2020 would have been convertible into approximately 6.8 million shares of the Company's Class A common stock. However, the Company currently expects to settle the principal amount of the 2024 Notes and 2026 Notes in cash. As a result, only the amount by which the conversion value exceeds the aggregate principal amount of the 2024 Notes and 2026 Notes (the "conversion spread") is considered in the diluted earnings per share computation under the treasury stock method. The conversion spread has a dilutive impact on diluted net income per share when the average market price of the Company's Class A common stock for a given period exceeds the initial conversion price of \$68.15 per share for the 2024 Notes and \$211.20 per share for the 2026 Notes. In connection with the issuance of the 2024 Notes and 2026 Notes, the Company entered into Capped Calls, which were not included for purposes of calculating the number of diluted shares outstanding, as their effect would have been anti-dilutive. The Capped Calls are expected to partially offset the potential dilution to the Company's Class A common stock upon any conversion of the 2024 Notes and 2026 Notes.

During the three months ended October 31, 2020, the average market price of the Company's Class A common stock was \$227.97, which exceeded the initial conversion price of the 2024 Notes. As of October 31, 2020, the Company had not received any material conversion notices for the 2024 Notes. For disclosure purposes, the Company calculated the potentially dilutive effect of the conversion spread for the 2024 Notes, which is included in the table below. The Company excluded the potentially dilutive effect of the conversion spread for the 2026 Notes as the average market price of the Company's Class A common stock during the three months ended October 31, 2020 was below the conversion price of the 2026 Notes.

The following weighted-average outstanding potentially dilutive shares of common stock were excluded from the computation of diluted net loss per share for the periods presented because the impact of including them would have been anti-dilutive.

	<u>Three Months Ended October 31,</u>		<u>Nine Months Ended October 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Stock options pursuant to the 2016 Equity Incentive Plan	1,234,642	2,042,636	1,434,388	2,242,253
Stock options pursuant to the 2008 Stock Incentive Plan (previously options to purchase Class B common stock)	3,614,730	4,805,226	4,013,050	5,230,288
Unvested restricted stock units	3,871,174	2,876,802	3,925,426	2,790,999
Early exercised stock options	2,831	22,940	6,418	33,900
Shares underlying the conversion spread in the convertible senior notes	925,870	2,171,371	841,126	2,175,450

**MONGODDB, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**11. Income Taxes**

The Company recorded a provision for income taxes of \$0.9 million and \$2.1 million for the three and nine months ended October 31, 2020, respectively, and a provision for (benefit from) income taxes of \$0.6 million and \$(2.9) million for the three and nine months ended October 31, 2019, respectively. The provision recorded during the nine months ended October 31, 2020 was driven by an increase in foreign taxes as the Company continued its global expansion, partially offset by a tax benefit related to current period gains recorded in other comprehensive income that resulted from unrealized gains on investments and a tax benefit related to true-up adjustments from the adoption of ASC 842. The Company no longer benefits from excess tax deductions in the United Kingdom as those deferred tax assets were reduced by a valuation allowance as of October 31, 2020. The calculation of income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income (loss) before tax plus the tax effect of any significant unusual items, discrete events or changes in tax law.

The Company assesses uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainties in Tax*. As of January 31, 2020, the Company's net unrecognized tax benefits totaled \$5.3 million, of which \$0.1 million would impact the Company's effective tax rate if recognized. The Company anticipates that the amount of reasonably possible unrecognized tax benefits that could decrease over the next twelve months due to the expiration of certain statutes of limitations and settlement of tax audits is not material to the Company's interim unaudited condensed consolidated financial statements.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act includes provisions relating to refundable payroll tax credits, deferral of certain payroll taxes, technical corrections to tax depreciation methods for qualified improvement property, net operating loss carryback periods, alternative minimum tax credit refunds and modifications to the net interest deduction limitations. The CARES Act did not have a material impact on the Company's interim unaudited condensed consolidated financial statements for the nine months ended October 31, 2020. The Company will continue to monitor any effects that may result from the CARES Act.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Unless the context otherwise indicates, references in this report to the terms “MongoDB,” “the Company,” “we,” “our” and “us” refer to MongoDB, Inc., its divisions and its subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with (1) our interim unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and (2) the audited consolidated financial statements and the related notes and the discussion under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 (the “2020 Form 10-K”). All information presented herein is based on our fiscal calendar year, which ends January 31. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ended January 31 and the associated quarters, months and periods of those fiscal years.

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “would” or the negative or plural of these words or similar expressions or variations, including our expectations regarding our future growth opportunity, revenue and revenue growth, investments, strategy, operating expenses and the anticipated impact of the global economic uncertainty and financial market conditions caused by the ongoing COVID-19 pandemic on our business, results of operations and financial condition. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled “Risk Factors,” set forth in Part 2, Item 1A of this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Our corporate website is located at [www.mongodb.com](http://www.mongodb.com). We make available free of charge, on or through our corporate website, our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with, or furnishing such reports to, the Securities and Exchange Commission (“SEC”). Information contained on our corporate website is not part of this Quarterly Report on Form 10-Q or any other report filed with or furnished to the SEC.

### Overview

MongoDB is the leading modern, general purpose database platform. Our robust platform enables developers to build and modernize applications rapidly and cost-effectively across a broad range of use cases. Organizations can deploy our platform at scale in the cloud, on-premise, or in a hybrid environment. Software applications are redefining how organizations across industries engage with their customers, operate their businesses and compete with each other. A database is at the heart of every software application. As a result, selecting a database is a highly strategic decision that directly affects developer productivity, application performance and organizational competitiveness. Our platform addresses the performance, scalability, flexibility and reliability demands of modern applications, while maintaining the strengths of legacy databases. Our business model combines the developer mindshare and adoption benefits of open source with the economic benefits of a proprietary software subscription business model. MongoDB is headquartered in New York City and our total headcount was 2,334 as of October 31, 2020, an increase from 1,660 as of October 31, 2019.

We generate revenue primarily from sales of subscriptions, which accounted for 96% of our total revenue for both the three and nine months ended October 31, 2020, and 95% of our total revenue for both the three and nine months ended October 31, 2019. Our primary subscription package is MongoDB Enterprise Advanced, which represented 43% and 46% of our subscription revenue for the three and nine months ended October 31, 2020, respectively, and 46% and 51% of our subscription revenue for the three and nine months ended October 31, 2019, respectively. MongoDB Enterprise Advanced is our comprehensive offering for enterprise customers that can be run in the cloud, on-premise or in a hybrid environment, and includes our proprietary commercial database server, enterprise management capabilities, our graphical user interface, analytics integrations, technical support and a commercial license to our platform.

Many of our enterprise customers initially get to know our software by using Community Server, which is our free-to-download version of our database that includes the core functionality developers need to get started with MongoDB without all the features of our commercial platform. As a result, our direct sales prospects are often familiar with our platform and may have already built applications using our technology. We sell subscriptions directly through our field and inside sales teams, as well as indirectly through channel partners. Our subscription offerings are generally priced on a per server basis, subject to a per server RAM limit. The majority of our subscription contracts are one year in duration and invoiced upfront. When we enter into multi-year subscriptions, we typically invoice the customer on an annual basis.

We introduced MongoDB Atlas in June 2016. MongoDB Atlas is our hosted multi-cloud database-as-a-service (“DBaaS”) offering that includes comprehensive infrastructure and management, which we run and manage in the cloud. During the three and nine months ended October 31, 2020, MongoDB Atlas revenue represented 47% and 44% of our total revenue, respectively, and during the three and nine months ended October 31, 2019, MongoDB Atlas revenue represented 40% and 37% of our total revenue, respectively, reflecting the continued growth of MongoDB Atlas since its introduction. We have experienced strong growth in self-serve customers of MongoDB Atlas. These customers are charged monthly based on their usage. In addition, we have also seen growth in MongoDB Atlas customers sold by our sales force. These customers typically sign annual commitments and pay in advance or are invoiced monthly based on usage. Given our platform has been downloaded from our website more than 130 million times since February 2009 and over 55 million times in the last 12 months alone, a core component of our growth strategy for MongoDB Atlas is to convert developers and their organizations who are already using Community Server to become customers of MongoDB Atlas and enjoy the benefits of a managed offering.

We also generate revenue from services, which consist primarily of fees associated with consulting and training services. Revenue from services accounted for 4% of our total revenue for both the three and nine months ended October 31, 2020, and 5% of our total revenue for both the three and nine months ended October 31, 2019. We expect to continue to invest in our services organization as we believe it plays an important role in accelerating our customers’ realization of the benefits of our platform, which helps drive customer retention and expansion.

We believe the market for our offerings is large and growing. According to IDC, the worldwide database software market, which it refers to as the data management software market, is forecast to be \$68 billion in 2020 growing to approximately \$106 billion in 2024, representing a 12% compound annual growth rate. We have experienced rapid growth and have made substantial investments in developing our platform and expanding our sales and marketing footprint. We intend to continue to invest heavily to grow our business to take advantage of our market opportunity rather than optimizing for profitability or cash flow in the near term.

### **Impact of the Ongoing COVID-19 Pandemic**

The ongoing COVID-19 pandemic has continued to impact the U.S. and the world. As a result, authorities have implemented numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. Although some jurisdictions previously relaxed such restrictions, in many cases these restrictions have been or may in the future be re-instituted, and other jurisdictions are imposing restrictions for the first time. As the COVID-19 pandemic continues to spread, it is highly uncertain to what extent and when restrictions will be lifted in various jurisdictions. The full extent of the impact of the ongoing COVID-19 pandemic on our future operational and financial performance will depend on certain developments, including the duration and spread of the pandemic, related public health measures, their impact on the global economy and their impact on our current and prospective customers, employees, vendors and other parties with whom we do business, all of which are uncertain and cannot be predicted.

We adopted several measures in response to the COVID-19 pandemic, including temporarily requiring employees to work remotely, suspending non-essential travel by our employees, and replacing in-person marketing events (including our annual developer conference) with virtual events. We have informed our employees that they may continue to elect to work remotely through July 1, 2021, even if their office reopens.

While the broader implications of the ongoing COVID-19 pandemic on our results of operations and overall financial performance remain uncertain, we currently expect our revenue to continue to be negatively impacted by the slowdown in activity associated with the COVID-19 pandemic and global uncertainty in the near term. In addition, we recorded a higher allowance during the nine months ended October 31, 2020 due to the potential adverse impact the ongoing COVID-19 pandemic may have on factors that affect our estimate of current expected credit losses, including possible financial difficulties faced by a portion of our customers, in accordance with the recently adopted accounting standard for credit losses.

During the nine months ended October 31, 2020, we experienced a decrease in our travel costs due to global travel restrictions and stay-at-home or similar orders in effect as a result of the ongoing COVID-19 pandemic. We expect those lower travel costs to continue in the near-term. We have invested and intend to continue to invest a portion of these savings in additional marketing program spend and research and development headcount.

We will continue to evaluate the nature and extent of the impact of COVID-19 on our business. For further discussion of the potential impacts of the ongoing COVID-19 pandemic on our business, operating results, and financial condition, see the section titled “Risk Factors” included in Part II, Item 1A of this Quarterly Report on Form 10-Q. Other factors affecting our performance are discussed below, although we caution you that the ongoing COVID-19 pandemic may also further impact these factors.

## **Key Factors Affecting Our Performance**

### *Growing Our Customer Base and Expanding Our Global Reach*

We are intensely focused on continuing to grow our customer base. We have invested, and expect to continue to invest, heavily in our sales and marketing efforts and developer community outreach, which are critical to driving customer acquisition. As of October 31, 2020, we had over 22,600 customers across a wide range of industries and in over 100 countries, compared to over 15,900 customers as of October 31, 2019. All affiliated entities are counted as a single customer.

Our customer count as of October 31, 2020 includes customers acquired from ObjectLabs Corporation (“mLab”) and Tightlydb, Inc. (“Realm”), which acquisitions closed on November 1, 2018 and May 7, 2019, respectively. Our definition of “customer” excludes (1) users of our free offerings, (2) users acquired from mLab who spend \$20 or less per month with us and (3) self-serve users acquired from Realm. The excluded mLab and Realm users collectively represent an immaterial portion of the revenue associated with users acquired from those acquisitions.

As of October 31, 2020, we had over 2,800 customers that were sold through our direct sales force and channel partners, as compared to over 1,900 such customers as of October 31, 2019. These customers, which we refer to as our Direct Sales Customers, accounted for 82% and 81% of our subscription revenue for the three and nine months ended October 31, 2020, respectively, and 78% of our subscription revenue for both the three and nine months ended October 31, 2019. The percentage of our subscription revenue from Direct Sales Customers increased, in part, due to existing self-serve customers of MongoDB Atlas becoming Direct Sales Customers. We are also focused on increasing the number of overall MongoDB Atlas customers as we emphasize the on-demand scalability of MongoDB Atlas by allowing our customers to consume the product with minimal commitment. After launching in June 2016, we had over 21,100 MongoDB Atlas customers as of October 31, 2020. The growth in MongoDB Atlas customers included customers from mLab and Realm, as described above, as well as new customers to MongoDB and existing MongoDB Enterprise Advanced customers adding incremental MongoDB Atlas workloads.

In an effort to expand our global reach, in October 2019, we announced a partnership with Alibaba Cloud to offer an authorized MongoDB-as-a-service solution allowing customers of Alibaba Cloud to use this managed offering from their data centers globally.

### *Increasing Adoption of MongoDB Atlas*

MongoDB Atlas, our hosted multi-cloud offering, is an important part of our run-anywhere strategy and allows us to generate revenue from Community Server, converting users of the free-to-download version of our database to customers. To accelerate adoption of this DBaaS offering, in 2017, we introduced tools to easily migrate existing users of our Community Server offering to MongoDB Atlas. We have also expanded our introductory offerings for MongoDB Atlas, including a free tier, which provides limited processing power and storage in order to drive usage and adoption of MongoDB Atlas among developers. Our MongoDB Atlas free tier offering is now available on all three major cloud providers (Amazon Web Services (“AWS”), Google Cloud Platform (“GCP”) and Microsoft Azure) in North America, Europe and Asia Pacific. In addition, MongoDB Atlas is available on AWS Marketplace, making it easier for AWS customers to buy and consume MongoDB Atlas. Our business partnership with GCP provides deeper product integration and unified billing for GCP customers who are also MongoDB Atlas customers and offers GCP customers a seamless integration between MongoDB Atlas and GCP. In 2019, we announced an expanded relationship with Microsoft. The new availability of MongoDB Atlas on the Microsoft Azure Marketplace will offer unified billing for joint customers of MongoDB Atlas and Microsoft and will make it easier for established Azure customers to purchase and use MongoDB Atlas. In addition, MongoDB will be part of Microsoft’s strategic partner program.

We have also expanded the functionality available in MongoDB Atlas beyond that of our Community Server offering. We expect this will drive further adoption of MongoDB Atlas as companies migrate mission-critical applications to the public cloud. The enterprise capabilities that we have introduced to MongoDB Atlas include advanced security features, enterprise-standard authentication and database auditing. We have invested significantly in MongoDB Atlas and our ability to drive adoption of MongoDB Atlas is a key component of our growth strategy.

#### *Retaining and Expanding Revenue from Existing Customers*

The economic attractiveness of our subscription-based model is driven by customer renewals and increasing existing customer subscriptions over time, referred to as land-and-expand. We believe that there is a significant opportunity to drive additional sales to existing customers, and expect to invest in sales and marketing and customer success personnel and activities to achieve additional revenue growth from existing customers. If an application grows and requires additional capacity, our customers increase their subscriptions to our platform. In addition, our customers expand their subscriptions to our platform as they migrate additional existing applications or build new applications, either within the same department or in other lines of business or geographies. Also, as customers modernize their information technology infrastructure and move to the cloud, they may migrate applications from legacy databases. Our goal is to increase the number of customers that standardize on our database within their organization, which can include offering centralized internal support or providing MongoDB-as-a-service internally. Over time, the average subscription amount for our Direct Sales Customers has increased. In addition, self-service customers have begun to increase their consumption of our products, particularly MongoDB Atlas.

We calculate annualized recurring revenue (“ARR”) and annualized monthly recurring revenue (“MRR”) to help us measure our subscription revenue performance. ARR includes the revenue we expect to receive from our customers over the following 12 months based on contractual commitments and, in the case of Direct Sales Customers of MongoDB Atlas, by annualizing the prior 90 days of their actual consumption of MongoDB Atlas, assuming no increases or reductions in their subscriptions or usage. For all other customers of our self-serve products, we calculate annualized MRR by annualizing the prior 30 days of their actual consumption of such products, assuming no increases or reductions in usage. ARR and annualized MRR exclude professional services. The number of customers with \$100,000 or greater in ARR and annualized MRR was 898 and 688 as of October 31, 2020 and 2019, respectively. Prior to January 31, 2020, ARR related to Direct Sales Customers of MongoDB Atlas was based on their contractual commitments, regardless of their actual consumption. To better reflect actual customer behavior, we modified our ARR calculation related to Direct Sales Customers of MongoDB Atlas to incorporate their prior 90 days of actual consumption. The impact of this change on prior reported periods is immaterial. Our ability to increase sales to existing customers will depend on a number of factors, including customers’ satisfaction or dissatisfaction with our products and services, competition, pricing, economic conditions or overall changes in our customers’ spending levels.

### **Components of Results of Operations**

#### *Revenue*

*Subscription Revenue.* Our subscription revenue is comprised of term licenses and hosted as-a-service solutions. Subscriptions to term licenses include technical support and access to new software versions on a when-and-if available basis. Revenue from our term licenses is recognized upfront for the license component and ratably for the technical support and when-and-if available update components. Revenue from term licenses is typically billed annually in advance. Revenue from our hosted as-a-service solutions is primarily generated on a usage basis and is billed either in arrears or paid up front. The majority of our subscription contracts are one year in duration and are invoiced upfront. Our subscription contracts are generally non-cancelable and non-refundable. When we enter into multi-year subscriptions, we typically invoice the customer on an annual basis.

*Services Revenue.* Services revenue is comprised of consulting and training services and is recognized over the period of delivery of the applicable services. We recognize revenue from services agreements as services are delivered.

We expect our revenue may vary from period to period based on, among other things, the timing and size of new subscriptions, the proportion of term license contracts that commence within the period, the rate of customer renewals and expansions, delivery of professional services, the impact of significant transactions and seasonality of or fluctuations in usage for our consumption-based customers.

### *Cost of Revenue*

*Cost of Subscription Revenue.* Cost of subscription revenue primarily includes personnel costs, including salaries, bonuses and benefits, and stock-based compensation, for employees associated with our subscription arrangements principally related to technical support and allocated shared costs, as well as depreciation and amortization. Our cost of subscription revenue for our hosted as-a-service solutions includes third-party cloud infrastructure expenses. We expect our cost of subscription revenue to increase in absolute dollars as our subscription revenue increases and, depending on the results of MongoDB Atlas, our cost of subscription revenue may increase as a percentage of subscription revenue as well.

*Cost of Services Revenue.* Cost of services revenue primarily includes personnel costs, including salaries, bonuses and benefits, and stock-based compensation, for employees associated with our professional service contracts, as well as travel costs, allocated shared costs and depreciation and amortization. We expect our cost of services revenue to increase in absolute dollars as our services revenue increases.

### *Gross Profit and Gross Margin*

*Gross Profit.* Gross profit represents revenue less cost of revenue.

*Gross Margin.* Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the average sales price of our products and services, the mix of products sold, transaction volume growth and the mix of revenue between subscriptions and services. We expect our gross margin to fluctuate over time depending on the factors described above and, to the extent MongoDB Atlas revenue increases as a percentage of total revenue, our gross margin may decline as a result of the associated hosting costs of MongoDB Atlas.

### *Operating Expenses*

Our operating expenses consist of sales and marketing, research and development and general and administrative expenses. Personnel costs are the most significant component of each category of operating expenses. Operating expenses also include travel and related costs and allocated overhead costs for facilities, information technology and employee benefit costs.

*Sales and Marketing.* Sales and marketing expense consists primarily of personnel costs, including salaries, sales commission and benefits, bonuses and stock-based compensation. These expenses also include costs related to marketing programs, travel-related expenses and allocated overhead. Marketing programs consist of advertising, events, corporate communications, and brand-building and developer-community activities. We expect our sales and marketing expense to increase in absolute dollars over time as we expand our sales force and increase our marketing resources, expand into new markets and further develop our self-serve and partner channels.

*Research and Development.* Research and development expense consists primarily of personnel costs, including salaries, bonuses and benefits, and stock-based compensation. It also includes amortization associated with intangible acquired assets and allocated overhead. We expect our research and development expenses to continue to increase in absolute dollars, as we continue to invest in our platform and develop new products.

*General and Administrative.* General and administrative expense consists primarily of personnel costs, including salaries, bonuses and benefits, and stock-based compensation for administrative functions including finance, legal, human resources and external legal and accounting fees, as well as allocated overhead. We expect general and administrative expense to increase in absolute dollars over time as we continue to invest in the growth of our business and incur the costs of compliance associated with being a publicly traded company.

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

Other income (expense), net consists primarily of interest income, interest expense and gains and losses from foreign currency transactions.

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

Provision for income taxes consists primarily of state income taxes in the United States and income taxes in certain foreign jurisdictions in which we conduct business. As of January 31, 2020, we had net operating loss (“NOL”) carryforwards for federal, state, Irish and United Kingdom income tax purposes of \$652.1 million, \$469.5 million, \$258.8 million and \$7.2 million, respectively, which begin to expire in the year ending January 31, 2028 for federal purposes and

January 31, 2020 for state purposes. Ireland, U.K. and the U.S. federal NOLs for the years after January 31, 2018 are allowed to be carried forward indefinitely. The deferred tax assets associated with the NOL carryforwards in each of these jurisdictions are subject to a full valuation allowance. Under Section 382 of the U.S. Internal Revenue Code of 1986 (the “Code”), a corporation that experiences an “ownership change” is subject to a limitation on its ability to utilize its pre-change NOLs to offset future taxable income. Utilization of the federal NOL carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Code, as amended and similar state provisions. The annual limitation, should the Company undergo an ownership change, may result in the expiration of federal or state net operating losses and credits before utilization, however the Company does not expect any such limitation to be material.

### Three and Nine Months Ended October 31, 2020 Summary

For the three months ended October 31, 2020, our total revenue was \$150.8 million as compared to \$109.4 million for the three months ended October 31, 2019. Our net loss was \$72.7 million for the three months ended October 31, 2020 as compared to \$42.4 million for the three months ended October 31, 2019.

For the nine months ended October 31, 2020, our total revenue was \$419.4 million as compared to \$298.2 million for the nine months ended October 31, 2019. Our net loss was \$191.1 million for the nine months ended October 31, 2020 as compared to \$113.0 million for the nine months ended October 31, 2019.

Our operating cash flow was \$(24.0) million and \$(20.9) million for the nine months ended October 31, 2020 and 2019, respectively. Our free cash flow was \$(38.4) million and \$(24.1) million for the nine months ended October 31, 2020 and 2019, respectively. See the section titled “Liquidity and Capital Resources—Non-GAAP Free Cash Flow” below.

### Results of Operations

The following tables set forth our results of operations for the periods presented in dollars (unaudited, in thousands) and as a percentage of our total revenue. Percentage of revenue figures are rounded and therefore may not subtotal exactly.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
<b>Consolidated Statements of Operations Data:</b>				
Revenue:				
Subscription	\$ 144,069	\$ 103,827	\$ 401,403	\$ 281,977
Services	6,702	5,614	17,978	16,220
Total revenue	150,771	109,441	419,381	298,197
Cost of revenue:				
Subscription <sup>(1)</sup>	38,642	26,497	103,240	73,465
Services <sup>(1)</sup>	7,468	5,694	22,851	17,100
Total cost of revenue	46,110	32,191	126,091	90,565
Gross profit	104,661	77,250	293,290	207,632
Operating expenses:				
Sales and marketing <sup>(1)</sup>	83,214	57,015	227,417	156,659
Research and development <sup>(1)</sup>	54,363	39,387	149,250	107,395
General and administrative <sup>(1)</sup>	25,175	19,562	66,534	50,541
Total operating expenses	162,752	115,964	443,201	314,595
Loss from operations	(58,091)	(38,714)	(149,911)	(106,963)
Other expense, net	(13,634)	(3,110)	(39,090)	(8,916)
Loss before provision for (benefit from) income taxes	(71,725)	(41,824)	(189,001)	(115,879)
Provision for (benefit from) income taxes	926	559	2,142	(2,920)
Net loss	\$ (72,651)	\$ (42,383)	\$ (191,143)	\$ (112,959)

<sup>(1)</sup> Includes stock-based compensation expense as follows (unaudited, in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
Cost of revenue—subscription	\$ 2,446	\$ 1,274	\$ 6,508	\$ 3,476
Cost of revenue—services	1,513	793	4,142	2,107
Sales and marketing	14,696	6,844	38,754	17,728
Research and development	15,442	6,879	41,415	17,513
General and administrative	5,855	3,577	17,225	10,214
Total stock-based compensation expense	\$ 39,952	\$ 19,367	\$ 108,044	\$ 51,038

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
<b>Percentage of Revenue Data:</b>				
Revenue:				
Subscription	96 %	95 %	96 %	95 %
Services	4 %	5 %	4 %	5 %
Total revenue	100 %	100 %	100 %	100 %
Cost of revenue:				
Subscription	26 %	24 %	25 %	25 %
Services	5 %	5 %	5 %	5 %
Total cost of revenue	31 %	29 %	30 %	30 %
Gross profit	69 %	71 %	70 %	70 %
Operating expenses:				
Sales and marketing	55 %	52 %	54 %	53 %
Research and development	36 %	36 %	36 %	36 %
General and administrative	17 %	18 %	16 %	17 %
Total operating expenses	108 %	106 %	106 %	106 %
Loss from operations	(39)%	(35)%	(36)%	(36)%
Other expense, net	(9)%	(3)%	(10)%	(3)%
Loss before provision for (benefit from) income taxes	(48)%	(38)%	(45)%	(39)%
Provision for (benefit from) income taxes	— %	1 %	1 %	(1)%
Net loss	(48)%	(39)%	(46)%	(38)%

### Comparison of the Three Months Ended October 31, 2020 and 2019

#### Revenue

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
Subscription	\$ 144,069	\$ 103,827	\$ 40,242	39 %
Services	6,702	5,614	1,088	19 %
Total revenue	\$ 150,771	\$ 109,441	\$ 41,330	38 %

Total revenue growth reflects increased demand for our platform and related services. Subscription revenue increased by \$40.2 million primarily due to \$22.7 million from sales to new customers. The remainder of the increase in subscription revenue resulted from sales to our existing customers. The increase in services revenue was driven primarily by an increase in sales of professional services to new customers.

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

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
Subscription cost of revenue	\$ 38,642	\$ 26,497	\$ 12,145	46 %
Services cost of revenue	7,468	5,694	1,774	31 %
Total cost of revenue	46,110	32,191	13,919	43 %
Gross profit	\$ 104,661	\$ 77,250	\$ 27,411	35 %
Gross margin	69 %	71 %		
Subscription	73 %	74 %		
Services	(11)%	(1)%		

The increase in subscription cost of revenue was primarily due to an \$8.1 million increase in third-party cloud infrastructure costs, including costs associated with the growth of MongoDB Atlas, as well as a \$3.1 million increase in personnel costs and stock-based compensation associated with increased headcount in our support organization. The increase in services cost of revenue was primarily due to higher compensation costs from increased headcount in our services organization, partially offset by lower travel costs resulting from global travel restrictions and stay-at-home or similar orders in effect due to the ongoing COVID-19 pandemic. Total headcount in our support and services organizations increased 32% from October 31, 2019 to October 31, 2020.

Our overall gross margin declined due to a decrease in subscription gross margin, which was impacted by the increase in stock-based compensation in our support organization. In addition, the impact of higher services compensation costs combined with lower utilization of our services personnel due to impacts of the ongoing COVID-19 pandemic resulted in a decrease in our services gross margin, which also negatively impacted our overall gross margin.

## Operating Expenses

### Sales and Marketing

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
Sales and marketing	\$ 83,214	\$ 57,015	\$ 26,199	46 %

The increase in sales and marketing expense included \$24.6 million from higher personnel costs and stock-based compensation, driven by an increase in our sales and marketing headcount to 1,062 as of October 31, 2020 from 694 as of October 31, 2019, which includes non-quota-carrying hires in sales operations, customer success and marketing. Sales and marketing expense also increased \$4.8 million from costs associated with our higher headcount, including higher commissions expense and higher facilities and computer hardware and software expenses. These increases were partially offset by lower travel costs resulting from global travel restrictions and stay-at-home or similar orders in effect due to the ongoing COVID-19 pandemic.

### Research and Development

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
Research and development	\$ 54,363	\$ 39,387	\$ 14,976	38 %

The increase in research and development expense was primarily driven by a \$18.6 million increase in personnel costs and stock-based compensation as we increased our research and development headcount by 28%. The increase in personnel costs was impacted by higher payroll taxes associated with employee stock option exercises and restricted stock unit vesting as a result of our higher average stock price as compared to the prior-year period. These increases were partially offset by the full amortization of previously acquired developed technology intangible assets and the full amortization of the founder holdback associated with our acquisition of mLab.

### General and Administrative

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
General and administrative	\$ 25,175	\$ 19,562	\$ 5,613	29 %

The increase in general and administrative expense was due to higher costs to support the growth of our business and to maintain compliance as a public company. In particular, these higher costs were driven by an increase in general and administrative personnel headcount resulting in higher personnel costs and stock-based compensation. These higher costs were partially offset by lower travel costs resulting from global travel restrictions and stay-at-home or similar orders in effect due to the ongoing COVID-19 pandemic.

### Other Income (Expense), net

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
Other expense, net	\$ (13,634)	\$ (3,110)	\$ (10,524)	338 %

The increase in other expense, net for the three months ended October 31, 2020 was primarily due to the amortization of debt discount and issuance costs, as well as interest expense, associated with our 0.25% convertible senior notes due 2026, which we issued in January 2020.

### Provision for (Benefit from) Income Taxes

(unaudited, in thousands)	Three Months Ended October 31,		Change	
	2020	2019	\$	%
Provision for income taxes	\$ 926	\$ 559	\$ 367	66 %

The provision for income taxes during the three months ended October 31, 2020 was primarily due to an increase in foreign taxes as we continued our global expansion, partially offset by a tax benefit related to current period gains recorded in other comprehensive income that resulted from unrealized gains on investments. The provision for income taxes for the three months ended October 31, 2019 was primarily due to an increase in foreign taxes as we continued our global expansion.

### Comparison of the Nine Months Ended October 31, 2020 and 2019

#### Revenue

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
Subscription	\$ 401,403	\$ 281,977	\$ 119,426	42 %
Services	17,978	16,220	1,758	11 %
Total revenue	\$ 419,381	\$ 298,197	\$ 121,184	41 %

Total revenue growth reflects increased demand for our platform and related services. Subscription revenue increased by \$119.4 million primarily due to \$46.5 million from sales to new customers, including mLab customers. The remainder of the increase in subscription revenue resulted from sales to existing customers. The increase in services revenue was driven primarily by an increase in sales of professional services to new customers.

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

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
Subscription cost of revenue	\$ 103,240	\$ 73,465	\$ 29,775	41 %
Services cost of revenue	22,851	17,100	5,751	34 %
Total cost of revenue	126,091	90,565	35,526	39 %
Gross profit	\$ 293,290	\$ 207,632	\$ 85,658	41 %
Gross margin	70 %	70 %		
Subscription	74 %	74 %		
Services	(27)%	(5)%		

The increase in subscription cost of revenue was primarily due to a \$20.6 million increase in third-party cloud infrastructure costs, including costs associated with the growth of MongoDB Atlas, as well as a \$7.1 million increase in personnel costs and stock-based compensation associated with increased headcount in our support organization. The increase in services cost of revenue was primarily due to higher compensation costs from increased headcount in our services organization and higher expense associated with our China Stock Appreciation Rights Plan, partially offset by lower travel costs resulting from global travel restrictions and stay-at-home or similar orders in effect due to the ongoing COVID-19 pandemic. Total headcount in our support and services organizations increased 32% from October 31, 2019 to October 31, 2020.

Our subscription and overall gross margin remained flat. Our services gross margin was impacted by higher compensation costs combined with lower utilization of our services personnel due to impacts of the ongoing COVID-19 pandemic and is subject to fluctuations as a result of timing of sales of standalone consulting and training services.

## Operating Expenses

### Sales and Marketing

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
Sales and marketing	\$ 227,417	\$ 156,659	\$ 70,758	45 %

The increase in sales and marketing expense included \$64.2 million from higher personnel costs and stock-based compensation, driven by an increase in our sales and marketing headcount to 1,062 as of October 31, 2020 from 694 as of October 31, 2019, which includes non-quota-carrying hires in sales operations, customer success and marketing. Sales and marketing expense also increased \$16.5 million from costs associated with our higher headcount, including higher commissions expense and higher facilities and computer hardware and software expenses, as well as higher spend on marketing programs. These increases were partially offset by lower travel costs resulting from global travel restrictions and stay-at-home or similar orders in effect due to the ongoing COVID-19 pandemic.

### Research and Development

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
Research and development	\$ 149,250	\$ 107,395	\$ 41,855	39 %

The increase in research and development expense was primarily driven by a \$46.7 million increase in personnel costs and stock-based compensation as we increased our research and development headcount by 28%. The increase in personnel costs was impacted by higher payroll taxes associated with employee stock option exercises and restricted stock unit vesting as a result of our higher average stock price as compared to the prior-year period. These increases were partially offset by the full amortization of previously acquired developed technology intangible assets and the full amortization of the founder holdback associated with our acquisition of mLab.

*General and Administrative*

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
General and administrative	\$ 66,534	\$ 50,541	\$ 15,993	32 %

The increase in general and administrative expense was due to higher costs to support the growth of our business and to maintain compliance as a public company. In particular, these higher costs were driven by an increase in general and administrative personnel headcount resulting in higher personnel costs and stock-based compensation. These higher costs were partially offset by lower travel costs resulting from global travel restrictions and stay-at-home or similar orders in effect due to the ongoing COVID-19 pandemic. The prior-year period included \$0.6 million of costs associated with our acquisition of Realm, with no comparable costs for the nine months ended October 31, 2020.

**Other Income (Expense), net**

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
Other expense, net	\$ (39,090)	\$ (8,916)	\$ (30,174)	338 %

The increase in other expense, net for the nine months ended October 31, 2020 was primarily due to the amortization of debt discount and issuance costs, as well as interest expense, associated with our 0.25% convertible senior notes due 2026, which we issued in January 2020.

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

(unaudited, in thousands)	Nine Months Ended October 31,		Change	
	2020	2019	\$	%
Provision for (benefit from) income taxes	\$ 2,142	\$ (2,920)	\$ 5,062	nm

The provision for income taxes during the nine months ended October 31, 2020 was primarily due to an increase in foreign taxes as we continued our global expansion, partially offset by a tax benefit related to current period gains recorded in other comprehensive income that resulted from unrealized gains on investments. The benefit for income taxes for the nine months ended October 31, 2019 was primarily due to a non-recurring tax benefit associated with the acquisition of Realm intangible assets, which reduced our deferred tax asset and the related valuation allowance.

## Liquidity and Capital Resources

As of October 31, 2020, we had cash, cash equivalents, short-term investments and restricted cash totaling \$966.8 million. Our cash and cash equivalents primarily consist of bank deposits and money market funds. Our short-term investments consist of U.S. government treasury securities, and our restricted cash represents collateral for our available credit on corporate credit cards. We believe our existing cash and cash equivalents and short-term investments will be sufficient to fund our operating and capital needs for at least the next 12 months.

We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit and condensed consolidated statements of cash flows. As of October 31, 2020, we had an accumulated deficit of \$859.6 million. We expect to continue to incur operating losses and negative cash flows from operations in the future and may require additional capital resources to execute strategic initiatives to grow our business. Our future capital requirements and adequacy of available funds will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing and international operation activities, the timing of new subscription introductions, the continuing market acceptance of our subscriptions and services and the impact of the ongoing COVID-19 pandemic on the global economy and our business, financial condition and results of operations. As the impact of the ongoing COVID-19 pandemic on the global economy and our operations continues to evolve, we will continue to assess our liquidity needs. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

The following table summarizes our cash flows for the periods presented (unaudited, in thousands):

	Nine Months Ended October 31,	
	2020	2019
Net cash used in operating activities	\$ (24,028)	\$ (20,922)
Net cash provided by (used in) investing activities	(284,016)	5,491
Net cash provided by financing activities	16,002	18,844

*Non-GAAP Free Cash Flow*

To supplement our interim unaudited condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States (“GAAP”), we provide investors with the amount of free cash flow, which is a non-GAAP financial measure. Free cash flow represents net cash used in operating activities less capital expenditures, principal repayments of finance lease liabilities and capitalized software development costs, if any. During each of the nine months ended October 31, 2020 and 2019, we did not capitalize any software development costs. Free cash flow is a measure used by management to understand and evaluate our liquidity and to generate future operating plans. The exclusion of capital expenditures, principal repayments of finance lease liabilities and amounts capitalized for software development facilitates comparisons of our liquidity on a period-to-period basis and excludes items that we do not consider to be indicative of our liquidity. We believe that free cash flow is a measure of liquidity that provides useful information to our management, investors and others in understanding and evaluating the strength of our liquidity and future ability to generate cash that can be used for strategic opportunities or investing in our business in the same manner as our management and Board of Directors. Nevertheless, our use of free cash flow has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Further, our definition of free cash flow may differ from the definitions used by other companies and therefore comparability may be limited. You should consider free cash flow alongside our other GAAP-based financial performance measures, such as net cash used in operating activities, and our other GAAP financial results.

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

	<b>Nine Months Ended October 31,</b>	
	<b>2020</b>	<b>2019</b>
Net cash used in operating activities	\$ (24,028)	\$ (20,922)
Capital expenditures	(10,942)	(2,350)
Principal repayments of finance leases	(3,450)	(798)
Capitalized software	—	—
Free cash flow	<u>\$ (38,420)</u>	<u>\$ (24,070)</u>

*Operating Activities*

Cash used in operating activities during the nine months ended October 31, 2020 was \$24.0 million primarily driven by our net loss of \$191.1 million, which was partially offset by non-cash charges of \$108.0 million for stock-based compensation, \$36.6 million for the amortization of our debt discount and issuance costs, \$9.5 million for depreciation and amortization and \$7.7 million for lease-related non-cash charges. Accrued and other liabilities increased by \$24.3 million primarily from commissions, bonuses and related payroll taxes accrued as of October 31, 2020. Our overall sales growth increased our deferred commissions by \$17.2 million, our accounts receivable by \$4.2 million and our deferred revenue by \$5.8 million.

Cash used in operating activities during the nine months ended October 31, 2019 was \$20.9 million primarily driven by our net loss of \$113.0 million, which was partially offset by non-cash charges of \$51.0 million for stock-based compensation, \$9.8 million for the amortization of our debt discount and issuance costs, \$9.8 million for depreciation and amortization and \$4.8 million for lease-related non-cash charges. In addition, our cash collections decreased our accounts receivable by \$5.1 million and increased our deferred revenue by \$14.9 million, reflecting the overall growth of our sales and our expanding customer base. Additionally, our accrued liabilities increased \$16.2 million, primarily from commissions and bonuses accrued as of October 31, 2019. Partially offsetting these benefits to our operating cash flow were increases of \$12.2 million in deferred commissions, non-cash benefits of \$4.5 million from the non-recurring tax benefit associated with the acquisition of Realm intangible assets and \$3.6 million from the non-cash benefit associated with the discount on our short-term investments.

*Investing Activities*

Cash used in investing activities during the nine months ended October 31, 2020 of \$284.0 million resulted from the purchases of marketable securities and property and equipment, partially offset by maturities of marketable securities. In addition, we used \$0.5 million of net cash to purchase non-marketable securities.

Cash provided by investing activities during the nine months ended October 31, 2019 of \$5.5 million resulted from the maturities of marketable securities, partially offset by purchases of marketable securities and property and equipment. In addition, we used \$38.6 million of net cash to acquire Realm.

#### *Financing Activities*

Cash provided by financing activities during the nine months ended October 31, 2020 was \$16.0 million, primarily due to proceeds from the exercises of stock options and from the issuance of Class A common stock under the Employee Stock Purchase Plan, partially offset by issuance costs related to our January 2020 offering of 0.25% convertible senior notes due 2026 that had been accrued as of January 31, 2020, as well as principal repayments of finance leases.

Cash provided by financing activities during the nine months ended October 31, 2019 was \$18.8 million primarily due to the proceeds from the exercises of stock options, as well as proceeds from the issuance of common stock under the Employee Stock Purchase Plan.

#### **Seasonality**

We have in the past and expect in the future to experience seasonal fluctuations in our revenue and results from time to time. In addition, as a result of the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, we may experience greater variability and reduced comparability of our quarterly revenue and results with respect to the timing and nature of certain of our contracts, particularly multi-year contracts that contain a term license.

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

As of October 31, 2020, we did not have any relationships with any entities or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other purposes.

#### **Contractual Obligations and Commitments**

During the nine months ended October 31, 2020, there were no material changes outside the ordinary course of business to our contractual obligations and commitments from those disclosed in our 2020 Form 10-K. Refer to Note 6, *Leases* and Note 7, *Commitments and Contingencies*, in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details.

#### **Critical Accounting Policies and Estimates**

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no material changes in our critical accounting policies from those disclosed in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the 2020 Form 10-K.

#### **Recent Accounting Pronouncements**

See Note 2, *Summary of Significant Accounting Policies*, in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements, including our adoption of the new credit loss standard under Accounting Standards Codification 326.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of business. The uncertainty that exists with respect to the global economic impact of the ongoing COVID-19 pandemic has introduced significant volatility in the financial markets subsequent to the quarter ended October 31, 2020.

#### *Interest Rate Risk*

Our cash and cash equivalents primarily consist of bank deposits and money market funds, and our short-term investments consist of U.S. government treasury securities. As of October 31, 2020, we had cash, cash equivalents, restricted cash and short-term investments of \$966.8 million. The carrying amount of our cash equivalents reasonably approximates fair value, due to the short maturities of these instruments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. The effect of a hypothetical 10% increase or decrease in interest rates would not have had a material impact on the fair market value of our investments as of October 31, 2020.

In June 2018, we issued \$250.0 million aggregate principal amount of 0.75% convertible senior notes due 2024 in a private placement and, in July 2018, we issued an additional \$50.0 million aggregate principal amount of 0.75% convertible senior notes pursuant to the exercise in full of the initial purchasers' option to purchase additional convertible senior notes (collectively, the "2024 Notes"). In January 2020, we issued \$1.15 billion aggregate principal amount of 0.25% convertible senior notes due 2026 in a private placement (the "2026 Notes"). Concurrently with the issuance of the 2026 Notes, we repurchased \$210.0 million aggregate principal amount of the 2024 Notes leaving \$90.0 million aggregate principal outstanding on the 2024 Notes immediately after the exchange. The fair values of the 2024 Notes and 2026 Notes are subject to interest rate risk, market risk and other factors due to the conversion feature. The fair value of the 2024 Notes and 2026 Notes will generally increase as our Class A common stock price increases and will generally decrease as our Class A common stock price declines. The interest and market value changes affect the fair value of the 2024 Notes and 2026 Notes, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the 2024 Notes and 2026 Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only.

#### *Foreign Currency Risk*

Our sales contracts are primarily denominated in U.S. dollars, British pounds ("GBP") or Euros ("EUR"). A portion of our operating expenses are incurred outside the United States and denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the GBP and EUR. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements for any of the three- and six-month periods ended October 31, 2020 and 2019. Given the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency should become more significant. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

## **ITEM 4. CONTROLS AND PROCEDURES.**

### **Evaluation of Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of October 31, 2020. Based on the evaluation of our disclosure controls and procedures as of October 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15(d) of the Exchange Act that occurred during the three months ended October 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does 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 conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. For example, on March 12, 2019, Realtime Data (“Realtime”) filed a lawsuit against us in the United States District Court for the District of Delaware alleging that we are infringing three U.S. patents that it holds: U.S. Patent No. 9,116,908 (the “908 Patent”), U.S. Patent No. 9,667,751 (the “751 Patent”) and U.S. Patent No. 8,933,825 (the “825 Patent”). The patent infringement allegations in the lawsuit relate to data compression, decompression, storage and retrieval. Realtime seeks monetary damages and injunctive relief. In August 2019, the District Court approved the Company and Realtime’s stipulation to stay Realtime’s lawsuit against the Company pending the outcome of Realtime’s appeal of the District Court’s decision to invalidate two of the asserted patents in a separate action. On October 23, 2020, the Federal Circuit issued its opinion on the appeal and remanded that action back to the District Court for further proceedings. The stay on proceedings in Realtime’s lawsuit against the Company remains in place at this time.

Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty and, regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### ITEM 1A. RISK FACTORS.

*Our operations and financial results are subject to various risks and uncertainties including those described below. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Form 10-Q, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our Class A common stock could decline.*

#### Risk Factors Summary

Investing in our Class A common stock involves a high degree of risk because we are subject to numerous risks and uncertainties that could negatively impact our business, financial condition and results of operations, as more fully described below. These risks and uncertainties include, but are not limited to, the following:

- The ongoing COVID-19 pandemic, related economic downturn and measures taken in response to the pandemic could negatively impact our business, financial condition and results of operations.
- Unfavorable conditions in our industry or the global economy or reductions in information technology spending could limit our ability to grow our business and negatively affect our results of operations.
- We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.
- We have a limited operating history, which makes it difficult to predict our future results of operations.
- We have a history of losses and as our costs increase, we may not be able to generate sufficient revenue to achieve or sustain profitability.
- Because we derive substantially all of our revenue from our database platform, failure of this platform to satisfy customer demands could adversely affect our business, results of operations, financial condition and growth prospects.
- We currently face significant competition and expect that intense competition will continue.
- If we do not effectively expand our sales and marketing organization, we may be unable to add new customers or increase sales to our existing customers.
- Our decision to offer Community Server under a new license, the Server Side Public License, may harm adoption of Community Server.
- We have invested significantly in our MongoDB Atlas offering, and if it fails to achieve market adoption, our business, results of operations and financial condition could be harmed.

- We could be negatively impacted if the AGPL, the SSPL and other open source licenses under which some of our software is licensed are not enforceable.
- Our licensing model for Community Server could negatively affect our ability to monetize and protect our intellectual property rights.
- We could incur substantial costs in protecting or defending our intellectual property rights and any failure to protect our intellectual property rights could reduce the value of our software and brand.
- If we are not able to introduce new features or services successfully and to make enhancements to our software or services, our business and results of operations could be adversely affected.
- We have experienced rapid growth in recent periods. If we fail to continue to grow and to manage our growth effectively, we may be unable to execute our business plan, increase our revenue, improve our results of operations, maintain high levels of service, or adequately address competitive challenges.
- If our security measures, or those of our service providers, are breached or unauthorized access to personal information or otherwise private or proprietary data is otherwise obtained, our software may be perceived as not being secure, customers may reduce or terminate their use of our software and we may face litigation, regulatory investigations, significant liability and reputational damage.
- If we are not able to maintain and enhance our brand, especially among developers, our business and results of operations may be adversely affected.

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

***The ongoing COVID-19 pandemic, related economic downturn and measures taken in response to the pandemic could negatively impact our business, financial condition and results of operations.***

In light of the uncertain and continually evolving situation relating to the spread of COVID-19 and in compliance with shelter-in-place orders and other government executive orders directing that all non-essential businesses close their physical operations, beginning March 2020, we took measures intended to help minimize the risk of the virus to our employees, our customers and the communities in which we participate, which could negatively impact our business. These measures included temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for our employees, canceling, postponing or holding virtually MongoDB-sponsored events and discouraging employee attendance at industry events and in-person work-related meetings. While we have a distributed workforce and our employees are accustomed to working remotely or working with other remote employees, our workforce has not historically been fully remote. Although shelter-in-place and similar orders are lifted in certain locations where we conduct operations, we have informed our employees that they may continue to elect to work remotely through July 1, 2021, even if their office re-opens. Further, shelter-in-place and similar orders in some jurisdictions have been and may in the future be re-instituted as rates of infection increase in those locations. As the COVID-19 pandemic continues to spread, it is highly uncertain to what extent and when restrictions will be lifted in various jurisdictions. Prior to the COVID-19 pandemic, our employees traveled frequently to establish and maintain relationships with one another and with our customers, partners and investors, and some of our business processes assume that employees can review and sign documents in person. Although we continue to monitor the situation and may adjust our current policies as more information and guidance become available, suspending travel and doing business in-person on a long-term basis could negatively impact our marketing efforts, our ability to enter into customer contracts in a timely manner, our international expansion efforts, our ability to recruit employees across the organization and, in sales and marketing, in particular, which could have longer term effects on our sales pipeline, or create operational or other challenges as our workforce remains predominantly remote, any of which could harm our business. For example, remote work arrangements may result in decreased employee productivity and morale with increased regretted employee attrition. In addition, our management team has spent, and will likely continue to spend, significant time, attention and resources monitoring the COVID-19 pandemic and associated global economic uncertainty and seeking to manage its effects on our business and workforce. The extent to which the ongoing COVID-19 pandemic, the associated global economic uncertainty and our precautionary measures may impact our business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

***Unfavorable conditions in our industry or the global economy or reductions in information technology spending could limit our ability to grow our business and negatively affect our results of operations.***

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. The revenue growth and potential profitability of our business depend on demand for database software and services generally and for our subscription offering and related services in particular. Current or future economic

uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, international trade relations, political turmoil, natural catastrophes, regional or global outbreaks of contagious diseases, such as the ongoing COVID-19 pandemic, warfare and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including spending on information technology, disrupt the timing and cadence of key industry and marketing events and otherwise negatively affect the growth of our business.

In particular, the ongoing COVID-19 pandemic and the associated global economic uncertainty may prevent us or our employees, contractors, suppliers, customers and other business partners from conducting marketing and other business activities for an indefinite period of time, which could materially and adversely impact our business, financial results and results of operations. Further, in response to the ongoing COVID-19 pandemic, many state, local and foreign governments have from time to time put in place, and others in the future may put in place, quarantines, executive orders, shelter-in-place orders and similar government orders and restrictions in order to control the spread of the disease. Such orders or restrictions, or the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellation of events, among other effects that could negatively impact productivity and disrupt our operations and those of our contractors, suppliers, customers and other business partners. We expect the ongoing COVID-19 pandemic and the associated global economic uncertainty will likely continue to impact our sales pipeline and bookings. In addition, the ongoing COVID-19 pandemic could adversely affect workforces, customers, economies and financial markets globally, potentially leading to a sustained economic downturn. While it is not possible at this time to predict the duration and extent of the impact that the ongoing COVID-19 pandemic could have on worldwide economic activity and our business in particular, the continued spread of COVID-19, the measures taken by governments, businesses and other organizations in response to COVID-19 and the associated global economic uncertainty could materially and adversely impact our business, financial condition or results of operations.

Further, to the extent there is a sustained general economic downturn and our database software is perceived by customers and potential customers as costly, or too difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, competitors, many of whom are larger and more established than we are, 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 subscription offerings and related services. 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 markets in which we operate worsen from present levels, our business, results of operations and financial condition could be adversely affected.

***We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.***

We release earnings guidance in our quarterly and annual earnings conference calls, quarterly and annual earnings releases, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance includes forward-looking statements based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies on our business, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. One of those key assumptions relates to the impact of the ongoing COVID-19 pandemic and the associated economic uncertainty on our business, which is inherently difficult to predict. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our actual business results may vary significantly from such guidance or that consensus due to a number of factors, many of which are outside of our control, including due to the global economic uncertainty and financial market conditions caused by the ongoing COVID-19 pandemic, and which could adversely affect our business and future operating results. There are no comparable recent events that provide insights as to the probable effect of the ongoing COVID-19 pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. We are relying on the reports and models of economic and medical experts in making assumptions relating to the duration of this crisis and predictions as to timing and pace of any future economic recovery. If these models are incorrect or incomplete, or if we fail to accurately predict the full impact that the COVID-19 pandemic will have on all aspects of our business, the guidance and other forward-

looking statements we provide may also be incorrect or incomplete. Furthermore, if we make downward revisions of our previously announced guidance, if we withdraw our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock would decline.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results may vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this “Risk Factors” section in this report could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

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

We were incorporated in 2007 and introduced MongoDB Community Server in 2009, MongoDB Enterprise Advanced in 2013 and MongoDB Atlas in 2016. As a result of our limited operating history, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to accurately predict future growth. Our historical revenue growth has been inconsistent and should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including slowing adoption of MongoDB or demand for our subscription offerings and related services, reduced conversion of users of our free offerings to paying customers, increasing competition, changes to technology or our intellectual property or our failure, for any reason, to continue to capitalize on growth opportunities. We have also encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

***We have a history of losses and as our costs increase, we may not be able to generate sufficient revenue to achieve or sustain profitability.***

We have incurred net losses in each period since our inception, including net losses of \$175.5 million, \$99.0 million and \$84.0 million for the fiscal years ended January 31, 2020, 2019 and 2018, respectively. We had an accumulated deficit of \$668.2 million as of January 31, 2020. We expect our operating expenses to increase significantly as we increase our sales and marketing efforts, continue to invest in research and development and expand our operations and infrastructure, both domestically and internationally. In particular, we have entered into non-cancelable multi-year capacity commitments with respect to cloud infrastructure services with certain third-party cloud providers, which require us to pay for such capacity irrespective of actual usage. In addition, we have incurred and expect to continue to incur significant additional legal, accounting and other expenses related to being a public company. While our revenue has grown in recent years, if our revenue declines or fails to grow at a rate faster than these increases in our operating expenses, we will not be able to achieve and maintain profitability in future periods. As a result, we expect to continue to generate losses. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will be able to sustain profitability.

***Because we derive substantially all of our revenue from our database platform, failure of this platform to satisfy customer demands could adversely affect our business, results of operations, financial condition and growth prospects.***

We derive and expect to continue to derive substantially all of our revenue from our database platform. As such, market adoption of our database platform is critical to our continued success. Demand for our platform is affected by a number of factors, many of which are beyond our control, including continued market acceptance by developers, the availability of our Community Server offering, the continued volume, variety and velocity of data that is generated, timing of development and release of new offerings by our competitors, technological change and the rate of growth in our market. If we are unable to continue to meet the demands of our customers and the developer community, our business operations, financial results and growth prospects will be materially and adversely affected.

***We currently face significant competition and expect that intense competition will continue.***

The database software market, for both relational and non-relational database products, is highly competitive, rapidly evolving and others may put out competing databases or sell services in connection with existing open source or source available databases, including ours. The principal competitive factors in our market include: mindshare with software developers and IT executives; product capabilities, including flexibility, scalability, performance, security and reliability; flexible deployment options, including fully managed as a service or self-managed in the cloud, on-premise or in a hybrid environment and ease of deployment; breadth of use cases supported; ease of integration with existing IT infrastructure; robustness of professional services and customer support; price and total cost of ownership; adherence to industry standards and certifications; size of customer base and level of user adoption; strength of sales and marketing efforts; and brand awareness and reputation. If we fail to compete effectively with respect to any of these competitive factors, we may fail to attract new customers or lose or fail to renew existing customers, which would cause our business and results of operations to suffer.

We primarily compete with established legacy database software providers such as IBM, Microsoft, Oracle and other similar companies. We also compete with public cloud providers such as Amazon Web Services (“AWS”), Google Cloud Platform (“GCP”) and Microsoft Azure that offer database functionality and non-relational database software providers. In addition, other large software and internet companies may seek to enter our market.

Some of our actual and potential competitors, in particular the legacy relational database providers and large cloud providers, have advantages over us, such as longer operating histories, more established relationships with current or potential customers and commercial partners, significantly greater financial, technical, marketing or other resources, stronger brand recognition, larger intellectual property portfolios and broader global distribution and presence. Such competitors may make their products available at a low cost or no cost basis in order to enhance their overall relationships with current or potential customers. Our competitors may also be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. With the introduction of new technologies and new market entrants, we expect competition to intensify in the future. In addition, some of our larger competitors have substantially broader offerings and can bundle competing products with hardware or other software offerings, including their cloud computing and customer relationship management platforms. As a result, customers may choose a bundled offering from our competitors, even if individual products have more limited functionality compared to our software. These larger competitors are also often in a better position to withstand any significant reduction in technology spending and will therefore not be as susceptible to competition or economic downturns. In addition, some competitors may offer products or services that address one or a limited number of functions at lower prices, with greater depth than our products or in geographies where we do not operate.

Furthermore, our actual and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and offerings in the markets we address. In addition, third parties with greater available resources may acquire current or potential competitors. As a result of such relationships and acquisitions, our actual or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their offerings more quickly than we do. For all of these reasons, we may not be able to compete successfully against our current or future competitors.

***If we do not effectively expand our sales and marketing organization, we may be unable to add new customers or increase sales to our existing customers.***

Increasing our customer base and achieving broader market acceptance of our subscription offerings and related services will depend, to a significant extent, on our ability to effectively expand our sales and marketing operations and activities. We are substantially dependent on our direct sales force and our marketing efforts to obtain new customers. We plan to continue to expand our sales and marketing organization both domestically and internationally. We believe that there is significant competition for experienced sales professionals with the sales skills and technical knowledge that we require, particularly as we continue to target larger enterprises. Our ability to achieve significant revenue growth in the future will depend, in part, on our success in recruiting, training and retaining a sufficient number of experienced sales professionals, especially in highly competitive markets. New hires require significant training and time before they achieve full productivity, particularly in new or developing sales territories. Our recent hires and planned hires may not become as productive as quickly as we expect, including as a result of the ongoing COVID-19 pandemic and remote work arrangements, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. Because of our limited operating history, we cannot predict whether, or to what extent, our sales will increase as we

expand our sales and marketing organization or how long it will take for sales personnel to become productive. Our business and results of operations could be harmed if the expansion of our sales and marketing organization does not generate a significant increase in revenue.

***Our adoption strategies include offering Community Server and a free tier of MongoDB Atlas and we may not be able to realize the intended benefits of these strategies.***

To encourage developer usage, familiarity and adoption of our platform, we offer Community Server as a “freemium” offering. Community Server is a free-to-download version of our database that does not include all of the features of our commercial platform. We also offer a free tier of MongoDB Atlas in order to accelerate adoption, promote usage and drive brand and product awareness. We do not know if we will be able to convert these users to paying customers of our platform. Our marketing strategy also depends in part on persuading users who use one of these free versions to convince others within their organization to purchase and deploy our platform. To the extent that users of Community Server or our free tier of MongoDB Atlas do not become, or lead others to become, paying customers, we will not realize the intended benefits of these strategies and our ability to grow our business or achieve profitability may be harmed.

***Our decision to offer Community Server under a new license, the Server Side Public License, may harm adoption of Community Server.***

On October 16, 2018, we announced that we were changing the license for Community Server from the GNU Affero General Public License Version 3 (the “AGPL”) to a new software license, the Server Side Public License (the “SSPL”). The SSPL builds on the spirit of the AGPL, but includes an explicit condition that any organization attempting to exploit MongoDB as a service must open source the software that it uses to offer such service. Since the SSPL is a new license and has not been interpreted by any court, developers and the companies they work for may be hesitant to adopt Community Server because of uncertainty around the provisions of the SSPL and how it will be interpreted and enforced. In addition, the SSPL has not been approved by the Open Source Initiative, nor has it been included in the Free Software Foundation’s list of free software licenses. This may negatively impact adoption of Community Server, which in turn could lead to reduced brand and product awareness, ultimately leading to a decline in paying customers and our ability to grow our business or achieve profitability may be harmed.

***We have invested significantly in our MongoDB Atlas offering and if it fails to achieve market adoption our business, results of operations and financial condition could be harmed.***

We introduced MongoDB Atlas in June 2016. We have limited experience marketing, determining pricing for and selling MongoDB Atlas and we are continuing to refine our approach to selling, marketing, pricing and supporting adoption of this offering. We have directed and intend to continue to direct, a significant portion of our financial and operating resources to develop and grow MongoDB Atlas, including offering a free tier of MongoDB Atlas to generate developer usage and awareness. Although MongoDB Atlas has seen rapid adoption since its commercial launch, we cannot guarantee that rate of adoption will continue at the same pace or at all. If we are unsuccessful in our efforts to drive customer adoption of MongoDB Atlas, or if we do so in a way that is not profitable or fails to compete successfully against our current or future competitors, our business, results of operations and financial condition could be harmed.

***We could be negatively impacted if the AGPL, the SSPL and other open source licenses under which some of our software is licensed are not enforceable.***

The versions of Community Server released prior to October 16, 2018 are licensed under the AGPL. This license states that any program licensed under it may be copied, modified and distributed provided certain conditions are met. On October 16, 2018, we issued a new software license, the SSPL, for all versions of Community Server released after that date. The SSPL builds on the spirit of the AGPL, but includes an explicit condition that any organization using Community Server to offer MongoDB as a third-party service must open source the software that it uses to offer such service. It is possible that a court would hold the SSPL or AGPL to be unenforceable. If a court held either license or certain aspects of this license to be unenforceable, others may be able to use our software to compete with us in the marketplace in a manner not subject to the restrictions set forth in the SSPL or AGPL.

***Our licensing model for Community Server could negatively affect our ability to monetize and protect our intellectual property rights.***

We make our Community Server offering available under either the SSPL (for versions released after October 16, 2018) or the AGPL (for versions released prior to October 16, 2018). Community Server is a free-to-download version of our

database that includes the core functionality developers need to get started with MongoDB but not all of the features of our commercial platform. Both the SSPL and the AGPL grant licensees broad freedom to view, use, copy, modify and redistribute the source code of Community Server provided certain conditions are met. Some commercial enterprises consider SSPL- or AGPL-licensed software to be unsuitable for commercial use because of the “copyleft” requirements of those licenses. However, some of those same commercial enterprises do not have the same concerns regarding using the software under the SSPL or AGPL for internal purposes. As a result, these commercial enterprises may never convert to paying customers of our platform. Anyone can obtain a free copy of Community Server from the Internet and we do not know who all of our SSPL or AGPL licensees are. Competitors could develop modifications of our software to compete with us in the marketplace. We do not have visibility into how our software is being used by licensees, so our ability to detect violations of the SSPL or AGPL is extremely limited.

In addition to Community Server, we contribute other source code to open source projects under open source licenses and release internal software projects under open source licenses and anticipate doing so in the future. Because the source code for Community Server and any other software we contribute to open source projects or distribute under open source licenses is publicly available, our ability to monetize and protect our intellectual property rights with respect to such source code may be limited or, in some cases, lost entirely.

***Our software incorporates third-party open source software, which could negatively affect our ability to sell our products and subject us to possible litigation.***

Our software includes third-party open source software and we intend to continue to incorporate third-party open source software in our products in the future. There is a risk that the use of third-party open source software in our software could impose conditions or restrictions on our ability to monetize our software. Although we monitor the incorporation of open source software into our products to avoid such restrictions, we cannot be certain that we have not incorporated open source software in our products or platform in a manner that is inconsistent with our licensing model. Certain open source projects also include other open source software and there is a risk that those dependent open source libraries may be subject to inconsistent licensing terms. This could create further uncertainties as to the governing terms for the open source software we incorporate.

In addition, the terms of certain open source licenses to which we are subject have not been interpreted by U.S. or foreign courts and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated restrictions or conditions on our use of such software. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the software or derivative works that we developed using such open source software, which could include proprietary portions of our source code, or otherwise seeking to enforce the terms of the open source licenses. These claims could result in litigation and could require us to make those proprietary portions of our source code freely available, purchase a costly license or cease offering the implicated software or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources and we may not be able to complete it successfully.

In addition to risks related to license requirements, use of third-party open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties. In addition, licensors of open source software included in our offerings may, from time to time, modify the terms of their license agreements in such a manner that those license terms may become incompatible with our licensing model and thus could, among other consequences, prevent us from incorporating the software subject to the modified license.

Any of these risks could be difficult to eliminate or manage and if not addressed, could have a negative effect on our business, results of operations and financial condition.

***If we are not able to introduce new features or services successfully and to make enhancements to our software or services, our business and results of operations could be adversely affected.***

Our ability to attract new customers and increase revenue from existing customers depends in part on our ability to enhance and improve our software and to introduce new features and services. To grow our business and remain competitive, we must continue to enhance our software and develop features that reflect the constantly evolving nature of technology and our customers’ needs. The success of new products, enhancements and developments depends on several factors: our anticipation of market changes and demands for product features, including timely product introduction and conclusion, sufficient customer demand, cost effectiveness in our product development efforts and the proliferation of new technologies that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely. In addition, because our software is designed to operate with a variety of systems, applications, data and devices, we

will need to continuously modify and enhance our software to keep pace with changes in such systems. We may not be successful in developing these modifications and enhancements. Furthermore, the addition of features and solutions to our software will increase our research and development expenses. Any new features that we develop may not be introduced in a timely or cost-effective manner or may not achieve the market acceptance necessary to generate sufficient revenue to justify the related expenses. It is difficult to predict customer adoption of new features. Such uncertainty limits our ability to forecast our future results of operations and subjects us to a number of challenges, including our ability to plan for and model future growth. If we cannot address such uncertainties and successfully develop new features, enhance our software or otherwise overcome technological challenges and competing technologies, our business and results of operations could be adversely affected.

We also offer professional services including consulting and training and must continually adapt to assist our customers in deploying our software in accordance with their specific IT strategies. If we cannot introduce new services or enhance our existing services to keep pace with changes in our customers' deployment strategies, we may not be able to attract new customers, retain existing customers and expand their use of our software or secure renewal contracts, which are important for the future of our business.

***Our success is highly dependent on our ability to penetrate the existing market for database products, as well as the growth and expansion of the market for database products.***

Our future success will depend in large part on our ability to service existing demand, as well as the continued growth and expansion of the database market. It is difficult to predict demand for our offerings, the conversion from one to the other and related services and the size, growth rate and expansion of these markets, the entry of competitive products or the success of existing competitive products. Our ability to penetrate the existing database market and any expansion of the market depends on a number of factors, including cost, performance and perceived value associated with our subscription offerings, as well as our customers' willingness to adopt an alternative approach to relational and other database products available in the market. Furthermore, many of our potential customers have made significant investments in relational databases, such as offerings from Oracle and may be unwilling to invest in new products. If the market for databases fails to grow at the rate that we anticipate or decreases in size or we are not successful in penetrating the existing market, our business would be harmed.

***Our future quarterly results may fluctuate significantly and if we fail to meet the expectations of analysts or investors, our stock price could decline substantially.***

Our results of operations, including our revenue, operating expenses and cash flows may vary significantly in the future as a result of a variety of factors, many of which are outside of our control, may be difficult to predict and may or may not fully reflect the underlying performance of our business and period-to-period comparisons of our operating results may not be meaningful. Some of the factors that may cause our results of operations to fluctuate from quarter to quarter include:

- changes in actual and anticipated growth rates of our revenue, customers and other key operating metrics;
- new product announcements, pricing changes and other actions by competitors;
- the mix of revenue and associated costs attributable to subscriptions for our MongoDB Enterprise Advanced and MongoDB Atlas offerings (such as our non-cancelable multi-year cloud infrastructure capacity commitments, which require us to pay for such capacity irrespective of actual usage) and professional services, as such relative mix may impact our gross margins and operating income;
- the mix of revenue and associated costs attributable to sales where subscriptions are bundled with services versus sold on a standalone basis and sales by us and our partners;
- our ability to attract new customers;
- our ability to effectively expand our sales and marketing capabilities and teams;
- our ability to retain customers and expand their usage of our software, particularly for our largest customers;
- shelter-in-place or similar orders, private travel limitation, or business disruption in regions affecting our operations, stemming from actual, imminent or perceived outbreak of contagious disease, including the ongoing COVID-19 pandemic;
- our inability to enforce the AGPL or SSPL;
- delays in closing sales, including the timing of renewals, which may result in revenue being pushed into the next quarter, particularly because a large portion of our sales occur toward the end of each quarter;

- the timing of revenue recognition;
- the mix of revenue attributable to larger transactions as opposed to smaller transactions;
- changes in customers' budgets and in the timing of their budgeting cycles and purchasing decisions;
- customers and potential customers opting for alternative products, including developing their own in-house solutions, or opting to use only the free version of our products;
- fluctuations in currency exchange rates;
- our ability to control costs, including our operating expenses;
- the timing and success of new products, features and services offered by us and our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our software;
- our failure to maintain the level of service uptime and performance required by our customers;
- the collectability of receivables from customers and resellers, which may be hindered or delayed if these customers or resellers experience financial distress;
- changes in political and economic conditions, in domestic or international markets, including developments resulting from the recent United States presidential and congressional elections and change of administration in the United States;
- general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate, including those conditions related to the ongoing COVID-19 pandemic;
- sales tax and other tax determinations by authorities in the jurisdictions in which we conduct business;
- the impact of new accounting pronouncements; and
- fluctuations in stock-based compensation expense.

The occurrence of one or more of the foregoing and other factors may cause our results of operations to vary significantly. For example, the full impact of the ongoing COVID-19 pandemic is unknown at this time, but could result in material adverse changes in our results of operations for an unknown period of time as the virus and its related political, social and economic impacts spread. Moreover, fluctuations in our quarterly operating results and the price of our Class A common stock may be particularly pronounced in the current economic environment due to the uncertainty caused by and the unprecedented nature of the COVID-19 pandemic. We also intend to continue to invest significantly to grow our business in the near future rather than optimizing for profitability or cash flows. Accordingly, historical patterns and our results of operations in any one quarter may not be meaningful and should not be relied upon as indicative of future performance. Additionally, if our quarterly results of operations fall below the expectations of investors or securities analysts who follow our stock, the price of our Class A common stock could decline substantially and we could face costly lawsuits, including securities class action suits.

***We have experienced rapid growth in recent periods. If we fail to continue to grow and to manage our growth effectively, we may be unable to execute our business plan, increase our revenue, improve our results of operations, maintain high levels of service, or adequately address competitive challenges.***

We have recently experienced rapid growth in our business, operations and employee headcount. For fiscal years 2020, 2019 and 2018, our total revenue was \$421.7 million, \$267.0 million and \$166.0 million, respectively, representing a 58% and 61% growth rate, respectively. We have also significantly increased the size of our customer base from over 3,200 customers as of January 31, 2017 to over 17,000 customers as of January 31, 2020 and we grew from 713 employees as of January 31, 2017 to 1,813 employees as of January 31, 2020. We expect to continue to expand our operations and employee headcount in the near term. Our success will depend in part on our ability to continue to grow and to manage this growth, domestically and internationally, effectively.

Our recent growth has placed and future growth will continue to place, a significant strain on our management, administrative, operational and financial infrastructure. We will need to continue to improve our operational, financial and management processes and controls and our reporting systems and procedures to manage the expected growth of our operations and personnel, which will require significant expenditures and allocation of valuable management and employee resources. If we fail to implement these infrastructure improvements effectively, our ability to ensure uninterrupted operation of key business systems and comply with the rules and regulations that are applicable to public reporting companies will be impaired. Further, if we do not effectively manage the growth of our business and operations, the quality of our products and services could suffer, the preservation of our culture, values and entrepreneurial environment may change and we may not be able to adequately address competitive challenges. This could impair our ability to attract new customers, retain existing customers and expand their use of our products and services, all of which would adversely affect our brand, overall business, results of operations and financial condition.

***If our security measures, or those of our service providers, are breached or unauthorized access to personal information or otherwise private or proprietary data is otherwise obtained, our software may be perceived as not being secure, customers may reduce or terminate their use of our software and we may face litigation, regulatory investigations, significant liability and reputational damage.***

In the ordinary course of our business, we collect, store and process personal information and other confidential information of our employees and our customers. We use third-party service providers and subprocessors to help us deliver services to our customers. These vendors may store or process personal information and/or other confidential information of our employees and our customers. We collect such information from individuals located both in the United States and abroad and may store or process such information outside of the country in which it was collected. We, or our service providers, may suffer a security breach or other security incident affecting the systems or networks used to operate our business, or otherwise impacting the data that is stored or processed in the conduct of our business.

In addition, because our software, which can be deployed in the cloud, on-premise or in a hybrid environment and can be hosted by our customers or can be hosted by us as a service, allows customers to store and transmit data, there exists an inherent risk of a security breach or other security incident, which may result in the loss of, or unauthorized access to, this data. For example, industry publications have reported ransomware attacks on MongoDB instances. We believe these attacks were successful due to the failure by users of our Community Server offering to properly turn on the recommended security settings when running these instances.

Cyberattacks and other malicious internet-based activity continue to increase and the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target. Additionally, due to the COVID-19 pandemic, nearly all of our employees are temporarily working remotely, which may pose additional data security risks. For example, we have seen an increase in phishing and spam emails as well as social engineering attempts from “hackers” hoping to use the ongoing COVID-19 pandemic to their advantage. In addition to traditional computer “hackers,” malicious code (such as viruses and worms), employee theft or misuse and denial-of-service (“DoS”) attacks, sophisticated nation-state and nation-state supported actors now engage in attacks (including advanced persistent threat intrusions). We cannot guarantee that our security measures will be sufficient to protect against unauthorized access to or other compromise of the personal information and/or other confidential information of our employees or customers. The techniques used to sabotage or to obtain unauthorized access to our platform, systems, networks and/or physical facilities in which data is stored or through which data is transmitted change frequently and we may be unable to implement adequate preventative measures or stop security breaches while they are occurring. We may also experience security breaches that may remain undetected for an extended period.

Any security breach or other security incident could harm our reputation and lead to litigation, indemnity obligations, regulatory investigations and enforcement actions and other liabilities. If our security measures, or those of our services providers, are breached or are believed to have been breached, whether as a result of third-party action, employee, vendor, or contractor error, malfeasance, phishing attacks, social engineering or otherwise, unauthorized access to or loss of data may result. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. Such mandatory disclosures are costly, could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach.

Moreover, unauthorized access to our software, systems, networks, or physical facilities could result in litigation with our customers and result in 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 and other liabilities. We may also face regulatory investigations and actions and fines and penalties for violations of applicable laws or regulation. These litigation and regulatory proceedings could force us to spend money in defense or settlement, divert management's time and attention, increase our costs of doing business and adversely affect our reputation. We could be required to fundamentally change our business activities and practices or modify our products in response to such litigation, which could have an adverse effect on our business.

While we maintain general liability insurance coverage and coverage for errors or omissions, we cannot assure you that such coverage will be adequate or otherwise protect us from liabilities or damages with respect to claims alleging compromises of personal or other confidential data or otherwise relating to privacy or data security matters. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

***Our sales cycle may be long and is unpredictable and our sales efforts require considerable time and expense.***

The timing of our sales and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for our offerings. We are often required to spend significant time and resources to better educate and familiarize potential customers with the value proposition of paying for our products and services. The length of our sales cycle, from initial evaluation to payment for our offerings is generally three to nine months, but can vary substantially from customer to customer or from application to application within a given customer. As the purchase and deployment of our products can be dependent upon customer initiatives, our sales cycle can extend to more than a year for some customers. Customers often view a subscription to our products and services as a strategic decision and significant investment and, as a result, frequently require considerable time to evaluate, test and qualify our product offering prior to entering into or expanding a subscription. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which may not result in a sale. Additional factors that may influence the length and variability of our sales cycle include:

- the effectiveness of our sales force, in particular new sales people as we increase the size of our sales force;
- the discretionary nature of purchasing and budget cycles and decisions;
- the obstacles placed by a customer's procurement process;
- our ability to convert users of our free offerings to paying customers;
- economic conditions and other factors impacting customer budgets;
- customer evaluation of competing products during the purchasing process; and
- evolving customer demands.

Given these factors, it is difficult to predict whether and when a sale will be completed and when revenue from a sale will be recognized, particularly the timing of revenue recognition related to the term license portion of our subscription revenue. This could impact the variability and comparability of our quarterly revenue results and may have an adverse effect on our business, results of operations and financial condition.

***We have a limited history with our subscription offerings and pricing model and if, in the future, we are forced to reduce prices for our subscription offerings, our revenue and results of operations will be harmed.***

We have limited experience with respect to determining the optimal prices for our subscription offerings. As the market for databases evolves, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers or convert users of our free offerings to paying customers on terms or based on pricing models that we have used historically. In the past, we have been able to increase our prices for our subscription offerings, but we may choose not to introduce or be unsuccessful in implementing future price increases. As a result of these and other factors, in the future we may be required to reduce our prices or be unable to increase our prices, or it may be necessary for us to increase our services or product offerings without additional revenue to remain competitive, all of which could harm our results of operations and financial condition.

***If we are unable to attract new customers in a manner that is cost-effective and assures customer success, we will not be able to grow our business, which would adversely affect our results of operations and financial condition.***

In order to grow our business, we must continue to attract new customers in a cost-effective manner and enable these customers to realize the benefits associated with our products and services. We may not be able to attract new customers for a variety of reasons, including as a result of their use of traditional relational and/or other database products and their internal timing, budget or other constraints that hinder their ability to migrate to or adopt our products or services.

Even if we do attract new customers, the cost of new customer acquisition, product implementation and ongoing customer support may prove so high as to prevent us from achieving or sustaining profitability. For example, in fiscal years 2020, 2019 and 2018, total sales and marketing expense represented 53%, 56% and 66% of revenue, respectively. We intend to continue to hire additional sales personnel, increase our marketing activities to help educate the market about the benefits of our platform and services, grow our domestic and international operations and build brand awareness. We also intend to continue to cultivate our relationships with developers through continued investment and growth of our MongoDB World, MongoDB Advocacy Hub, User Groups, MongoDB University and our partner ecosystem of global system integrators, value-added resellers and independent software vendors. If the costs of these sales and marketing efforts increase dramatically, if we do not experience a substantial increase in leverage from our partner ecosystem, or 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. In addition, while we expect to continue to invest in our professional services organization to accelerate our customers' ability to adopt our products and ultimately create and expand their use of our products over time, we cannot assure you that any of these investments will lead to the cost-effective acquisition of additional customers.

***Our business and results of operations depend substantially on our customers renewing their subscriptions with us and expanding their use of software and related services. Any decline in our customer renewals or failure to convince our customers to broaden their use of subscription offerings and related services would harm our business, results of operations and financial condition.***

Our subscription offerings are term-based and a majority of our subscription contracts were one year in duration in fiscal year 2020. In order for us to maintain or improve our results of operations, it is important that our customers renew their subscriptions with us when the existing subscription term expires and renew on the same or more favorable quantity and terms. Our customers have no obligation to renew their subscriptions and we may not be able to accurately predict customer renewal rates. In addition, the growth of our business depends in part on our customers expanding their use of subscription offerings and related services. Historically, some of our customers have elected not to renew their subscriptions with us for a variety of reasons, including as a result of changes in their strategic IT priorities, budgets, costs and, in some instances, due to competing solutions. Our retention rate may also decline or fluctuate as a result of a number of other factors, including our customers' satisfaction or dissatisfaction with our software, the increase in the contract value of subscription and support contracts from new customers, the effectiveness of our customer support services, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, global economic conditions and the other risk factors described herein. As a result, we cannot assure you that customers will renew subscriptions or increase their usage of our software and related services. If our customers do not renew their subscriptions or renew on less favorable terms, or if we are unable to expand our customers' use of our software, our business, results of operations and financial condition may be adversely affected.

***If we fail to offer high quality support, our business and reputation could suffer.***

Our customers rely on our personnel for support of our software and services included in our subscription packages. High-quality support is important for the renewal and expansion of our agreements with existing customers. The importance of high-quality support will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell new software to existing and new customers could suffer and our reputation and relationships with existing or potential customers could be harmed.

***Real or perceived errors, failures or bugs in our software could adversely affect our business, results of operations, financial condition and growth prospects.***

Our software is complex and therefore, undetected errors, failures or bugs have occurred in the past and may occur in the future. Our software is used in IT environments with different operating systems, system management software, applications, devices, databases, servers, storage, middleware, custom and third-party applications and equipment and networking configurations, which may cause errors or failures in the IT environment into which our software is deployed. This diversity increases the likelihood of errors or failures in those IT environments. Despite testing by us, real or perceived

errors, failures or bugs may not be found until our customers use our software. Real or perceived errors, failures or bugs in our products could result in negative publicity, loss of or delay in market acceptance of our software, regulatory investigations and enforcement actions, harm to our brand, weakening of our competitive position, or claims by customers for losses sustained by them or failure to meet the stated service level commitments in our customer agreements. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend significant additional resources in order to help correct the problem. Any errors, failures or bugs in our software could also impair our ability to attract new customers, retain existing customers or expand their use of our software, which would adversely affect our business, results of operations and financial condition.

***Because our software and services could be used to collect and store personal information, domestic and international privacy concerns could result in additional costs and liabilities to us or inhibit sales of our software.***

Data privacy has become a significant issue in the United States, Europe and in many other countries and jurisdictions where we offer our software and services. Our software and services can be used to collect and store substantial amounts of personal information. We are subject to a variety of federal, state, local and foreign laws, directives, rules and regulations relating to the collection, use, storage, retention, security, disclosure, transfer, breach notification procedures and other processing of personal information. The regulatory framework for privacy issues is rapidly evolving and interpretation of these laws, rules and regulations and their application to our software and professional services in the United States and foreign jurisdictions is ongoing and cannot be fully determined at this time.

In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the Gramm Leach Bliley Act and state laws relating to privacy, data security and data breaches. For example, California enacted the California Consumer Privacy Act (the “CCPA”) in 2018, which became effective on January 1, 2020, with implementing regulations that came into effect on August 14, 2020. The CCPA introduced new requirements regarding the handling of personal information of California consumers and households. The law gives individuals the right to request access to and deletion of their information and the right to opt out of sales of their personal information. The CCPA also authorizes private lawsuits to recover statutory damages for certain data breaches. Moreover, a new proposed privacy law, the California Privacy Rights Act (“CPRA”) recently was approved by California voters. The CCPA and the CPRA may increase our compliance costs and potential liability with respect to personal information we collect about California residents. California and other states may enact further privacy and data security legislation in the coming years. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may apply to us.

Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal framework with which we or our customers must comply, including, but not limited to, the European Economic Area (“E.E.A.”), Switzerland, the United Kingdom (“U.K.”), Canada, Brazil and other countries. The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the E.E.A., Switzerland and the U.K. is subject to the General Data Protection Regulation (the “GDPR”), which came into effect in May 2018, and other European laws governing the processing of personal information. Data protection authorities in the E.E.A., Switzerland and the U.K. have the power to impose administrative fines for violations of the GDPR of up to a maximum of €20 million or 4% of the entity’s total worldwide global turnover for the preceding financial year, whichever is higher and violations of the GDPR may also lead to damages claims by data controllers and data subjects. Since we act as a data processor for our MongoDB Atlas customers, we have taken steps to cause our processes to be compliant with applicable portions of the GDPR, but because of the ambiguities in the GDPR and the evolving interpretation of the GDPR by data protection authorities, we cannot assure you that such steps are complete or effective. Countries outside Europe, including without limitation Brazil, which recently enacted the General Data Protection Law (*Lei Geral Proteção de Dados Pessoais or LGPD*) (Law No. 13,709/2018) are implementing significant limitations on the processing of personal information, similar to those in the GDPR.

Some of the foreign data protection laws, including without limitation the GDPR, may restrict the cross-border transfer of personal information, such as transfers of data to the United States from the E.E.A., Switzerland or the U.K. These laws may require data exporters and data importers - as a condition of cross-border data transfers - to implement specific safeguards to protect the transferred personal information. Following the invalidation of the E.U.-U.S. Privacy Shield Framework by the Court of Justice of the E.U. on July 16, 2020, European data protection authorities issued new guidance regarding the cross-border data transfers in reliance on Standard Contractual Clauses, which casts doubt on the legality of transfers of personal information to the U.S. from the E.E.A., Switzerland, or the U.K. In addition, the European Commission has proposed updates to the Standard Contractual Clauses. Any inability to transfer personal data to the U.S. from the E.E.A.,

Switzerland or the U.K. in compliance with the GDPR and European data protection laws may impede our ability to attract and retain customers and adversely affect our business and financial position.

In addition to Europe, countries that have enacted data protection laws, including Brazil, may issue regulations and other interpretations of such laws that may restrict cross-border transfers of personal information from those countries in a manner similar to the restrictions imposed by the GDPR.

In addition to the GDPR, the Privacy and Electronic Communications Directive 2002 (“e-Privacy Directive”) covers electronic marketing, the use of cookies (and similar technologies) and privacy and confidentiality in electronic communications that pertain to E.U. and U.K. residents. There are proposals to replace the e-Privacy Directive with an e-Privacy Regulation, currently in draft form. The draft e-Privacy Regulation seeks to improve individuals' privacy and updates the existing privacy and electronic communications regime to cover recent technological developments and bring it in line with the GDPR. Complying with foreign data protection laws like the GDPR, e-Privacy Directive and the e-Privacy Regulation (when it becomes effective) may cause us to incur substantial operational costs or require us to change our business practices. Despite our compliance efforts, we may not be successful in achieving compliance either due to internal or external factors such as resource allocation limitations or a lack of vendor cooperation. We may find it necessary to establish systems to maintain locally the personal information originating from the E.E.A., or to protect a person's privacy, which may involve substantial expense and distraction from other aspects of our business.

In addition, Brexit could also lead to further legislative and regulatory changes, depending on the final terms of Brexit and the agreements or arrangements negotiated between the U.K. and the E.U. It remains unclear how the U.K. data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the U.K. will be regulated. We may incur substantial expense in complying with any new obligations, and we may be required to make significant changes in our business operations, all of which may adversely affect our revenues and our business overall.

Because the interpretation and application of privacy and data protection laws, regulations, rules and other standards are still uncertain and likely to remain uncertain for the foreseeable future, it is possible that these laws, rules, regulations and other actual or alleged legal obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our data management practices or the features of our software. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which we may be unable to do in a commercially reasonable manner or at all and which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and other actual or alleged obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business.

In addition, we publish privacy policies and other documentation regarding our collection, processing, use and disclosure of personal information and/or other confidential information. Although we endeavor to comply with our published policies, certifications and documentation, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees or vendors fail to comply with our published policies, certifications and documentation. Such failures can subject us to potential international, local, state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

Furthermore, the costs of compliance with and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our customers may limit the use and adoption of and reduce the overall demand for, our software. Privacy concerns, whether valid or not valid, may inhibit market adoption of our software particularly in certain industries and foreign countries.

***The estimates of market opportunity and forecasts of market growth included in this Form 10-Q may prove to be inaccurate and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.***

Market opportunity estimates and growth forecasts included in this Form 10-Q are subject to significant uncertainty and are based on third-party assumptions and estimates that may not prove to be accurate. The market in which we compete may not meet the size estimates and may not achieve the growth forecast referenced in this Form 10-Q. Even if the market in which we compete meets the size estimates and the growth forecast referenced in this Form 10-Q, our business could fail to grow at similar rates, if at all, for a variety of reasons, which would adversely affect our results of operations.

***We could incur substantial costs in protecting or defending our intellectual property rights and any failure to protect our intellectual property rights could reduce the value of our software and brand.***

Our success and ability to compete depend in part upon our intellectual property rights. As of January 31, 2020, we had 25 issued patents and 46 pending patent applications in the United States, which may not result in issued patents. Even if a patent issues, we cannot assure you that such patent will be adequate to protect our business. We primarily rely on copyright, trademark laws, trade secret protection and confidentiality or other contractual arrangements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may not be adequate. In order to protect our intellectual property rights, we may be required to spend significant resources to establish, monitor and enforce such rights. Litigation brought to enforce our intellectual property rights could be costly, time-consuming and distracting to management and could be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights, which may result in the impairment or loss of portions of our intellectual property. The local laws of some foreign countries do not protect our intellectual property rights to the same extent as the laws of the United States and effective intellectual property protection and mechanisms may not be available in those jurisdictions. We may need to expend additional resources to defend our intellectual property in these countries and our inability to do so could impair our business or adversely affect our international expansion. Even if we are able to secure our intellectual property rights, there can be no assurances that such rights will provide us with competitive advantages or distinguish our products and services from those of our competitors or that our competitors will not independently develop similar technology.

In addition, we regularly contribute source code under open source licenses and have made some of our own software available under open source or source available licenses and we include third-party open source software in our products. Because the source code for any software we contribute to open source projects or distribute under open source or source available licenses is publicly available, our ability to protect our intellectual property rights with respect to such source code may be limited or lost entirely. In addition, from time to time, we may face claims from third parties claiming ownership of, or demanding release of, the software or derivative works that we have developed using third-party open source software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open-source license.

***We have been and may in the future be, subject to intellectual property rights claims by third parties, which may be costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.***

Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have in the past and may in the future be subject to claims that we have misappropriated, misused or infringed the intellectual property rights of our competitors, non-practicing entities or other third parties. This risk is exacerbated by the fact that our software incorporates third-party open source software. For example, Realtime Data (“Realtime”) filed a lawsuit against us in the United States District Court for the District of Delaware in March 2019 alleging that we are infringing three U.S. patents that it holds: the 908 Patent, the 751 Patent and the 825 Patent. The patent infringement allegations in the lawsuit relate to data compression, decompression, storage and retrieval. This action is currently stayed. See the section titled “Item 1. Legal Proceedings.”

Any intellectual property claims, with or without merit, could be very time-consuming and expensive and could divert our management’s attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in violation of a third party’s rights, some of which we have invested considerable effort and time to bring to market. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any aspect of our business that may ultimately be determined to infringe on the intellectual property rights of another party, we could be forced to limit or stop sales of subscriptions to our software and may be unable to compete effectively. Any of these results would adversely affect our business, results of operations and financial condition.

***If we are unable to maintain successful relationships with our partners, our business, results of operations and financial condition could be harmed.***

In addition to our direct sales force and our website, we use strategic partners, such as global system integrators, value-added resellers and independent software vendors to sell our subscription offerings and related services. Our agreements with our partners are generally nonexclusive, meaning our partners may offer their customers products and services of several different companies, including products and services that compete with ours, or may themselves be or become competitors. If our partners do not effectively market and sell our subscription offerings and related services, choose to use greater efforts to market and sell their own products and services or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our subscription offerings and related services may be harmed. Our partners may cease marketing our subscription offerings or related services with limited or no notice and with little or no penalty. The loss of a substantial number of our partners, our possible inability to replace them, or the failure to recruit additional partners could harm our growth objectives and results of operations.

***We rely upon third-party cloud providers to host our cloud offering; any disruption of or interference with our use of third-party cloud providers would adversely affect our business, results of operations and financial condition.***

We outsource substantially all of the infrastructure relating to MongoDB Atlas across AWS, Microsoft Azure and GCP to host our cloud offering. Customers of MongoDB Atlas need to be able to access our platform at any time, without interruption or degradation of performance and we provide them with service level commitments with respect to uptime. Third-party cloud providers run their own platforms that we access and we are, therefore, vulnerable to their service interruptions. We may experience interruptions, delays and outages in service and availability from time to time as a result of problems with our third-party cloud providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Such outages could lead to the triggering of our service level agreements and the issuance of credits to our cloud offering customers, which may impact our business, results of operations and financial condition. In addition, if our security, or that of any of these third-party cloud providers, is compromised, our software is unavailable or our customers are unable to use our software within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected. In some instances, we may not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers. It is possible that our customers and potential customers would hold us accountable for any breach of security affecting a third-party cloud provider's infrastructure and we may incur significant liability from those customers and from third parties with respect to any breach affecting these systems. We may not be able to recover a material portion of our liabilities to our customers and third parties from a third-party cloud provider. It may also become increasingly difficult to maintain and improve our performance, especially during peak usage times, as our software becomes more complex and the usage of our software increases. Any of the above circumstances or events may harm our business, results of operations and financial condition.

***Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business, results of operations and financial condition.***

Our continued growth depends in part on the ability of our existing customers and new customers to access our software at any time and within an acceptable amount of time. We may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes or failures, human or software errors, malicious acts, terrorism or capacity constraints. Capacity constraints could be due to a number of potential causes including technical failures, natural disasters, fraud or security attacks. In some instances, we may not be able to identify and/or remedy 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 as our software offerings and customer implementations become more complex. If our software is unavailable or if our customers are unable to access features of our software within a reasonable amount of time or at all, or if other performance problems occur, our business, results of operations and financial conditions may be adversely affected.

***Incorrect or improper implementation or use of our software could result in customer dissatisfaction and harm our business, results of operations, financial condition and growth prospects.***

Our database software and related services are designed to be deployed in a wide variety of technology environments, including in large-scale, complex technology environments and we believe our future success will depend at least, in part, on our ability to support such deployments. Implementations of our software may be technically complicated and it may not be easy to maximize the value of our software without proper implementation and training. For example, industry publications

have reported ransomware attacks on MongoDB instances. We believe these attacks were successful due to the failure by users of our Community Server offering to properly turn on the recommended security settings when running these instances. If our customers are unable to implement our software successfully, or in a timely manner, customer perceptions of our company and our software may be impaired, our reputation and brand may suffer and customers may choose not to renew their subscriptions or increase their purchases of our related services.

Our customers and partners need regular training in the proper use of and the variety of benefits that can be derived from our software to maximize its potential. We often work with our customers to achieve successful implementations, particularly for large, complex deployments. Our failure to train customers on how to efficiently and effectively deploy and use our software, or our failure to provide effective support or professional services to our customers, whether actual or perceived, may result in negative publicity or legal actions against us. Also, as we continue to expand our customer base, any actual or perceived failure by us to properly provide these services will likely result in lost opportunities for follow-on sales of our related services.

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

Our agreements with customers typically provide for service level commitments. Our MongoDB Enterprise Advanced customers typically get service level commitments with certain guaranteed response times and comprehensive 24x365 coverage. Our MongoDB Atlas customers typically get monthly uptime service level commitments, where we are required to provide a service credit for any extended periods of downtime. The complexity and quality of our customer's implementation and the performance and availability of cloud services and cloud infrastructure are outside our control and, therefore, we are not in full control of whether we can meet these service level commitments. Our business, results of operations and financial condition could be adversely affected if we fail to meet our service level commitments for any reason. Any extended service outages could adversely affect our business, reputation and brand.

***We rely on the performance of highly skilled personnel, including senior management and our engineering, professional services, sales and technology professionals; if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.***

We believe our success has depended and continues to depend, on the efforts and talents of our senior management team, particularly our Chief Executive Officer, and our highly skilled team members, including our sales personnel, client services personnel and software engineers. We do not maintain key man insurance on any of our executive officers or key employees. From time to time, there may be changes in our senior management team resulting from the termination or departure of our executive officers and key employees. The majority of our senior management and key employees are employed on an at-will basis, which means that they could terminate their employment with us at any time. For example, our former Chief Technology Officer resigned effective July 10, 2020. The loss of any of our senior management or key employees could adversely affect our ability to build on the efforts they have undertaken to execute our business plan and to execute against our market opportunity. We may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees.

Further, if members of our management and other key personnel in critical functions across our organization are unable to perform their duties or have limited availability due to COVID-19, we may not be able to execute on our business strategy and/or our operations may be negatively impacted.

Our ability to successfully pursue our growth strategy also depends on our ability to attract, motivate and retain our personnel. Competition for well-qualified employees in all aspects of our business, including sales personnel, client services personnel and software engineers, is intense. Our recruiting efforts focus on elite organizations and our primary recruiting competition are well-known, high-paying technology companies. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business would be adversely affected.

***If we are not able to maintain and enhance our brand, especially among developers, our business and results of operations may be adversely affected.***

We believe that developing and maintaining widespread awareness of our brand, especially with developers, in a cost-effective manner is critical to achieving widespread acceptance of our software and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenue and even if they do, any increase in revenue may not offset the expenses we incur in building our brand. For instance, our continued focus and investment in MongoDB

World, MongoDB University and similar investments in our brand and customer engagement and education may not generate a sufficient financial return. If we fail to successfully promote and maintain our brand, or continue to incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our platform.

***Our corporate culture has contributed to our success and if we cannot continue to maintain and develop this culture as we grow and evolve, we may be unable to execute effectively and could lose the innovation, creativity and entrepreneurial spirit we have worked hard to foster, which could harm our business.***

We believe that our culture has been and will continue to be a key contributor to our success. From January 31, 2017 to January 31, 2020, we increased the size of our workforce by 1,100 employees and we expect to continue to hire aggressively as we expand, especially research and development and sales and marketing personnel. Such substantial headcount growth may result in a change to our corporate culture.

Our leadership team also plays a key role in our corporate culture. We recently hired a Chief Technology Officer, a Chief People Officer and a Chief Marketing Officer, and we may also recruit and hire other senior executives in the future. Such management changes subject us to a number of risks, such as risks pertaining to coordination of responsibilities and tasks, creation of new management systems and processes, differences in management style, any of which could adversely impact our corporate culture. In addition, we may need to adapt our corporate culture and work environments to changing circumstances, such as during times of a natural disaster or pandemic, including the ongoing COVID-19 pandemic.

If we do not continue to maintain and develop our corporate culture, we may be unable to execute effectively and foster the innovation, creativity and entrepreneurial spirit we believe we need to support our growth, which could harm our business.

***We depend and rely upon SaaS technologies from third parties to operate our business and interruptions or performance problems with these technologies may adversely affect our business and results of operations.***

We rely on hosted SaaS applications from third parties in order to operate critical functions of our business, including enterprise resource planning, order management, contract management billing, project management and accounting and other operational activities. If these services become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms, our expenses could increase, our ability to manage finances could be interrupted and our processes for managing sales of our platform and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could adversely affect our business.

***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, damages caused by us to property or persons, data breach, 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. Although we normally contractually limit our liability with respect to such indemnity obligations, we may still incur substantial liability related to them. 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.

***Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.***

A component of our growth strategy involves the further expansion of our operations and customer base internationally. In the fiscal years ended January 31, 2020, 2019 and 2018, total revenue generated from customers outside the United States was 41%, 39% and 37%, respectively, of our total revenue. We currently have international offices outside of North America in Europe, the Middle East and Africa (“EMEA”), the Asia-Pacific region and South America, focusing primarily on selling our products and services in those regions. In the future, we may continue to expand our presence in these regions or expand into other international locations. Our current international operations and future initiatives involve a variety of risks, including risks associated with:

- changes in a specific country’s or region’s political or economic conditions;

- the need to adapt and localize our products for specific countries;
- greater difficulty collecting accounts receivable and longer payment cycles;
- unexpected changes in laws, regulatory requirements, taxes or trade laws;
- shelter-in-place or similar orders, private travel limitation, or business disruption in regions affecting our operations, stemming from actual, imminent or perceived outbreak of contagious disease, including the ongoing COVID-19 pandemic;
- more stringent regulations relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in EMEA;
- differing labor regulations, especially in EMEA, 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 managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- increased costs associated with international operations, including travel, real estate, infrastructure and legal compliance costs;
- 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 chose to do so in the future;
- the effect of other economic factors, including inflation, pricing and currency devaluation;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general preferences for local vendors;
- operating in new, developing or other markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations, including relating to contract and intellectual property rights;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property;
- political instability, social unrest, terrorist activities, natural disasters or regional or global outbreaks of contagious diseases, such as the ongoing COVID-19 pandemic;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business and results of operations will suffer.

***Changes in government trade policies, including the imposition of tariffs and other trade barriers, could limit our ability to sell our products to certain customers and certain markets, which could adversely affect our business, financial condition and results of operations.***

The United States or foreign governments may take administrative, legislative or regulatory action that could materially interfere with our ability to sell our offerings in certain countries. For instance, there is currently significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, tariffs and taxes. If tariffs or other trade barriers are placed on offerings such as ours, this could have a direct or indirect adverse effect on our business. Even in the absence of tariffs or other trade barriers, the related uncertainty and the market's fears relating to international trade might result in lower demand for our offerings, which could adversely affect our business, financial condition and results of operations.

***Legal, political and economic uncertainty surrounding the exit of the United Kingdom from the European Union may be a source of instability in international markets, create significant currency fluctuations, adversely affect our operations in the United Kingdom and pose additional risks to our business, revenue, financial condition and results of operations.***

The United Kingdom (the “U.K.”) formally left the E.U. on January 31, 2020, commonly referred to as Brexit. Under the terms of the withdrawal agreement, the U.K. will be subject to a transition period, which extends until December 31, 2020 (the “Transition Period”), during which E.U. rules will continue to apply. Negotiations between the U.K. and the E.U. are expected to continue in relation to their customs and trading relationship, following the expiry of the Transition Period. No agreement has yet been reached between the U.K. and the E.U., and it may be the case that no formal customs and trading agreement will be reached prior to the expiration of the transition period on December 31, 2020.

The uncertainty concerning the U.K.’s legal, political and economic relationships with the E.U. after the Transition Period may be a source of instability in the international markets, create significant currency fluctuations and otherwise adversely affect trading agreements or similar cross border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). Further, if the U.K. and the E.U. are unable to negotiate acceptable trading and customs terms or if other E.U. Member States pursue withdrawal, barrier-free access between the U.K. and other E.U. Member States or among the European Economic Area overall could be diminished or eliminated. The long-term effects of Brexit will depend on any agreements (or lack thereof) between the U.K. and the E.U. and, in particular, any arrangements for the U.K. to retain access to E.U. markets after the Transition Period.

Such a withdrawal from the E.U. is unprecedented and it is unclear how the U.K.’s access to the European single market for goods, capital, services and labor within the E.U., or the European single market and the wider commercial, legal and regulatory environment, will impact our U.K. operations and our customers located in the U.K.

The ultimate effects of Brexit on us are difficult to predict; however, we currently conduct a significant part of our business in the U.K. and in the E.U., with customers located in the U.K. accounting for 10%, 10% and 11% of total revenue for fiscal years 2020, 2019 and 2018, respectively. The U.K.’s withdrawal from the E.U. could cause disruptions and create uncertainty to our businesses, including affecting the business of and/or our relationships with our customers and suppliers, as altering the relationship among tariffs and currencies, including the value of the British pound and the Euro relative to the U.S. dollar and creating new regulatory costs and challenges. Any of these effects, among others, could adversely impact our financial position and results of operations.

***If currency exchange rates fluctuate substantially in the future, our financial results, which are reported in U.S. dollars, could be adversely affected.***

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Often, contracts executed by our foreign operations are denominated in the currency of that country or region and a portion of our revenue is therefore subject to foreign currency risks. However, a strengthening of the U.S. dollar could increase the real cost of our subscription offerings and related services to our customers outside of the United States, adversely affecting our business, results of operations and financial condition. We incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of such expenses being higher. This could have a negative impact on our reported results of operations. To date, we have not engaged in any hedging strategies and any such strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures that we may implement in the future to mitigate this risk may not eliminate our exposure to foreign exchange fluctuations. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

***Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our software and could have a negative impact on our business.***

The future success of our business and particularly our cloud offerings, such as MongoDB Atlas, depends upon the continued use of the internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could require us to modify our software in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, resulting in reductions in the demand for internet-based solutions such as ours.

In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by “ransomware,” “viruses,” “worms,” “malware,” “phishing attacks,” “data breaches” and similar malicious programs, behavior and events and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our subscription offerings and related services could suffer.

***Our corporate structure and intercompany arrangements are subject to the tax laws of various jurisdictions and we could be obligated to pay additional taxes, which would harm our results of operations.***

Based on our current corporate structure, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. 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. The authorities in these jurisdictions could review our tax returns or require us to file tax returns in jurisdictions in which we are not currently filing and could impose additional tax, interest and penalties. In addition, the authorities could claim that various withholding requirements apply to us or our subsidiaries, assert that benefits of tax treaties are not available to us or our subsidiaries, or challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing. The relevant taxing authorities may determine that the manner in which we operate our business does not achieve the intended tax consequences. If such a disagreement was to occur and our position was not sustained, we could be required to pay additional taxes and interest and penalties. Such authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries. Any increase in the amount of taxes we pay or that are imposed on us could increase our worldwide effective tax rate and harm our business and results of operations.

***We may acquire or invest in companies, which may divert our management’s attention and result in additional dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.***

Our success will depend, in part, on our ability to grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may choose to do so through the acquisition of businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly and we may not be able to successfully complete identified acquisitions.

On November 1, 2018, we acquired ObjectLabs Corporation (“mLab”), a privately held company, headquartered in San Francisco, California, that offers cloud database services. On May 7, 2019, we acquired Tightdb, Inc. (“Realm”), a privately held mobile database company. The risks we face in connection with these and any future acquisitions include:

- an acquisition may negatively affect our results of operations 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 stockholders and 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;
- we may not be able to realize anticipated synergies;
- 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 acquired due to customer uncertainty about continuity and effectiveness of service from either company and we may experience increased customer churn with respect to the company acquired;
- we may encounter challenges integrating the employees of the acquired company into our company culture;

- for international transactions, we may face additional challenges related to the integration of operations across different cultures and languages and the economic, political and regulatory risks associated with specific countries;
- we may be unable to successfully sell any acquired products or increase adoption or usage of acquired products, or increase spend by acquired customers;
- our use of cash to pay for acquisitions would limit other potential uses for our cash;
- if we incur debt to fund any acquisitions, such debt may subject us to material restrictions on our ability to conduct our business, including financial maintenance covenants; and
- if we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease.

The occurrence of any of these risks could have an adverse effect on our business, results of operations and financial condition.

***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 U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”), the U.S. Travel Act, the U.K. Bribery Act (the “Bribery Act”) and other anti-corruption, anti-bribery and anti-money laundering laws in various jurisdictions around the world. The FCPA, Bribery Act and similar applicable laws generally prohibit companies, their officers, directors, employees and third-party intermediaries, business partners and agents from making improper payments or providing other improper things of value to government officials or other persons. 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 other third parties where we may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, resellers and agents, even if we do not explicitly authorize such activities. While we have policies and procedures and internal controls to address compliance with such laws, 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. To the extent that we learn that any of our employees, third-party intermediaries, agents, or business partners do not adhere to our policies, procedures, or internal controls, we are committed to taking appropriate remedial action. In the event that we believe or have reason to believe that our directors, officers, employees, third-party intermediaries, agents, or business partners have or may have violated such laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances. Detecting, investigating and resolving actual or alleged violations can be extensive and require a significant diversion of time, resources and attention from senior management. Any violation of the FCPA, Bribery Act, 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, fines and penalties 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 and financial condition.

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

Generally accepted accounting principles in the United States (“GAAP”), are subject to interpretation by the 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 could affect the reporting of transactions completed before the announcement of a change.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in Note 2, *Summary of Significant Accounting Policies*, in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our Consolidated

Financial Statements and Unaudited Condensed Consolidated Financial Statements include those related to revenue recognition, allowances for doubtful accounts, the incremental borrowing rate related to the Company's lease liabilities, stock-based compensation, fair value of the liability component of the convertible debt, fair value of common stock and redeemable convertible preferred stock warrants prior to the initial public offering, legal contingencies, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment and accounting for income taxes. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

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

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the applicable listing standards of the Nasdaq. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, we are required to have our independent registered public accounting firm issue an opinion on the effectiveness of our internal control over financial reporting on an annual basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our business and results of operations and could cause a decline in the price of our Class A common stock and we may be subject to investigation or sanctions by the SEC.

***We may require additional capital to support our operations or the growth of our business and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or otherwise enhance our database software, improve our operating infrastructure or acquire businesses and technologies. Accordingly, we may need to secure additional

capital through equity or debt financings. If we raise additional capital, our existing stockholders could suffer significant dilution and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms that are favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms that are satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business may be harmed.

***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 may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, 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 have a material adverse effect on 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 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 have a material impact on us and the results of our operations.

***The enactment of legislation implementing changes in U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.***

Changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to expansion of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial position and results of operations.

In addition, potential tax reform in the United States may result in significant changes to U.S. federal income taxation law, including changes to the U.S. federal income taxation of corporations (including the Company) and/or changes to the U.S. federal income taxation of stockholders in U.S. corporations, including investors in our Class A common stock. For example, the Tax Cuts and Jobs Act of 2017 was enacted on December 22, 2017 and significantly revised the U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21% for tax years beginning in 2018, imposing additional limitations on the deductibility of interest, changing the utilization of future net operating loss carryforwards, allowing for the expensing of certain capital expenditures and implementing a modified territorial system. We are currently unable to predict whether any future changes will occur and, if so, the impact of such changes, including on the U.S. federal income tax considerations relating to the purchase, ownership and disposition of our Class A common stock.

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

As of January 31, 2020 the Company had net operating loss carryforwards for federal, state, Irish and U.K. income tax purposes of approximately \$652.1 million, \$469.5 million, \$258.8 million and \$7.2 million, respectively, which begin to expire in the year ending January 31, 2028 for federal purposes and January 31, 2020 for state purposes. Ireland, U.K. and the U.S. federal losses for years after January 31, 2018 allows net operating losses to be carried forward indefinitely. A lack of future taxable income would adversely affect our ability to utilize these net operating losses (“NOLs”) before they expire. In general, under Section 382 of 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 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 reflected on our balance sheet, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our results of operations and financial condition.

***Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.***

We do not collect sales and use, value added or similar taxes in all jurisdictions in which we have sales and we have been advised that such taxes are not applicable to our products and services in certain jurisdictions. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, to us or our end-customers for the past amounts and we may be required to collect such taxes in the future. If we are unsuccessful in collecting such taxes from our end-customers, we could be held liable for such costs. Such tax assessments, penalties and interest, or future requirements may adversely affect our results of operations.

***We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.***

Our offerings are subject to United States export controls and we incorporate encryption technology into certain of our offerings. These encryption offerings and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license.

Furthermore, our activities are subject to the U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations or export to countries, governments and persons targeted by U.S. sanctions. While we take precautions to prevent our offerings from being exported in violation of these laws, including obtaining authorizations for our encryption offerings, implementing IP address blocking and screenings against U.S. Government and international lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws.

We also note that if our channel partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control compliance requirements in our channel partner agreements. Complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

If we fail to comply with U.S. sanctions and export control laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, fines, which may be imposed on us and responsible employees or managers and, in extreme cases, the incarceration of responsible employees or managers.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements and have enacted laws that could limit our ability to distribute our offerings or could limit our customers' ability to implement our offerings in those countries. Changes in our offerings or future changes in export and import regulations may create delays in the introduction of our offerings in international markets, prevent our customers with international operations from deploying our offerings globally or, in some cases, prevent the export or import of our offerings to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our offerings by, or in our decreased ability to export or sell our offerings to, existing or potential customers with international operations. Any decreased use of our offerings or limitation on our ability to export or sell our offerings would likely adversely affect our business operations and financial results.

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

As of October 31, 2020, we have customers in over 100 countries and employees in over 25 countries. A significant natural disaster or man-made problem, such as an earthquake, fire, flood, an act of terrorism, the regional or global outbreak of a contagious disease, such as the ongoing COVID-19 pandemic, or other catastrophic event occurring in any of these locations, could adversely affect our business, results of operations and financial condition. Further, if a natural disaster or man-made problem were to affect data centers used by our cloud infrastructure service providers this could adversely affect the ability of our customers to use our products. In addition, natural disasters, regional or global outbreaks of contagious diseases and acts of terrorism could cause disruptions in our or our customers' businesses, national economies or the world

economy as a whole. Moreover, these types of events could negatively impact consumer and business spending in the impacted regions or depending upon the severity, globally, which could adversely impact our operating results. For example, the extent to which the ongoing COVID-19 pandemic may continue to impact our business is uncertain, however we continue to monitor its effect. In the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations and financial condition.

In addition, as computer malware, viruses and computer hacking, fraudulent use attempts and phishing attacks have become more prevalent, we face increased risk from these activities to maintain the performance, reliability, security and availability of our subscription offerings and related services and technical infrastructure to the satisfaction of our customers, which may harm our reputation and our ability to retain existing customers and attract new customers.

### **Risks Related to Ownership of Our Class A Common Stock**

***The trading price of our Class A common stock has been and is likely to continue to be volatile, which could cause the value of our Class A common stock to decline.***

Technology stocks have historically experienced high levels of volatility. The trading price of our Class A common has been and is likely to continue to be volatile. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- announcements of new products or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- changes in how customers perceive the benefits of our product and future product offerings and releases;
- departures of key personnel;
- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in the trading volume of our shares or the size of our public float;
- sales of large blocks of our Class A common stock;
- actual or anticipated changes or fluctuations in our results of operations;
- whether our results of operations meet the expectations of securities analysts or investors;
- changes in actual or future expectations of investors or securities analysts;
- significant data breach involving our software;
- litigation involving us, our industry, or both;
- regulatory developments in the United States, foreign countries or both;
- general economic conditions and trends;
- major catastrophic events in our domestic and foreign markets; and
- “flash crashes,” “freeze flashes” or other glitches that disrupt trading on the securities exchange on which we are listed.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our Class A common stock could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of our Class A common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the trading price of a company’s securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management’s attention and resources from our business. This could have an adverse effect on our business, results of operations and financial condition.

***If securities analysts or industry analysts were to downgrade our stock, publish negative research or reports or fail to publish reports about our business, our competitive position could suffer and our stock price and trading volume could decline.***

The trading market for our Class A common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our stock or publish negative research or reports, cease coverage of our company or fail to regularly publish reports about our business, our competitive position could suffer and our stock price and trading volume could decline.

***Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders.***

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors and consultants under our equity incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies, products or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

***We do not intend to pay dividends on our Class A common stock for the foreseeable future.***

We have never declared or paid any dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business and we do not anticipate paying any dividends in the foreseeable future. As a result, investors in our Class A common stock may only receive a return if the market price of our Class A common stock increases.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain additional executive management and qualified board members.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq and other applicable securities rules and regulations. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these laws, regulations and standards are subject to varying interpretations and their application in practice may evolve over time as regulatory and governing bodies issue revisions to, or new interpretations of, these public company requirements. Such changes could result in continuing uncertainty regarding compliance matters and higher legal and financial costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Being a public company under these rules and regulations has made it more expensive for us to obtain director and officer liability insurance and in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers or members of our Board of Directors, particularly to serve on our audit and compensation committees.

As a result of the disclosures within our filings with the SEC, information about our business and our financial condition is available to competitors and other third parties, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be adversely affected. Even if the claims do not result in litigation or are resolved in our favor, these claims and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and results of operations.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides 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. These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions.

***Delaware law and our corporate charter and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors who are not nominated by the current members of our Board of Directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified Board of Directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors;
- the ability of our Board of Directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our Board of Directors to elect a director to fill a vacancy created by the expansion of our Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by our Board of Directors, the chairperson of our Board of Directors or our chief executive officer, which limitations could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of a majority of the voting power of all of the then outstanding shares of the voting stock to amend the provisions of our amended and restated certificate of

incorporation relating to the management of our business (including our classified board structure) or certain provisions of our amended and restated bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;

- the ability of our Board of Directors to amend our bylaws, which may allow our Board of Directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend our bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our Board of Directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

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

### **Risks Related to our Outstanding Notes**

***We have incurred a significant amount of debt and may in the future incur additional indebtedness. We may not have sufficient cash flow from our business to make payments on our substantial debt when due.***

In June and July 2018, we issued \$300.0 million aggregate principal amount of 0.75% convertible senior notes due 2024 (the "2024 Notes") in a private placement and in January 2020, we issued \$1.15 billion aggregate principal amount of 0.25% convertible senior notes due 2026 (the "2026 Notes" and, together with the 2024 Notes, the "Notes") in a private placement and concurrently repurchased for cash approximately \$210.0 million of the aggregate principal amount of the 2024 Notes.

We may be required to use a substantial portion of our cash flows from operations to pay interest and principal on our indebtedness. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Such payments will reduce the funds available to us for working capital, capital expenditures and other corporate purposes and limit our ability to obtain additional financing for working capital, capital expenditures, expansion plans and other investments, which may in turn limit our ability to implement our business strategy, heighten our vulnerability to downturns in our business, the industry, or in the general economy, limit our flexibility in planning for, or reacting to, changes in our business and the industry and prevent us from taking advantage of business opportunities as they arise. Our business may not be able to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

In addition, we and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our future debt agreements, some of which may be secured debt. We are not restricted under the terms of the indentures governing the Notes, from incurring additional debt, securing existing or future debt, recapitalizing our debt, repurchasing our stock, pledging our assets, making investments, paying dividends, guaranteeing debt or taking a number of other actions that are not limited by the terms of the indenture governing the Notes that could have the effect of diminishing our ability to make payments on the Notes when due.

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

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of Notes do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Additionally, the conditional conversion feature of the 2024 Notes was triggered during the three months ended October 31, 2020, as the last reported sale price of the Company's Class A common stock was more than or equal to 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on October 31, 2020 (the last trading day of the fiscal quarter). Therefore, the 2024 Notes are currently convertible at the option of the holders thereof, in whole or in part, from November 1, 2020 through January 31, 2021. Whether the 2024 Notes will be convertible following such fiscal quarter will depend on the continued satisfaction of this condition or another conversion condition in the future. Upon conversion of the 2024 Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2024 Notes being converted, which could adversely affect our liquidity.

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

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

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

***The capped call transactions may affect the value of the Notes and our Class A common stock.***

In connection with the pricing of the Notes, we entered into privately negotiated capped call transactions with certain counterparties. The capped call transactions cover, subject to customary adjustments, the number of shares of our Class A common stock initially underlying the Notes. The capped call transactions are expected to offset the potential dilution to our Class A common stock upon any conversion of the Notes. In connection with establishing their initial hedges of the capped call transactions, the counterparties or their respective affiliates entered into various derivative transactions with respect to our Class A common stock concurrently with or shortly after the pricing of the Notes, including with certain investors in the Notes.

The counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so on each exercise date of the capped call transactions, which are scheduled to occur during the observation period relating to any conversion of the Notes on or after March 15, 2024, in the case of the 2024 Notes and on or after October 15, 2025, in the case of the 2026 Notes), or following any termination of any portion of the capped call transactions in connection with any repurchase, redemption or early conversions of the Notes or otherwise. This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock. We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of shares of our Class A common stock.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

**(a) Recent Sales of Unregistered Equity Securities**

None.

**(b) Use of Proceeds**

None.

**(c) Issuer Purchases of Equity Securities**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

Not applicable.

**ITEM 6. EXHIBITS.**

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Registrant</a>	8-K	001-38240	3.1	10/25/2017	
3.1.1	<a href="#">Certificate of Retirement</a>	8-K	001-38240	3.1	6/16/2020	
3.2	<a href="#">Amended and Restated Bylaws of Registrant</a>	S-1	333-220557	3.4	9/21/2017	
31.1	<a href="#">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</a>					x
31.2	<a href="#">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</a>					x
32.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					x
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					x
101.INS	Inline XBRL Instance Document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					
*	This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.					









