UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

OR

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

For the transition period from ____________ to ____________

Commission File Number 001-40393

SQUARESPACE, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**20-0375811** **(I.R.S. Employer Identification No.)**
225 Varick Street, 12th Floor **New York, New York** **(Address of Principal Executive Offices)**	**10014** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (646) 580-3456

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, $0.0001 par value per share	SQSP	New York Stock Exchange

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

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

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

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

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

Based on the closing price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter, which was June 30, 2022, the aggregate market value of its shares (based on a closing price of $20.92 per share) held by non-affiliates was approximately $650 million. Shares of the registrant's common stock held by each executive officer and director and by each other person who may be deemed to be an affiliate of the registrant were excluded to the extent that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 24, 2023, the registrant had 87,284,964 shares of Class A Common Stock, 47,844,755 shares of Class B Common Stock, and no shares of Class C Common Stock, each with a par value of $0.0001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2022.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that reflect our current views with respect to, among other things, future events and our future business, financial condition and results of operations. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “would” and “outlook,” or the negative version of those words or phrases or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not statements of historical fact, and are based on current expectations, estimates and projections about our industry as well as certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, which you should consider and read carefully, including but not limited to:

- our ability to attract and retain customers and expand our customers’ use of our platform;
- our ability to anticipate market needs and develop new or enhanced solutions to meet those needs;
- our ability to improve and enhance the functionality, performance, reliability, design, security and scalability of our existing solutions;
- our ability to compete successfully in our industry against current and future competitors;
- the impact of the COVID-19 pandemic on how we, our providers, and consumers operate and its impact on the global economy, and the duration and extent to which the pandemic will affect our business, future results of operations, and financial condition;
- our ability to manage growth and maintain demand for our solutions;
- our ability to protect and promote our brand;
- our ability to generate new customers through our marketing and selling activities;
- our ability to successfully identify, manage and integrate any existing and potential acquisitions
- our ability to hire, integrate and retain highly skilled personnel;
- our ability to adapt to and comply with existing and emerging regulatory developments, technological changes and cybersecurity needs;
- our compliance with privacy and data protection laws and regulations as well as contractual privacy and data protection obligations;
- our ability to establish and maintain intellectual property rights;
- our ability to manage expansion into international markets;
- the expected timing, amount, and effect of our share repurchases; and
- the other risks and uncertainties described under “Risk Factors.”

This list of factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Annual Report on Form 10-K. We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K, and our future levels of activity and performance, may not occur and actual results could differ materially and adversely from those described or implied in the forward-looking statements. As a result, you should not regard any of these forward-looking statements as a representation or warranty by us or any other person or place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to

publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

In addition, statements that contain "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe that this information provides a reasonable basis for these statements, this information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

You should read this Annual Report on Form 10-K and the documents that we reference herein and have filed as exhibits to the Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by the cautionary statements contained in this section and elsewhere in this Annual Report on Form 10-K.

Part I

Item 1. BUSINESS

Overview

Squarespace enables anyone to stand out and succeed online. Our domains, website, marketing, and social media management tools provide an online presence with best-in-class design and a consistent brand experience. Our commerce solutions include tools for selling digital content, classes, appointments, reservations, physical goods, and more. We facilitate an intuitive, seamless user experience across products and provide a unified view of analytics.

Our mission is twofold - for the ease of use of our products to provide anyone the ability to participate in the opportunity that comes from publishing and transacting on the internet, and for our design-centric and comprehensive tools to help them stand out and succeed. Customers across industries and ranging from sole proprietors to iconic brands, leverage our offerings to springboard their creations and showcase their talents. With a mission measured by the success of customers, we are aligned with our customers and focused on solving their challenges - their success drives our success.

We believe the need for online presence and commerce is growing and that the usability and flexibility of our solutions allow us to help more entrepreneurial dreams become reality. As of December 31, 2022, we had more than 4.2 million unique subscriptions, an increase of 3% relative to December 31, 2021, on our platform across more than 200 countries and territories.

Our expanding set of solutions also provides customers with more ways to connect with their audiences and transact online, and streamlines their marketing and business operations. We believe we have a predictable business model with 92% of our revenue derived from subscriptions, stable customer acquisition and the adoption by our existing customers of additional offerings and add-on subscriptions to grow and scale with our platform as their needs evolve. We generated in the years ended December 31, 2022 and 2021, respectively:

- revenue of $867.0 million and $784.0 million;
- net (loss)/income of $(252.2) million and $(249.1) million;
- adjusted EBITDA of $147.5 million and $125.1 million;
- net cash provided by operating activities of $164.2 million and $123.2 million; and
- unlevered free cash flow of $165.6 million and $122.4 million.

For additional information about our non-GAAP financial measures, including reconciliations of the non-GAAP financial measures to the most directly compatible financial measures stated in accordance with U.S. Generally Accepted Accounting Principals (“GAAP”), see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Key Performance Indicators and Non-GAAP Financial Measures.”

Key Strengths

Squarespace is focused on what customers need to stand out and succeed online, and on making that simple with comprehensive, easy-to-use solutions.

- ***Unmatched Design:*** We believe design is the ultimate competitive advantage for succeeding online. Squarespace offers beautifully-designed templates and Fluid Engine, our flexible content editing system, gives users creative freedom and customization with design guidance. Customers easily achieve a bespoke website that stands out, and their brand choices can be seamlessly and consistently applied across digital channels, including social media and marketing campaigns.
- ***Everything to Sell Anything:*** Our ambition is to enable entrepreneurial dreams to become reality, and entrepreneurs have endless types of ideas to bring to life. Our flexible product suite supports a diverse set of use cases. Customers can sell digital content, classes, appointments, reservations, physical goods, and more. Customers can also adopt multiple ways of selling. For example, a customer could get paid for client bookings, sell memberships to original content like video classes, and offer custom merchandise.
- ***Simplify:*** The power of our solutions would not meet its potential unless the user experience is intuitive and seamless. We seek to make it easy for customers of varying degrees of technical, marketing, and business sophistication to build, market, and grow their business online. We also seek to provide a simplified experience that they might otherwise have to pull together from disparate systems. We provide customers with their website and online commerce functionality, a content management system, social media management tools, domain name service, professional email and marketing tools, and analytics for actionable business insights. For further

convenience, customers can update their websites, process orders and manage their businesses on-the-go with the Squarespace app.

- ***Customer Support:*** To solidify our commitment to customer success, we have a global team of in-house product specialists available 24/7/365 through multiple channels of communication, including live chat, email, and social. We provide support in six languages across eight time zones. We also produce self-help resources, including guides, video tutorials and webinars.

Growth Strategies

The scale of our ambition — to provide an online path to success for anyone's idea and have expansive solutions for each phase of their journey — has inherent growth potential. We intend to pursue the following strategies to meet the needs of existing and prospective customers.

- ***Acquire new customers:*** We believe there is a large opportunity for affordable, easy-to-use cloud-based solutions for online presentation and marketing, transacting, and managing businesses of all types. We intend to continue to invest in effective marketing and targeted use of sales operations. We also will continue to invest in product development to make our offerings easier to use and able to service more use cases, both of which expand the number of customers who can find success with our solutions.
- ***Expand our solutions for businesses, particularly services-based businesses:*** Services-based businesses span a range of industries, including photography, interior design, massage therapy, beauty salons, fitness, event planning, home repair, restaurants, and wineries, among many more. With Squarespace, Acuity, and Tock, we have a foothold in services commerce and we intend to expand and deepen functionality that will provide services-based businesses with a comprehensive set of tools that is easy to use and manage, helping them to grow their businesses. We believe this strategy will increase new customers on higher value plans and encourage existing customers to adopt more of our solutions and transact in our ecosystem. We also intend to continue to invest in product development and solutions that benefit commerce customers of all types, whether service sellers who transact in multiple ways or sellers of physical or digital goods.
- ***Deepen relationships with existing customers:*** As we continue to innovate and broaden our suite of solutions, we believe that we create significant incremental opportunities to serve more of our customers' needs. We plan to increase awareness and adoption of our add-on offerings, including Email Campaigns and the ability to monetize digital content and products. We also believe that ongoing investment in our partner ecosystem and integrations will allow us to deliver more value to our customers.
- ***Acquire new customers internationally:*** We believe there is a significant opportunity to continue to expand usage of our solutions outside of the United States. We will continue to invest in our international go-to-market strategies and product localization efforts. As of December 31, 2022, we serve customers in over 200 countries and territories and approximately 30% of our bookings are from outside of the United States.
- ***Continue to support our Enterprise offering:*** Enterprise includes both larger businesses looking to build an online presence and volume customers who may require scalable solutions for many websites. We believe our Enterprise business is a long-term growth opportunity for Squarespace and will continue to invest in the marketing, product development, and dedicated customer support. In addition, we offer enterprise programs for our Acuity Scheduling and hospitality customers.
- ***Expand our experts community:*** We remain focused on cultivating and growing our Circle program, comprised of experts that build sites for others on our platform. The community is a customer acquisition channel and we provide these experts with knowledge, tools and support that they leverage to find clients and grow their businesses.
- ***Strategic acquisitions:*** We will continue to assess potential acquisition targets that support our mission and expand our service and product offerings for entrepreneurs.

Products

Squarespace's product portfolio gives customers of various sizes and industries everything they need to stand out and succeed online.

Presence

We believe that a stand out web presence is necessary for success for almost all new and existing businesses. Squarespace's design differentiation, ease of use, and comprehensive set of Presence offerings make us a market leader.

- ***Websites:*** Our intuitive drag-and-drop functionality enables customers of any level of technical sophistication to quickly create a website. We offer industry-leading website templates, crafted by our world-class designers. Fluid Engine, our breakthrough content editing system, provides for unrestrictive creative freedom, guided by an advanced smart grid to ensure a professional-level outcome. We provide a menu of fonts, custom color palettes, built-in photo editing capabilities, video creation tools, and more to make every website stand out.
- ***Domains:*** We offer a large selection of domains, including the latest top-level domains, and provide domain management tools, including the ability to edit Domain Name Systems records and forward Uniform Resource Locators. We automatically provide domain privacy for eligible domains.
- ***Social:*** We offer products to help build and manage a compelling brand on social media. Bio Sites provides an easy way to consolidate a customer's offerings and media into a link-in-bio page. Bio Sites provides a series of design and customization options and helps customers accept payments and tips and monetize through digital collectibles. Unfold helps users create expert-looking stories for social media, including with intuitive photo and video editing.
- ***Enterprise:*** We offer our most advanced features with prioritized support, design advice, and search engine optimization training through our Enterprise business solutions. We also offer the ability to purchase many websites in a single package and to secure Enterprise accounts using Single Sign-On functionality.
- ***Google Workspace (Professional Email):*** We enable our customers to activate Google Workspace on their domains that are hosted by Squarespace. Google Workspace customers also get access to Google Calendar, Google Drive, and Google Meet.

Commerce

Squarespace provides tools for customers to transact in the ways that work best for their businesses, including scheduling, digital content services and hospitality functionality for services sellers and tailored products for physical goods sellers.

- ***Scheduling:*** Our Acuity Scheduling offering, which can also be purchased as a website add-on, enables businesses to schedule appointments and manage bookings and invoicing. Acuity Scheduling integrates with the most popular calendars and video conference tools and includes customizable communications for appointment confirmations, reminders, follow-ups, and intake forms. We also make it simple to accept payments from customers directly within the Acuity Scheduling product, whether at the time of booking or after the appointment. We also provide an Acuity Scheduling enterprise offering for those customers with a wider range of scheduling needs, including both set and unlimited appointment options and prioritized general and technical support.
- ***Digital Content Services:*** With Member Areas, customers can create and monetize members-only content; including courses, virtual classes, podcasts, and newsletters. Customers can host their videos directly on Squarespace.
- ***Hospitality Services (Tock):*** Tock powers reservations, table management, carryout and delivery operations, and events for hospitality businesses, including restaurants, wineries, hotels, and social clubs. Tock's services also include contactless payments, restaurant floor-plan management, automated waitlists, sophisticated customer relationship management, and dynamic pricing tools. In addition, Tock provides enterprise offerings to customers to support larger-scale hospitality services and needs.
- ***Physical Goods:*** Our commerce functionality includes shipping labels, inventory management, product merchandising, customized purchase confirmation emails, product promotions, gift cards, and the ability to sell on Facebook and Instagram. Customers can also use our Custom Merch feature to create branded goods.

Marketing & Analytics

Squarespace provides customers tools to help them grow their businesses through data insights and marketing amplification.

- ***Email Campaigns:*** Our customers can promote their businesses, communicate directly with their customers, and drive repeat sales through our Email Campaigns product. Customers can seamlessly manage contact lists and drop content, products, and brand elements from their websites into Email Campaigns, giving them quick access to content and keeping their brand consistent between the web and email. Features like smart client lists and customer profiles make it simple to manage a growing audience.
- ***Video Studio:*** We make it easy for customers to create original videos to promote their websites and products across a number of sales and marketing channels.
- ***Search Engine Optimization:*** Every Squarespace website comes optimized to be indexed and found online, with a suite of integrated features and guides that help maximize prominence among search results.
- ***Analytics:*** We developed our own custom analytics solution that incorporates data from our website, commerce, and email solutions into a single view for our customers.
- ***Squarespace App:*** The Squarespace app for iOS and Android is designed to help customers run their businesses from their phones. Users can monitor key analytics and receive push notifications when traffic spikes or a new order is received. Built-in Commerce products, like point-of-sale and inventory management, allow sellers to fulfill orders from anywhere. The app also gives users access to Marketing Kit for creating and sharing marketing videos and posts from their phones.

Marketing

We believe Squarespace has strong brand recognition. We advertise across various media, including online, television, and billboards. Developed and executed in-house, our ads showcase our brand and the power of our design-centric ethos in a creative and memorable manner.

Direct response marketing efforts allow us to further capitalize on our strong brand and we target potential customers at every entry point to our solutions, including digital advertising, social media, events, content marketing, public relations, partnerships, and community initiatives. We also connect with podcast hosts and YouTube creators to authentically share our product offerings. In addition to direct channels, we work with the Circle community and partners who offer our solutions to their customers. Circle members can utilize discounts and earn referral payments for bringing customers to Squarespace.

In regions outside the United States, we create localized advertisements tailored for particular countries.

To support customer retention and value expansion, we inform existing customers of our latest features and platform updates through email marketing and in-product notifications. Our content marketing also includes webinars and video tutorials.

Customers

Our customers represent a diverse range of industries and sizes, ranging from sole proprietors to large enterprises. As of December 31, 2022, we had 4.2 million unique subscriptions on our platform.

Competition

The market in which we operate is competitive and evolving. We compete with both large, established companies and smaller, early stage companies. We face competition from specific providers across the different facets of our business model, including:

- Online presence solutions such as Automattic, Wix and Weebly;
- Appointments solutions such as MindBody;
- Hospitality services such as Resy and OpenTable;
- Software solutions for selling goods online such as Shopify and BigCommerce;
- Domain registration and website hosting services such as GoDaddy; and
- Email marketing solutions such as MailChimp.

We believe that we compete favorably because of our multi-channel commerce capabilities, easy-to-use and design-first solutions, and the overall depth and extensibility of our solutions.

Technology

We have engineered a modern technology infrastructure that has a high level of scalability, security, and resiliency to support our customers. We host our modern infrastructure through a hybrid of cloud service providers and data centers. We manage site hosting, software upgrades, network connectivity, content delivery network deployment, and Domain Name Systems on behalf of our customers. We will continue to invest in the ongoing scalability, security, and resiliency of our platform infrastructure.

- ***Scalability:*** Our platform is optimized to process and manage large-scale traffic on our customers' websites. We process billions of website views and millions of transactions for our customers across our portfolio of products.
- ***Security:*** Our platform is engineered to be secure. We securely host our customers' data and defend against DDoS attacks on their behalf. We regularly run security assessments and penetration tests against our infrastructure, testing for security weaknesses and vulnerabilities. Squarespace's built-in commerce tools have been certified as a Payment Card Industry Data Security Standard ("PCI DSS") Level 1-compliant service provider, which is the highest level of compliance available. We also implement technology, such as Two-Factor Authentication and Secure Sockets Layer ("SSL") certificates to keep our customer websites and data secure.
- ***Resiliency:*** We have a 99.95% uptime for our products and aim for sub-second latencies for core user experience interactions. Our hosting includes full local and geographic redundancy in the case of infrastructure failures and our dedicated Squarespace Operations Team monitors incidents 24/7.

Human Capital

Our mission requires exceptional employees united in our common pursuit. We strive to attract top talent and provide an environment where they are inspired to do their best work. As of December 31, 2022, we had 1,800 full- and part-time employees. Of these employees, 1,590 are located in the United States, 184 are located in the European Union, 22 are located in Australia, and 4 are located in the United Kingdom. None of our employees are represented by a labor union or covered by collective bargaining agreements and we have not experienced any work stoppages.

We believe that a diverse employee population helps ensure new ideas and perspectives and that an inclusive culture helps ensure that those ideas and perspectives can thrive in order to deliver the best solutions to our customers. Employees have opportunities to voice their questions and thoughts in a variety of ways, including company and department-wide meetings and employee engagement surveys. We make diversity and inclusion and inclusive leadership learning opportunities accessible to all employees and our employee resource group ("ERG") program provides a supportive community for ERG members and brings awareness and education to the broader company, helping to foster an inclusive culture.

Squarespace Learning, our employee development program, allows employees to explore personalized content through a curated learning path, and our talent accelerator program provides selected participants in-depth coaching on leadership and development.

We offer industry competitive compensation and benefits. Our annual compensation review coincides with our employee feedback cycle where employees and managers discuss performance to facilitate learning and career development.

Intellectual Property

We rely on a combination of trade secret, trademark, copyright, patent and other intellectual property laws to protect our intellectual property. We also rely on contractual arrangements, such as licenses, assignments, and confidentiality agreements, and technical measures.

We have federally registered trademarks, including "Squarespace," marks related to certain of our other brands, and related logos. We hold domestic and international domain name registrations that include "Squarespace" and similar variations.

We control access to our intellectual property and confidential information through internal and external controls. We require our employees and independent contractors to enter into agreements that protect our confidential information, and assign to us any inventions, trade secrets, works of authorship, and other technology and intellectual property created for us. We generally enter into confidentiality agreements with our vendors.

Government Regulations

The legal environment of internet-based businesses, both in the United States and internationally, is evolving rapidly and is often unclear. This ambiguity includes topics such as data privacy and security, pricing, advertising, taxation, content regulation, and intellectual property ownership and infringement.

We are subject to several local, state, federal and foreign laws and regulations regarding privacy and data protection. Regulators around the world have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personal information, payment card information or other confidential information of individuals and the Federal Trade Commission ("FTC") and many state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data. In the event of a security breach, these laws may subject us to incident response, notice and remediation costs. Failure to safeguard data adequately or to destroy data securely could subject us to regulatory investigations or enforcement actions under applicable data security, unfair practices or consumer protection laws. The scope and interpretation of these laws could change and the associated burdens and our compliance costs could increase in the future.

We are also subject to U.S. and foreign laws and regulations that govern or restrict our business and activities in certain countries and with certain persons, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control, as well as anti-bribery and anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA") and the U.K. Bribery Act 2010 ("U.K. Bribery Act").

Available Information

Our website address is www.squarespace.com and our investor relations website is located at www.investors.squarespace.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available on our investor relations website free of charge as soon as reasonably practicable after they are filed with the Securities and Exchange Commission ("SEC"). The information contained on our website is not included in, nor incorporated by reference into, this Annual Report on Form 10-K. Reports filed with the SEC also may be viewed at www.sec.gov.

Item 1A. RISK FACTORS

A description of the risks and uncertainties associated with our business is set forth below. You should consider carefully the risks and uncertainties described below, together with the financial and other information contained in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. If any of the following risks or uncertainties actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the market price of our Class A common stock could decline and you may lose all or a part of your investment. The risks discussed below are not the only risks we face. Additional risks or uncertainties not currently known to us, or that we currently deem immaterial, may also have a material adverse effect on our business, financial condition and results of operations.

Risk Factor Summary

We are providing the following summary of the risk factors contained in this Annual Report on Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to carefully review the full risk factors contained in this Annual Report on Form 10-K in their entirety for additional information regarding the material factors that make an investment in our securities speculative or risky. These risks and uncertainties include, but are not limited to, the following:

- Our business, financial condition and results of operations will be harmed if we are unable to attract and retain customers and expand their use of our platform.
- If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our solutions in a manner that responds to our customers' evolving needs, our business, financial condition and results of operations may be adversely affected.
- Our industry is highly competitive and we may not be able to compete successfully against current and future competitors.
- The COVID-19 pandemic has affected how we, our providers, and consumers operate and has adversely affected the global economy, and the duration and extent to which this will affect our business, future results of operations, and financial condition remains uncertain.
- The Squarespace brand is integral to our success. If we fail to protect or promote our brand, our business, financial condition and results of operations may be harmed.
- Our business, financial condition and results of operations would be adversely affected if our marketing and selling activities fail to generate new customers at the levels that we anticipate or fail to generate new customers on a cost-effective basis.
- We depend on highly skilled personnel, and if we are unable to hire, integrate and retain our personnel, we may not be able to address competitive challenges.
- We rely heavily on the reliability, security and performance of our software. If our software contains serious errors or defects, or we have difficulty maintaining the software, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers.
- Our business, financial condition and results of operations would be harmed if changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers adversely impact the process by which customers interface with our platform and users interface with our customers' sites.
- We are subject to privacy and data protection laws and regulations as well as contractual privacy and data protection obligations. Our failure to comply with these or any future laws, regulations or obligations could subject us to sanctions and damages and could harm our reputation, business, financial condition and results of operations.
- Our business is susceptible to risks associated with international sales and the use of our platform in various countries as well as our ability to localize our platform in such countries.
- The trading price of our Class A common stock may be volatile and could decline significantly and rapidly regardless of our operating performance.
- The multi-class structure of our common stock has the effect of concentrating voting control with those stockholders who hold our Class B common stock, including our Founder and Chief Executive Officer limiting your ability to influence corporate matters.

Risks Related to our Business and Industry

Our business, financial condition and results of operations will be harmed if we are unable to attract and retain customers and expand their use of our platform.

We have experienced growth in recent years, due in large part to sustained subscription growth and retention, including customers who expand their use of our platform over time. We offer two payment options for most of our subscription plans: monthly and annual. Customers' subscriptions currently renew automatically at the end of each monthly or annual period, as applicable, but the customer is free to disable automatic renewal or cancel the subscription at any time. As a result, even though the number of unique subscriptions to our platform has grown in recent years, there can be no assurance that we will be able to retain unique subscriptions beyond the existing monthly or annual subscription periods. In addition, any limitation or restriction imposed on our ability to bill our customers on a recurring basis, whether due to new regulations or otherwise, may significantly lower our unique subscription retention rate.

A number of factors could impact our ability to attract and retain customers and expand our customers' use of our platform, including:

- the quality and design of our solutions compared to other similar solutions;
- our ability to develop new technologies or offer new or enhanced solutions;
- the pricing of our solutions compared to our competitors;
- the reliability and availability of our customer support;
- our ability to provide value-added third-party applications, solutions and services that integrate into our platform;
- any perceived or actual security, reliability, quality or compatibility problems with our solutions, including those related to system outages, unscheduled downtime and the impact of cyber-attacks on customers' data;
- our ability to expand into new geographic regions; and
- the cost and effectiveness of our marketing campaigns.

We have historically experienced customer turnover as a result of general economic conditions and other risks affecting our customers' businesses or needs. Many of these customers are in the entrepreneurial stage of their development and there is no guarantee that their businesses will succeed. Other customers may be looking for a shorter-term solution for a specific event. Our costs associated with renewals are substantially lower than costs associated with generating new unique subscriptions. Therefore, a reduction in retention of our unique subscriptions, even if offset by an increase in new unique subscriptions, could adversely impact our business, financial condition and results of operations. Moreover, any volatile or uncertain economic conditions due to the COVID-19 pandemic or otherwise and any resulting decrease in business formation or failures of SMBs could affect our ability to generate new unique subscriptions or retain existing unique subscriptions.

Additionally, our growth rate may decline over time even though the number of unique subscriptions on our platform increases. As our growth rate declines, investors' perception of our business, financial condition and results of operations may be adversely affected. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to retain revenue from existing unique subscriptions and increase sales to existing customers.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our solutions in a manner that responds to our customers' evolving needs, our business, financial condition and results of operations may be adversely affected.

The markets in which we compete are characterized by constant change and innovation, and we expect them to continue to evolve rapidly. The success of our business will depend, in part, on our ability to adapt and respond effectively to changing market dynamics on a timely basis while continuing to improve and enhance the functionality, performance, reliability, design, security and scalability of our solutions. If we are unable to develop new and upgraded solutions that satisfy our customers and that keep pace with rapid technological and industry change, our business, financial condition and results of operations could be adversely affected.

The process of developing new technology is complex and uncertain. If we fail to accurately predict customers' changing needs or emerging technological trends, or we otherwise fail to achieve the benefits expected from our investments in technology, our business, financial condition and results of operations could be harmed. The development of new and upgraded solutions involves a significant amount of time and effort from our research and development team, as it can take months to update, code and test new and upgraded solutions and integrate them into our existing solutions. Further, our design team spends a significant amount of time and resources in order to incorporate various design elements and other features into any new and upgraded solutions. The introduction of these new and upgraded design and functional features often involves a significant amount of marketing spend. We must also manage our existing solutions as we

continue to introduce new solutions. Given this complexity, we occasionally have experienced, and could experience in the future, delays in completing the development and introduction of new and upgraded solutions.

Our industry is highly competitive, and we may not be able to compete successfully against current and future competitors.

The market for providing SaaS-based website design and management software is evolving and we face competition in various aspects of our business, which we expect to intensify in the future as existing and new competitors introduce new solutions or enhance existing solutions. We also compete with specific providers offering services or products that overlap with parts of our solutions, including online presence solutions, e-commerce solutions, domain registration and website hosting services, email marketing solutions, scheduling solutions and reservation and restaurant management solutions. Some of our competitors have longer operating histories, larger customer bases, greater brand recognition, more extensive commercial relationships and greater financial and other resources than we do.

New or existing competitors may be able to develop solutions better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or requirements of our customers and their users. In addition, some larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or reduce prices to remain competitive.

Competition may also intensify as our competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic regions expand into our market segments or geographic regions. For instance, certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage by integrating competing platforms or features into solutions they control such as search engines, web browsers, mobile device operating systems or social networks or by making access to our platform more difficult. We also expect new entrants to offer competitive solutions. If we cannot compete successfully against current and future competitors, our business, financial condition and results of operations could be negatively impacted.

The COVID-19 pandemic has affected how we, our providers, and consumers operate and has adversely affected the global economy, and the duration and extent to which this will affect our business, future results of operations, and financial condition remains uncertain.

In response to the COVID-19 pandemic, we took a number of actions that impacted and may continue to impact our business, financial condition and results of operations, including transitioning employees across all our offices (including our corporate headquarters) to remote or hybrid work-from-home arrangements. While we believe these actions were reasonable and necessary as a result of the COVID-19 pandemic, they were disruptive to our business. At present we support remote, hybrid and fully office based arrangements for our employee base. Given the continued spread of COVID-19, we may have to take additional actions in the future that could further disrupt our business. While we have a distributed workforce and our employees are accustomed to working remotely or working with remote employees, our workforce has not historically been fully remote. Doing less business in-person may impact our ability to preserve our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. The COVID-19 pandemic, and the related supply chain impacts, could also cause delays or disruptions in services provided by key service providers. Our management team has spent, and may continue to spend, significant time, attention and resources monitoring the COVID-19 pandemic and associated workplace-related changes and seeking to manage its effects on our business and workforce.

If economic conditions deteriorate, uncertainty from the pandemic may cause prospective or existing customers to cancel their subscriptions for our solutions and users may not have the financial means to make purchases from our customers or may delay or reduce discretionary purchases, negatively impacting our e-commerce customers and our associated results of operations. Our entrepreneurial and small business customers may be more susceptible to general economic conditions than larger businesses with greater liquidity and access to capital. It is not possible for us to predict the duration and extent to which this will affect our business, future results of operations, and financial condition at this time. The risks described herein and throughout this “Risk Factors” section could be further exacerbated by the continuation of the COVID-19 pandemic or other future adverse public health developments.

Our business, financial condition and results of operations could be harmed if we fail to manage our growth effectively.

The growth that we have experienced places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and our ability to handle increased traffic and demand for bandwidth. The growth in the number of unique subscriptions on our platform and the number of orders processed through our platform has increased the amount of data and requests processed. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance our scalability in order to maintain the performance of our platform.

Our growth has also placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand the business, including into new geographic regions, with no assurance that our revenue will continue to grow. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower or may develop more slowly than we expect. Unless our growth results in an increase in our revenues that is proportionate to, or greater than, the increase in our costs associated with this growth, our profitability may be adversely affected. As we grow, we will be required to continue to improve our operational and financial controls, management information systems and reporting procedures and we may not be able to do so effectively.

The Squarespace brand is integral to our success. If we fail to protect or promote our brand, our business, financial condition and results of operations may be harmed.

We believe that protecting, maintaining and enhancing the Squarespace brand is integral to our success, particularly as we seek to attract new customers. Protecting, maintaining and enhancing our brand will depend largely on our ability to continue to provide design-focused and differentiated solutions, which we may not do successfully. The value of our brand may decline if we are unable to maintain the image of the Squarespace brand as design-focused. Successfully maintaining our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide a reliable and useful platform to meet the needs of our customers, our ability to maintain our customers' trust and our ability to continue to develop and successfully differentiate our solutions. Errors, defects, disruptions or other performance problems with our solutions, including with third-party services accessed through our platform, may harm our reputation and brand. Unfavorable media coverage, negative publicity or negative public perception about us or our marketing efforts, our industry, the quality and reliability of our platform or our privacy and security practices may also harm our reputation and our brand. If events occur that damage our reputation and brand, our ability to expand our subscription base may be impaired, and our business, financial condition and results of operations may be harmed.

We also believe that the importance of brand recognition will increase as competition in our market increases and the promotion of our brand may require substantial expenditures. We have invested, and expect to continue to invest, substantial resources to increase our brand awareness, both generally and in specific geographies and to specific customer groups. There can be no assurance that our brand development strategies and investment of resources will enhance recognition of the Squarespace brand or lead to an increased customer base. Furthermore, our international branding efforts may prove unsuccessful due to language barriers and cultural differences. If our efforts to protect and promote our brand are not successful, our business, financial condition and results of operations may be adversely affected. In addition, even if brand recognition and loyalty increases, revenue may not increase at a level commensurate with our marketing spend.

Our business, financial condition and results of operations would be adversely affected if our marketing and selling activities fail to generate new customers at the levels that we anticipate or fail to generate new customers on a cost-effective basis.

We use a variety of marketing channels to promote our brand, including online keyword search, sponsorships and celebrity endorsements, television, podcasts, print and online advertising, email and social media marketing. If we lose access to one or more of these channels because the costs of advertising become prohibitively expensive or for other reasons, we may not be able to promote our brand effectively, which could limit our ability to grow our business. In addition, in order to maintain our current revenues and grow our business, we need to continuously optimize our marketing campaigns aimed at acquiring new customers. However, we may fail to accurately predict customer interest and, as a result, fail to generate the expected return on marketing spend. An unexpected increase in the marginal acquisition cost of new customers may have an adverse effect on our ability to grow our subscription base. We have and may in the future invest a significant portion of our marketing expenses in more traditional advertising and promotion of our brand, including through out-of-home campaigns and television commercials, the effectiveness of which is more difficult to track than online marketing. If these marketing activities fail to generate traffic to our website, attract potential customers and lead to new and renewed subscriptions at the levels we anticipate, our business, financial condition and results of operations would be adversely affected.

If demand for our solutions does not meet expectations, our ability to generate revenue could be adversely affected.

Although we expect continued demand from individuals and businesses for our solutions, it is possible the rate of growth may not meet our expectations, or the market may not grow. Our expectations for future revenue growth are based in part on assumptions reflecting our industry knowledge and experience serving individuals and businesses, as well as our assumptions regarding demographic shifts, growth in the availability and capacity of internet infrastructure internationally and the general economic climate. If any of these assumptions proves to be inaccurate, including as a result of the extent of current global economic uncertainty, our growth could be significantly lower than expected.

Our ability to compete successfully depends on our ability to offer an integrated and comprehensive platform enabling a diverse base of customers to start, grow and run their businesses or promote their brand. The success of our solutions is predicated on the assumption that an online presence is, and will continue to be, an important factor in our customers' abilities to establish, expand and manage their brand and business quickly, easily and affordably. If we are

incorrect in this assumption, for example due to the introduction of a new technology or industry standard superseding the importance of an online presence or rendering our existing or future solutions obsolete, then our ability to retain existing customers and attract new customers could be adversely affected, which could harm our business, financial condition and results of operations.

If we fail to maintain a consistently high level of customer support, our brand, business, financial condition and results of operations may be harmed.

We believe our focus on customer support is critical to acquiring new customers, retaining existing customers and growing our business. As a result, we have invested heavily in the quality and training of our Customer Operations team along with the tools they use to provide this service. If we are unable to maintain a consistently high level of customer support, we may lose existing customers. In addition, our ability to attract new customers and increase unique subscriptions depends, in part, on the support we provide to customers as well as positive recommendations from our existing customers. Any failure to maintain a consistently high level of customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our brand, business, financial condition and results of operations.

Our pricing decisions may adversely affect our ability to attract and retain customers.

We have from time to time changed our overall pricing model or the various price points of our subscription plans and add-on services and expect to do so in the future. However, no assurance can be given that any new pricing model or price points will be optimal and not result in loss of customers or profits. In addition, as competitors introduce new solutions, we may be unable to attract new customers at the price or based on the pricing models we currently use and we may be required to reduce prices. Individuals and small businesses, which comprise the majority of customers on our platform, could be sensitive to price increases or swayed by more attractive prices offered by competitors. We also must determine the appropriate price to enable us to compete effectively internationally. Any of these developments could negatively impact our business, financial condition 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.

From time to time, we evaluate potential strategic acquisition or investment opportunities and we have completed various strategic acquisitions in recent periods. Any future transactions that we enter into could be material to our business, financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- retention and integration of employees from an acquired company, including potential risks or challenges to our corporate culture;
- implementation or remediation of controls, procedures and policies of an acquired company;
- difficulty integrating the accounting systems and operations of an acquired company;
- coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with incorporating the acquired company's solutions and infrastructure with our existing solutions and infrastructure and difficulties converting the customers of the acquired company onto our platform;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- in the case of foreign acquisitions, the need to integrate operations and workforces across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be required to take charges on our operating results based on this impairment assessment process, which could adversely affect our business, financial condition and results of operations.

Future acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect the trading price of our Class A common stock, result in issuances of securities with superior rights and preferences to our Class A common stock or result in the incurrence of debt with restrictive covenants that limit our operating flexibility.

We may not be able to identify future acquisition or investment opportunities that meet our strategic objectives, or to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. Acquisitions we complete may not ultimately strengthen our competitive position or achieve our strategic objectives, and any acquisitions we complete could be viewed negatively by investors. To pay for any such acquisition, we may have to use cash or incur debt, both of which may affect our financial condition or the trading price of our Class A common stock. At this time we have made no commitments or agreements with respect to any such material transactions.

We depend on highly skilled personnel, and if we are unable to hire, integrate and retain our personnel, we may not be able to address competitive challenges.

Our future success will depend upon our continued ability to attract, hire, integrate and retain highly skilled personnel, including senior management, engineers, designers, product managers, finance, and legal personnel and customer support. Competition for highly skilled personnel is intense. We compete with many other companies for engineers, designers and product managers with meaningful experience in designing, developing and managing software, as well as for skilled marketing, operations and customer support professionals, and we may not be successful in attracting and retaining the professionals we need. We may need to invest significant amounts of cash and equity to attract and retain new and highly skilled employees, and may never realize returns on these investments. In addition, we are limited in our ability to recruit global talent for our U.S. offices by U.S. immigration laws, including those related to H1-B visas. If we are not able to effectively hire, train and retain employees, our ability to achieve our strategic objectives will be adversely impacted and our business, financial condition and results of operations will be harmed.

In addition to hiring and integrating new employees, we must continue to focus on retaining our key employees who foster and promote our innovative corporate culture. Our future performance depends on the continued services and contributions of our Founder and Chief Executive Officer, Mr. Casalena, who is critical to the development of our business and growth strategy, in addition to other key employees to execute on our business plan and to identify and pursue new opportunities and solutions. The failure to properly develop or manage succession plans or develop leadership talent or the loss of services of key employees could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not have fixed term agreements with our executive officers or other key personnel that require them to work beyond a standard notice period; therefore, they could terminate their employment with us at any time. The loss of one or more of our key employees (including any limitation on the performance of their duties or short term or long term absences as a result of illness) could adversely affect our business, financial condition and results of operations.

We primarily rely on a single supplier to process payments from our customers and we integrate with a limited number of suppliers to process transactions from users.

The success of our platform depends, in part, on our ability to integrate and offer third-party services to our customers. In particular, we use Stripe, Inc. (“Stripe”) to process our transactions with our customers and we offer payment processing integrations for our customers to charge their users through Stripe, PayPal Holdings, Inc. (“PayPal”) and Block, Inc. (“Block”). While we offer our customers access to three payment processing integrations through which to charge their users, disruptions or problems with the relevant services provided by any of these companies could have an adverse effect on our reputation, business, financial condition and results of operations. If Stripe, PayPal or Block were to terminate, or materially alter, its relationship with us or become unable to continue processing payments on our behalf, we could experience an impact to our financial results or incur substantial delays and expense in finding and integrating an alternative payment service provider to process payments from our customers and their users, and the quality and reliability of any such alternative payment service provider may not be comparable.

If we cannot maintain the compatibility of our platform and solutions with third-party applications or content or if the third-party applications that we offer fail to keep pace with competitors’ offerings, demand for our platform and solutions could decline.

In addition to offering our customers access to Stripe and other payment solutions, we offer our customers access to third-party applications for order fulfillment, accounting and other business services as well as third-party content. Third-party application providers may change the features of their applications and third-party content providers and application providers may change how others can access the application or content or alter the terms governing use of their applications or content in an adverse manner. Such changes could limit, restrict or terminate our access to their applications and content, which could negatively impact our solutions and harm our business, financial condition and results of operations. In addition, competitors may offer better functionality than the third-party applications integrated into our platform. If we fail

to integrate new third-party applications and content that our customers need for their online presence or to develop them directly, we may not be able to offer the functionality that our customers expect, which would negatively impact our solutions and, as a result, harm our business, financial condition and results of operations.

We rely heavily on the reliability, security and performance of our software. If our software contains serious errors or defects, or we have difficulty maintaining the software, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers.

The reliability and continuous availability of our platform is critical to our success. However, software such as ours often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Any third-party software we incorporate into our platform may have similar deficiencies. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, and any ensuing disruptions could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, our platform is cloud-based, which allows us to deploy new versions and enhancements to all of our customers simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of customers. In addition, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition and results of operations, as well as our reputation, may be adversely affected.

Since customers may use our solutions for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in losses to our customers. Customers may seek significant compensation from us for any losses they suffer or they may cease conducting business with us altogether. Further, a customer could share information about bad experiences on social media, which could result in damage to our reputation. There can be no assurance that provisions typically included in agreements with our customers that attempt to limit exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming, divert management's attention and be costly to defend and could seriously damage our reputation and brand, making it harder to sell our solutions.

We rely on search engines, social networking sites and online streaming services to attract a meaningful portion of our customers, and if those search engines, social networking sites and online streaming services change their listings or policies regarding advertising, or increase their pricing or suffer problems, it may limit our ability to attract new customers.

Many customers locate our platform through internet search engines, such as Google, and advertisements on social networking sites and online streaming services, such as Facebook and YouTube as an alternative to typing our website address directly into a web browser navigation bar. If we are listed less prominently or fail to appear in search results for any reason, visits to our website could decline significantly, and we may not be able to replace this traffic. Search engines revise their algorithms from time to time in an attempt to optimize their search results. If the search engines on which we rely for algorithmic listings modify their algorithms, we may appear less prominently or not at all in search results, which could result in reduced traffic to our website that we may not be able to replace. Additionally, if the costs of search engine marketing services, such as Google AdWords, increase, we may incur additional marketing expenses, we may be required to allocate a larger portion of our marketing spend to this channel or we may be forced to attempt to replace it with another channel (which may not be available at reasonable prices, if at all), and our business, financial condition and results of operations could be adversely affected.

Furthermore, competitors may bid on our brand names and other search terms that we use to drive traffic to our website. Such actions could increase our marketing costs and result in decreased traffic to our website. In addition, search engines, social networking sites and video streaming services may change their advertising policies from time to time. If any change to these policies delays or prevents us from advertising through these channels, it could result in reduced traffic to our website and sales of our solutions. Additionally, new search engines, social networking sites, video streaming services and other popular digital engagement platforms may develop in specific jurisdictions or more broadly that reduce traffic on existing search engines, social networking sites and video streaming services. Moreover, changes in customer behavior and practices, like the use of voice recognition technology as an alternative to using traditional search engines,

may potentially result in reduced traffic to our website. If we are not able to achieve awareness through advertising or otherwise, we may not achieve significant traffic to our website.

Our business, financial condition and results of operations would be harmed if changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers adversely impact the process by which customers interface with our platform and users interface with our customers' sites.

We believe that our integrated web and mobile platform has helped us to grow our customer base. In addition to offering customers mobile-optimized websites created on our platform, we offer mobile apps that enable customers to monitor analytics, fulfill orders and create, edit and manage content from their mobile devices, among other things. In the future, mobile and desktop operating system providers, such as Microsoft, Google, Apple or any other provider of internet browsers, could introduce new features that would make it difficult for customers to use our platform, change existing browser specifications such that they would be incompatible with our platform, prevent users from accessing customers' sites or limit or preclude our marketing efforts. In addition, we are subject to the standard policies and terms of service of these providers, which may change in the future. We may incur additional costs in order to adapt our platform to other operating systems and may face technical challenges adapting our solutions to different versions of already-supported operating systems, such as Android variants offered by different mobile phone manufacturers, and we may face technical challenges adapting to new hardware and software on the Android and iOS platforms. Any changes to technologies used in our platform, to existing features that we rely on or to operating systems or internet browsers that make it difficult for customers to access our platform or visitors to access our customers' sites, may make it more difficult for us to maintain or increase our revenue and could adversely impact our business, financial condition and results of operations. Moreover, as customers increasingly expect to be able to purchase and use our solutions on their mobile device or via our mobile apps, our future prospects could be harmed or we could face increased costs to build out and maintain this functionality. The use of our apps is also subject to applicable terms of use of third-party app stores. If we are unable to maintain availability on these third-party app stores or update our applications on these stores, our business, financial condition and results of operations may be harmed.

We use a limited number of cloud service providers, infrastructure providers and data centers to deliver our solutions. Any disruption of service by these providers or at these facilities could harm our business, financial condition and results of operations.

We currently rely on a limited number of cloud service providers and third-party data center facilities. While we engineer and architect the systems upon which our platform runs, and own the hardware installed at the data centers on which we rely, we do not control the operation of these facilities. We also obtain cloud storage and computing from Amazon and Google. We have experienced, and may in the future experience, failures at the third-party data centers where our hardware is deployed. Data centers are vulnerable to damage or interruption from human error, cyber-crimes, computer viruses and other intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. Similarly, if we are unable to utilize cloud services from Amazon or Google, we could experience delays or disruptions. The occurrence of any of these events or other unanticipated problems with these providers or at these facilities could result in loss of data (including personal information), lengthy interruptions in the availability of our solutions and harm to our reputation and brand.

While our third-party data center and cloud provider agreements may include automatic renewal provisions, these service providers have no obligation to renew the agreements on commercially reasonable terms or at all. In addition, a timely notice of intent not to renew under one or more of these agreements may not provide us with adequate time to transfer operations and may cause disruptions to our platform. Similarly, service providers of other aspects of our critical infrastructure, such as private network connectivity, content delivery, DDoS mitigation, domain registration and domain name servers, among others, are under no obligation to continue to provide these services after the expiration of the respective service agreements, nor are they obligated to renew the terms of those agreements. If we were required to move our equipment to a new facility, move cloud platforms or migrate to a new critical infrastructure vendor without adequate time to plan and prepare for such a migration, we would face significant challenges due to the technical complexity, risk and high costs of the relocation or migration. If we are unable to renew these agreements on commercially reasonable terms, or if the service providers close such facilities or cease providing such services, we may be required to transfer to new service providers and may incur costs and possible service interruption in connection with doing so.

Our business depends on our customers' continued and unimpeded access to the internet and the development and maintenance of the internet infrastructure. Internet service providers may be able to block, degrade or charge for access to certain of our solutions, which could lead to additional expenses and the loss of customers.

Our success depends upon the general public's ability to access the internet and continued willingness to use the internet as a means to pay for purchases, communicate, access social media and research and conduct commercial transactions, including through mobile devices. If consumers or sellers become unable, unwilling or less willing to use the internet for commerce for any reason, including lack of access to high-speed communications equipment, internet outages

or delays, disruptions or other damage to sellers' and consumers' computers, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, our business, financial condition and results of operations could be adversely affected.

Currently, internet access is provided by companies that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the internet, including changes to laws or regulations impacting internet neutrality, could decrease the demand for our solutions, increase our operating costs, require us to alter the manner in which we conduct our business or otherwise adversely affect our business, financial condition and results of operations. We could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business, financial condition and results of operations. For example, paid prioritization could enable internet service providers to impose higher fees. Public opinion towards internet infrastructure, mobile connected devices and other similar technological advancements is rapidly evolving and such industries have faced criticism in the past. We cannot be certain that the public will continue to support existing or new technologies on which we, our service providers, our customers and their users rely or may come to rely. If our industry loses public interest and support, it could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.

Intellectual property rights are important to our business. We rely on a combination of trade secret, copyright, patent and trademark laws as well as contractual provisions, such as confidentiality clauses, to protect our proprietary technology, know-how, brand and other intellectual property, all of which offer only limited protection. While it is our policy to protect and defend our intellectual property, the steps we take may be inadequate to prevent infringement, misappropriation, dilution or other potential violations of our intellectual property rights or to provide us with any competitive advantage. Further, the laws of foreign countries may not provide as much protection to intellectual property as exists in the United States. For example, some license provisions protecting against unauthorized use, copying, transfer and disclosure of our solutions may be unenforceable or otherwise limited under the laws of certain jurisdictions and foreign countries. Moreover, policing unauthorized use of our intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. To the extent we expand our international activities, our exposure to unauthorized copying and use of our intellectual property and proprietary information may increase. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite the precautions taken by us, it may be possible for unauthorized third-parties to copy or reverse engineer our solutions and use information that we regard as proprietary to create solutions that compete with those offered by us.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to, or ownership of, our proprietary information and technology or providing adequate remedies for unauthorized use or disclosure of such information or technology. Further, these agreements do not prevent competitors from independently developing technologies that are substantially equivalent or superior to our solutions. Additionally, from time to time we may be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including but not limited to trademark applications. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third-parties may have already registered or otherwise acquired rights to identical or similar marks for solutions that also address the software market. Any of the pending or future trademark applications and any future patent applications, whether or not challenged, may not be issued with the scope of the claims we seek, if at all. There can be no guarantee that additional trademarks will issue from pending or future applications, that patents will issue from future applications, if any, or that any issued patents or trademarks will not be challenged, invalidated, circumvented or declared invalid or unenforceable, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. We rely on our brand and trademarks to identify our solutions to our customers and to differentiate our solutions from those of our competitors. If we are unable to adequately protect our trademarks, third-parties may use brand names or trademarks similar to ours in a manner that may cause confusion or dilute our brand names or trademarks, which could decrease the value of our brand.

From time to time, we may discover that third-parties are infringing, misappropriating or otherwise violating our intellectual property rights. However, policing unauthorized use of our intellectual property and misappropriation of our technology is difficult and we may therefore not always be aware of such unauthorized use or misappropriation. In addition, litigation brought to protect and enforce our intellectual property rights can be costly, time-consuming or distracting to management and could result in the impairment or loss of rights or privileges associated with our intellectual property. As a result, we may be aware of infringement by competitors but may choose not to bring litigation to enforce our intellectual property rights due to the cost, time or distraction of bringing such litigation. Furthermore, even if we decide to bring

litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services and technology or the enforceability of our intellectual property rights. As a result, despite efforts by us to protect our intellectual property rights, unauthorized third-parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property or technology or otherwise develop solutions with the same or similar functionality as our solutions. If competitors infringe, misappropriate or otherwise violate our intellectual property rights and we are not adequately protected or elect not to litigate, or if competitors are able to develop solutions with the same or similar functionality without infringing our intellectual property, our competitive position, business, financial condition and results of operations could be harmed.

Claims by third-parties of intellectual property infringement, regardless of merit, could result in litigation and materially adversely affect our business, financial condition and results of operations.

The software industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. Third-parties have asserted, and may in the future assert, that our platform, solutions, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have.

Additionally, non-practicing entities may make claims of infringement and attempt to extract settlements from companies like us, and such entities are unlikely to be deterred by a patent portfolio of any size because their sole or primary business is the assertion of patent claims. The risk of claims may increase as the number of solutions we offer and the number of competitors increases and overlaps occur. In addition, to the extent we gain greater visibility and market exposure, we face a higher risk of being the subject of intellectual property infringement claims. If it appears necessary or desirable, we may seek to license intellectual property that our solutions are alleged to infringe. If required licenses cannot be obtained, litigation could result.

Regardless of merit, litigation is inherently uncertain and defending intellectual property claims is costly, can impose a significant burden on management and employees, disrupt the conduct of our business and have an adverse effect on our brand, business, financial condition and results of operations. The terms of any settlement or any adverse judgment may require us to pay substantial damages, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling or marketing some or all of our solutions, indemnify our customers or partners, refund fees or re-brand our solutions, any of which could be costly and could materially and adversely affect our business, financial condition and results of operations.

Our platform contains open-source software, which could negatively affect our ability to sell our solutions, pose particular risks to our proprietary software and subject us to possible litigation.

We use open-source software that is subject to one or more open-source licenses in connection with our software development and we may incorporate additional open-source software into our software, or otherwise link our software to open-source software. Open-source software is typically freely accessible, usable and modifiable, subject to compliance with the applicable licenses. Certain open-source software licenses require an entity who distributes or otherwise makes available the open-source software in connection with the entity's software to publicly disclose part or all of the source code to the entity's software or to make any derivative works of the open-source code or even the entity's software available to others on potentially unfavorable terms or at no cost.

However, the terms of many open-source licenses have not been interpreted by United States or foreign courts and there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses. As a result, the potential impact of these terms on our business is uncertain and may result in unanticipated obligations or restrictions relating to the use of our platform. In that event, we could be required to seek licenses from third-parties in order to continue offering our solutions, to re-develop our solutions, to discontinue sales of our solutions or to release our proprietary source code under the terms of an open-source license, any of which could harm our business, financial condition and results of operations. From time to time, companies that use open-source software have faced claims challenging the use of open-source software and/or compliance with open-source license terms, and we may be subject to such claims in the future.

While we monitor our use of open-source software and try to ensure that none is used in a manner that would require disclosure of proprietary source code that would preclude us from charging fees for the use of our software or that would otherwise breach the terms of an open-source agreement, we cannot guarantee that our monitoring efforts will be fully successful. While it is our view that the majority of our solutions are not considered distributed software since no installation of the applicable software is necessary, this position could be challenged. In addition, parts of our platform, such as our mobile applications, for example, may be considered to be distributed. Finally, certain open-source licenses require disclosure of proprietary code under certain circumstances, even in the absence of distribution. In those instances, if a specific open-source license requires it, we might be obligated to disclose part of our proprietary code or otherwise be subject to undesirable open-source license terms. Any termination of an open-source license, requirement to disclose

proprietary source code or distribute proprietary software on open-source license terms or pay damages for breach of contract could be harmful to our business, financial condition and results of operations, and could help our competitors develop solutions that are similar to or better than ours.

In addition to risks related to license requirements, usage of open-source software can lead to greater risks than the use of third-party commercial software, as open-source licensors generally do not provide warranties, controls on the origin or development of the software or remedies against the licensors. Further, given the nature of open-source software, it may be more likely that third-parties might assert copyright and other intellectual property infringement claims against us based on our use of open-source software. Finally, use of open-source software may introduce vulnerabilities into our solutions. Disclosing the source code of our propriety software could also make it easier for cyber attackers and other third-parties to discover or exploit vulnerabilities in or to defeat the protections of our solutions, which could result in our solutions failing to provide our customers with the security they expect. Likewise, some open source projects have known security or other vulnerabilities or architecture instabilities, or are otherwise subject to security attacks due to their wide availability, or are provided on an "as-is" basis. Many of the risks associated with usage of open-source software cannot be eliminated and could adversely affect our business, financial condition and results of operations.

We are exposed to risks, including security and regulatory risks, associated with credit card and debit card payment processing.

We accept payments through credit and debit cards and are therefore subject to a number of risks related to credit and debit card payments, including:

- payment of fees, which may increase over time and may require us to either increase the prices we charge for our solutions or experience an increase in operating expenses;
- if our billing systems fail to work properly and, as a result, we do not automatically charge customers' credit cards on a timely basis or at all, we could lose revenue;
- if we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or for other credit and debit card transactions, may increase or issuers may terminate their relationship with us;
- if we are unable to maintain PCI-DSS compliance, we may breach our contractual obligations, be subject to fines, penalties, damages, higher transaction fees and civil liability, be prevented from processing or accepting payment cards or lose payment processing partners;
- we rely on third-party payment service providers to securely store customer payment card information and maintain PCI-DSS compliance; and
- we rely on third-party payment service providers to process payments from our customers and their users and the providers may face downtime and thus affect our cash flow and our customers' cash flow.

There can also be no assurance that the billing system data security standards of our third-party payment service providers will adequately comply with the billing standards of any future jurisdiction in which we seek to market our solutions.

In addition, certain of our subsidiaries perform services that relate to the processing of payments or similar activities. The U.S. Department of Treasury's Financial Crimes Enforcement Network and various state banking departments regulate entities engaged in money transmission and require registration, at the federal level, and licensure, at the state level, of entities engaged in regulated activity. We have relied on various exemptions from such registration and licensing requirements to date and believe, based on our business model, that such exemptions are valid. Any determination that we are not exempt may require expenditures of time and money to remediate and could adversely affect our business, financial condition and results of operations.

If the security of personal information, payment card information or other confidential information of customers and their users stored in our systems is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.

Our business involves the storage and/or transmission of personal information, payment card information and other confidential information. In addition, the amount of potentially sensitive or confidential data we store for customers on our servers has been increasing. If third-parties succeed in penetrating our security measures or those of our service providers, or in otherwise accessing or obtaining without authorization the sensitive or confidential information we or our service providers maintain, we could be subject to liability, loss of business, litigation, government investigations or other losses. Hackers or individuals who attempt to breach the security measures put in place by us or our service providers could, if successful, cause the unauthorized disclosure, misuse or loss of personal information, payment card information or other confidential information, suspend web-hosting operations or cause malfunctions or interruptions in our platform.

If we experience any material breaches of security measures or sabotage or otherwise suffer unauthorized use or disclosure of, or access to, personal information, payment card information or other confidential information, we might be required to expend significant capital and resources to address these problems. We may not be able to remedy any problems caused by hackers or other similar actors in a timely manner, or at all. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until after they are launched against a target, we and our service providers may be unable to anticipate these techniques or to implement adequate preventative measures. Advances in computer capabilities, discoveries of new weaknesses and other developments with software generally used by the internet community also increase the risk we, or customers using our servers, will suffer a material security breach. We, our service providers or our customers may also suffer material security breaches or unauthorized access to personal information, payment card information and other confidential information due to employee error, rogue employee activity, unauthorized access by third-parties acting with malicious intent or who commit an inadvertent mistake or social engineering. If a material breach of security or other data security incident occurs or is perceived to have occurred, the perception of the effectiveness of our security measures and reputation could be harmed and we could lose current and potential customers, even if the security breach were to also affect one or more of our competitors. Further, concerns about practices with regard to the collection, use, disclosure or security of personal information, payment card information or other confidential information, even if unfounded, could damage our reputation and adversely affect our business, financial condition and results of operations.

Any actual or alleged security breaches or other unauthorized access to personal information, payment card information and other confidential information or alleged violation of federal, state or foreign laws or regulations relating to privacy and data security could result in:

- mandated customer notifications, litigation, government investigations, significant fines and expenditures;
- claims against us for misuse of personal information, payment card information and other confidential information;
- diversion of management’s attention;
- damage to our brand and reputation;
- our operations being suspended for some length of time; and
- an adverse effect on our business, financial condition and results of operations.

In addition, we could be required to devote significant resources to investigate and address a security breach. Defending against claims or litigation based on any security breach or incident, regardless of its merit, will be costly and may cause reputation harm. Further, under certain regulatory schemes, such as the California Consumer Privacy Act (the “CCPA”), we may be liable for statutory damages on a per breached record basis, irrespective of any actual damages or harm to the individual. The successful assertion of one or more large claims against us that exceed available insurance coverage, denial of coverage as to any specific claim or any change or cessation in our insurance policies and coverages, including premium increases or the imposition of large deductible requirements, could adversely affect our business, financial condition and results of operations. We expect to continue to expend significant resources to protect against security breaches and other data security incidents. The risk that these types of events could seriously harm our business is likely to increase as we expand our solutions and operate in more geographic regions.

We are subject to privacy and data protection laws and regulations as well as contractual privacy and data protection obligations. Our failure to comply with these or any future laws, regulations or obligations could subject us to sanctions and damages and could harm our reputation, business, financial condition and results of operations.

We are subject to a variety of laws and regulations, including regulation by various federal government agencies, including the FTC, the Federal Communications Commission and state and local agencies, as well as data privacy and security laws in jurisdictions outside of the United States. We collect personal information and other potentially protected information from our employees, our current and prospective customers and their users. The U.S. federal and various state and foreign governments have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personal information, payment card information or other confidential information of individuals and the FTC and many state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data. Self-regulatory obligations, other industry standards, policies and other legal obligations may apply to our collection, distribution, use, security or storage of personal information, payment card information or other confidential information relating to individuals. These obligations may be interpreted and applied inconsistently from one jurisdiction to another and may conflict with one another, other regulatory requirements or our internal practices. Any failure or perceived failure by us to comply with United States, European Union or other foreign privacy or security laws, policies, industry standards or legal obligations or any security incident resulting in the unauthorized access to, or acquisition, release or transfer of, personal information, payment card information or other confidential information relating to our customers, employees or others may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation, business, financial condition and results of operations.

We expect there will continue to be newly enacted and proposed laws and regulations as well as emerging industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Such laws, regulations, standards and other obligations could impair our ability to, or the manner in which we collect or use information to target advertising to our customers, thereby having a negative impact on our ability to maintain and grow our customer base and increase revenue. For example, the CCPA requires, among other things, that covered companies such as ours provide new disclosures to California consumers and affords such consumers new rights, including the right to access and delete their information and to opt-out of certain sharing and sales of personal information or opt into certain financial incentive programs. The law also prohibits covered businesses from discriminating against consumers (e.g., charging more for services) for exercising any of their CCPA rights. The CCPA took effect on January 1, 2020 and enforcement of the CCPA by the California Attorney General began on July 1, 2020. The CCPA imposes a severe statutory damages framework as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. It remains unclear how various provisions of the CCPA will be interpreted and enforced. The CCPA has been amended on multiple occasions and is the subject of regulations of the California Attorney General finalized on August 14, 2020. Additionally, the California Secretary of State recently certified a new privacy law, the California Privacy Rights Act (the “CPRA”), which California voters approved on November 4, 2020. This initiative significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Virginia, Colorado, Utah and Connecticut also passed comprehensive privacy laws that will take effect in 2023. Other states may pass comparable legislation, with potentially greater penalties and more rigorous compliance requirements relevant to our business. The effects of the CCPA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation. Future restrictions on the collection, use, sharing or disclosure of our customers’ data or additional requirements for express or implied consent of customers for the collection, use, disclosure, sharing or other processing of such information could increase our operating expenses, require us to modify our solutions, possibly in a material manner, or stop offering certain solutions, and could limit our ability to develop and implement new solutions.

In addition, several foreign countries and governmental bodies, including the European Union and Canada, have laws and regulations concerning the collection and use of their residents’ personal information and payment card information, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information and payment card information identifying, or which may be used to identify, an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol (IP) addresses, device identifiers and other data. Although we are working to comply with those laws and regulations applicable to us, these and other obligations may be modified and interpreted in different ways by courts, and new laws and regulations may be enacted in the future. We are subject to the E.U. General Data Protection Regulation 2016/679 (the “GDPR”), and following the United Kingdom’s exit from the European Union, from January 1, 2021, we are also subject to the United Kingdom GDPR (the “U.K. GDPR”), which, together with the amended U.K. Data Protection Act of 2018 (the “U.K. Data Protection Act”), retains the GDPR in U.K. national law. The U.K. GDPR mirrors the fines under the GDPR. It remains unclear how the U.K. GDPR, the U.K. Data Protection Act and other U.K. data protection laws or regulations will develop in the medium to longer term. In addition, some countries are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our solutions. Any new laws, regulations, other legal obligations or industry standards or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations.

The regulatory environment applicable to the handling of European Economic Area (“EEA”) and United Kingdom individuals’ personal data, and our actions taken in response, may cause us to face a risk of enforcement actions by data protection authorities in the EEA and the United Kingdom, assume additional liabilities or incur additional costs and could result in our business, financial condition and results of operations being harmed. In particular, with regard to transfers to the United States of personal data (as such term is used in the GDPR) of our European employees and our European and United Kingdom customers and their users, the U.S.-E.U. Privacy Shield was invalidated by the Court of Justice of the European Union in July 2020, and the E.U. Model Clauses have been subject to legal challenge and may be modified or invalidated. The European Commission has adopted the new modular E.U. Model Clauses, providing for an 18 month implementation period and the non-legally binding guidance on Supplementary Measures that has been issued by the European Data Protection Board casts doubt on the ability to transfer unencrypted data to the United States. We are monitoring these developments, but depending on the outcome, we may be unsuccessful in maintaining a legitimate means for our transfer and receipt of personal data from the EEA and United Kingdom in the United States and any other countries that are not considered adequate by the European Union or the United Kingdom. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens and be required to engage in new contract negotiations with third-parties that aid in processing data on our behalf or localize certain data. We may experience reluctance or refusal by current or prospective European customers to use our solutions, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA and United Kingdom residents.

We are also subject to evolving privacy laws on tracking technologies, including cookies and e-marketing. For example, in the European Union and the United Kingdom, regulators are increasingly focusing on compliance with

requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive are highly likely to be replaced by an E.U. regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. Recent guidance and case law in the European Union and the United Kingdom require opt-in consent for the placement of a cookie or similar tracking technologies on a customer's device and for direct electronic marketing. Evolving privacy laws on cookies and e-marketing could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities. Regulation of cookies and similar technologies, and any decline of cookies or similar online tracking technologies as a means to identify and potentially target users, may lead to broader restrictions and impairments on our marketing and personalization activities and may negatively impact our efforts to understand our customers.

Consumers can, with increasing ease, implement technologies that limit our ability to collect and use data to deliver or advertise our services, or otherwise limit the effectiveness of our platform. Cookies may be deleted or blocked by consumers. The most commonly used Internet browsers allow consumers to modify their browser settings to block first-party cookies (placed from the domain of the website owner that the consumer is browsing) or third-party cookies (placed from a different domain), and some browsers block third-party cookies by default. Some prominent technology companies, including Google, the owner of the Chrome browser, have announced intentions to discontinue support of third-party cookies, and to develop alternative methods and mechanisms for tracking consumers. Many applications and other devices allow consumers to avoid receiving advertisements by paying for subscriptions or other downloads. Mobile devices using Android and iOS operating systems limit the ability of cookies, or similar technology, to track consumers while they are using applications other than their web browser on the device.

If our privacy or data security measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, or are perceived to have failed to so comply, we may be subject to litigation, regulatory investigations and related actions, significant fines (which, for certain breaches of the GDPR or U.K. GDPR, may be up to the greater of €20 million or 4% of total global annual turnover), civil claims including representative actions and other class action type litigation (potentially amounting to significant compensation or damages liabilities) or other liabilities, negative publicity and a potential loss of business. Moreover, if future laws, regulations, other legal obligations or industry standards, or any changed interpretations of the foregoing, limit our customers' ability to use and share personal information, including payment card information, or our ability to store, process and share such personal information or other data, demand for our solutions could decrease, our costs could increase and our business, financial condition and results of operations could be harmed.

Activities of our customers or the content of their websites could damage our brand, subject us to liability and harm our business, financial condition and results of operations.

Our terms of service and acceptable use policy prohibit our customers from using our platform to engage in illegal or otherwise prohibited activities and our terms of service and acceptable use policy permit us to terminate a customer's account if we become aware of such use. Customers may nonetheless use our platform to engage in prohibited or illegal activities, such as uploading content in violation of applicable laws, which could subject us to liability. Furthermore, our brand may be negatively impacted by the actions of customers that may be deemed to be hostile, offensive, inappropriate or illegal, whether such actions occur on our platform or otherwise. We do not proactively monitor or review the appropriateness of our customers' content and we do not have control over customer activities or the activities in which their users engage. The safeguards we have in place may not be sufficient for us to avoid liability or avoid harm to our brand, especially if such hostile, offensive, inappropriate or illegal use is or becomes high profile, which could adversely affect our business, financial condition and results of operations. Customers using the platform may also operate businesses in regulated industries, which are subject to additional scrutiny, increasing the potential liability we could incur.

We are subject to export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control. If we fail to comply with these laws and regulations, we could be subject to civil or criminal penalties and reputational harm. U.S. export control laws and economic sanctions laws also prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities.

Even though we take precautions to prevent transactions with U.S. sanctions targets, there is risk that in the future we could provide our solutions to such targets despite such precautions. This could result in negative consequences to us, including government investigations, penalties and reputational harm. Changes in the list of embargoed countries and regions or prohibited persons may require us to modify these procedures in order to comply with governmental regulations.

Changes in our solutions, changes in export and import regulations or changes in the global environment may create delays in the introduction and sale of our solutions in international markets or, in some cases, prevent the sale of our

solutions to certain countries, governments or persons altogether. Any change in export or import regulations, shift in the enforcement or scope of existing regulations or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our platform or decreased ability to sell our solutions to existing or potential customers. Any decreased use of our solutions or limitation on our ability to sell our solutions internationally could adversely affect our growth prospects.

If we are found to be in violation of the export controls laws and regulations or economic sanctions laws and regulations, penalties may be imposed against us and our employees, including loss of export privileges and monetary penalties, which could have an adverse effect on our business, financial condition and results of operations.

Due to the global nature of our business, we could be adversely affected by violations of anti-bribery and anti-corruption laws.

The global nature of our business creates various domestic and local regulatory challenges. The FCPA, U.K. Bribery Act, the U.S. Travel Act of 1961 and similar anti-bribery and anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign government officials and other persons for the corrupt purpose of obtaining or retaining business, directing business to any person or securing any advantage. In addition, companies are required to maintain records accurately and fairly representing their transactions and having an adequate system of internal accounting controls. We face significant risks if we fail to comply with the FCPA and other anti-corruption and anti-bribery laws prohibiting companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties and private-sector recipients for an illegal purpose.

We sell our solutions to customers around the world, including some in areas of the world that experience corruption by government officials to some degree and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. In addition, changes in laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. While we are committed to complying, and training our employees to comply, with all applicable anti-bribery and anti-corruption laws, we cannot assure our employees or other agents will not engage in prohibited conduct and render us responsible under the FCPA, the U.K. Bribery Act or other anti-bribery and anti-corruption laws.

If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery and anti-corruption laws (either due to acts or inadvertence of our employees, or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have an adverse effect on our business, financial condition and results of operations. Any violation of the FCPA or other applicable anti-corruption or anti-bribery laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have an adverse effect on our reputation, business, financial condition and results of operations. In addition, responding to any enforcement action may result in a significant diversion of management’s attention and resources and significant defense costs and other professional fees.

Our business could be affected by new and evolving governmental regulations regarding the internet.

To date, laws, regulations and enforcement actions by governments have not materially restricted use of the internet in most parts of the world. However, the legal and regulatory environment relating to the internet is uncertain, and governments may impose regulation in the future. New laws may be passed, courts may issue decisions affecting the internet, existing but previously inapplicable or unenforced laws may be deemed to apply to the internet or regulatory agencies may begin to more rigorously enforce such formerly unenforced laws, or existing legal safe harbors may be narrowed, both by U.S. federal or state governments and by governments of foreign jurisdictions. The adoption of any new laws or regulations, or the narrowing of any safe harbors, could hinder growth in the use of the internet and online services generally, and decrease acceptance of the internet and online services as a means of communications, e-commerce and advertising. In addition, such changes in laws could increase our costs of doing business or prevent us from delivering our solutions over the internet or in specific jurisdictions, which could harm our business, financial condition and results of operations. For example, we rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our platform, including the Digital Millennium Copyright Act (the “DMCA”), the Communications Decency Act (the “CDA”), and fair-use doctrine in the United States and the Electronic Commerce Directive in the European Union. The DMCA limits, but does not necessarily eliminate, our potential liability for caching, hosting, listing or linking to third-party content that may include materials that infringe copyrights or other rights. The CDA further limits our potential liability for content uploaded onto our platform by third-parties. Defenses such as the fair-use doctrine (and related doctrines in other countries) may be available to limit our potential liability for featuring third-party intellectual property content for purposes such as reporting, commentary and parody. In the European Union, the Electronic Commerce Directive offers certain limitations on our potential liability for featuring third-party content. However, each of these statutes and doctrines are subject to uncertain or evolving judicial interpretation and regulatory and legislative amendments, and we cannot guarantee that such frameworks and defenses will be available. Regulators in the United States and in other countries may introduce new regulatory regimes that increase potential liability for content available on our platform,

including liability for misleading, false or manipulative information, hate speech, privacy violations, copyrighted content and other types of online harm. For example, there have been various legislative and executive efforts to restrict the scope of the protections available to online platforms under Section 230 of the CDA, and current protections from liability for third-party content in the United States could decrease or change. There are also a number of legislative proposals in the United States, at both the federal and state level, and in the European Union and the United Kingdom, that could impose new obligations in areas affecting our business, such as liability for copyright infringement and other online harm. Any new legislation may be difficult to comply with in a timely and comprehensive manner and may expose our business or customers to increased costs. If the rules, doctrines or currently available defenses change, if international jurisdictions refuse to apply protections similar to those that are currently available in the United States or the European Union or if a court were to disagree with our application of those rules to our solutions, our potential liability for information or content created by third-parties and posted to our platform could require us to expend significant resources to try to comply with the new rules and implement additional measures to reduce our exposure to such liability or we could incur liability and our business, financial condition and results of operations could be harmed.

Governmental and regulatory policies or claims concerning the domain registration system and the internet in general, and industry reactions to those policies or claims, may cause instability in the industry and disrupt our business.

The Internet Corporation for Assigned Names and Numbers ("ICANN") is a multi-stakeholder, private sector, not-for-profit corporation formed in 1998 for the express purposes of overseeing a number of internet related tasks, including managing the Domain Name System's allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these functions. ICANN has been subject to strict scrutiny by the public and governments around the world, as well as multi-governmental organizations such as the United Nations, with many of those bodies becoming increasingly interested in internet governance. Any instability in the domain name registration system may make it difficult for us to maintain our relationships with accredited domain name registrars or registries, continue to offer our existing solutions, or introduce new offerings.

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

We rely heavily on our network infrastructure and IT systems for our business operations. Unanticipated events such as an online attack (including illegal hacking, ransomware, phishing or criminal fraud or impersonation), earthquake, fire, flood, terrorist attack, power loss, global pandemic or other future adverse public health developments, telecommunications failure or other similar catastrophic events could cause interruptions in the availability of our platform, delays in accessing our solutions, reputational harm and loss of critical data. Such events could prevent us from providing our solutions to our customers and their users. A catastrophic event that results in the destruction or disruption of our data centers, network infrastructure or IT systems, including any errors, defects or failures in third-party services, could result in costly litigation or other claims and adversely affect our business, financial condition and results of operations.

Our level of indebtedness could have a material adverse effect on our ability to generate sufficient cash to fulfill our obligations under such indebtedness, to react to changes in our business and to incur additional indebtedness to fund future needs.

As of December 31, 2022, we have outstanding $516.3 million aggregate principal amount of borrowings under the Term Loan and $7.3 million aggregate principal amount of borrowings under the Revolving Credit Facility (as defined above). If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our current or future debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. We cannot assure you that our business will be able to generate sufficient levels of cash or that future borrowings or other financings will be available to us in an amount sufficient to enable us to service our indebtedness and fund our other liquidity needs. In addition, our indebtedness under the Credit Agreement (as defined below) bears interest at variable rates. Because we have variable rate debt, fluctuations in interest rates may affect our business, financial condition and results of operations.

Our Credit Agreement contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our business, financial condition and results of operations.

The terms of our Credit Agreement include a number of covenants that limit our ability to (subject to negotiated exceptions), among other things, incur additional indebtedness or issue preferred stock, incur liens on assets, enter into agreements related to mergers and acquisitions, dispose of assets or pay dividends and make distributions. The terms of our Credit Agreement may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies which are not subject to such restrictions.

A failure by us to comply with the covenants specified in the Credit Agreement could result in an event of default under the agreement, which would give the lenders the right to terminate their commitments to provide additional loans under our Revolving Credit Facility and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. If the debt under the Credit Agreement were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could adversely affect our business, financial condition and results of operations.

Because we generally recognize revenue from monthly and annual subscriptions over the term of an agreement, downturns or upturns in sales are not immediately reflected in our full results of operations.

We offer annual and monthly subscriptions and generally recognize revenue over the term of our customers' contracts in accordance with GAAP. Accordingly, increases in annual subscriptions during a particular period do not translate into immediate, proportional increases in revenue during such period, and a substantial portion of the revenue we recognize during a quarter is derived from deferred revenue from annual subscriptions purchased during previous quarters. Conversely, a decline in new or renewed annual subscriptions in any one quarter may not significantly reduce revenue for that quarter but could negatively affect revenue in future quarters. Accordingly, the effect of significant downturns in new or renewed sales of our solutions may not be fully reflected in our results of operations until future periods.

Our business is susceptible to risks associated with international sales and the use of our platform in various countries as well as our ability to localize our platform in such countries.

As of December 31, 2022, we had customers in over 200 countries and territories and expect to continue to expand our international operations in the future. However, international sales and the use of our platform in various countries subject us to risks that we do not generally face with respect to domestic sales. These risks include, but are not limited to:

- greater difficulty in enforcing contracts, including our terms of service and other agreements;
- lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing foreign laws, standards, regulatory requirements, tariffs, export controls and other barriers;
- data privacy laws, which may require that customer and user data be stored and processed in a designated territory;
- differing technology standards and different strategic priorities for customers in various jurisdictions;
- weaker protection for intellectual property in certain jurisdictions;
- potentially adverse tax consequences, including the complexities of foreign value-added tax (or other tax) systems and restrictions on the repatriation of earnings;
- uncertain political and economic climates and increased exposure to global political, economic and social risks that may impact our operations or our customers' operations and/or decrease consumer spending, including the impact of global health emergencies;
- difficulties in ensuring compliance with government regulations of e-commerce and other services, which could lead to lower adoption rates;
- potentially restrictive actions by foreign governments or regulators, including actions that prevent or limit access to our platform, solutions, apps or website;
- uncertainties and instability in European and global markets and increased regulatory costs and challenges and other adverse effects caused by the United Kingdom's withdrawal from the European Union;
- lower levels of credit card usage and increased payment risks;
- currency exchange rates;
- reduced or uncertain protection for intellectual property rights and free speech in some countries;
- new and different sources of competition; and
- restricted access to and/or lower levels of use of the internet.

These factors may cause international costs of doing business to exceed comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from our international business efforts could adversely affect our business, financial condition and results of operations.

Exchange rate fluctuations may negatively affect our business, financial condition and results of operations.

Our business, financial condition and results of operations are affected by fluctuations due to changes in foreign currency exchange rates. While we generate the majority of our revenue in U.S. dollars, a portion of our revenue is denominated in Euros. For the year ended December 31, 2022, 71.8% of our revenue was denominated in U.S. dollars and

28.2% of our revenue was denominated in Euros. As we expand globally, we will be further exposed to fluctuations in currency exchange rates to the extent that the revenue that we generate in currencies other than the U.S. dollar increases. Furthermore, currency exchange rates have been especially volatile in the recent past, and these currency fluctuations have made and may continue to make it difficult for us to accurately predict our results of operations.

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

With sales in various countries, we are 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 paid 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 an adverse impact on our liquidity and results of operations.

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

- changes in the valuation of deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- expiration of, or unfavorable changes to, research and development tax credit laws;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries that have lower statutory tax rates and higher than anticipated earnings in countries that have higher statutory tax rates.

The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amount recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Our corporate structure and associated transfer pricing policies consider the functions, risks and assets of the various entities involved in the intercompany transactions. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm’s length. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm’s length transactions, they could require us to adjust our transfer prices and thereby reallocate income to reflect these revised transfer prices, which could result in a higher tax liability. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

In addition, the authorities in several jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and our business, financial condition and results of operations.

We may be subject to additional obligations to collect and remit sales tax and other taxes. We may be subject to tax liability for past sales, which could harm our business, financial condition and results of operations.

State, local and foreign jurisdictions have differing tax rules and regulations governing sales, use, value-added, digital services, and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of such taxes to our platform in various jurisdictions is unclear. These jurisdictions’ rules regarding tax nexus are complex and vary significantly. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations, and as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business.

One or more states, localities, the federal government or other countries may seek to impose additional reporting, record-keeping or indirect tax collection and remittance obligations on businesses like ours. An increasing number of jurisdictions have enacted laws or are considering enacting laws requiring e-commerce platforms to report user activity or collect and remit taxes on certain sales through a marketplace. Imposition of an information reporting, record-keeping or tax collection requirement could require us to incur substantial costs in order to comply, including costs associated with tax calculation, collection and remittance, which could adversely affect our business and results of operations. In some cases we also may not have sufficient notice to enable us to build systems and adopt processes to properly comply with new reporting, record-keeping or collection obligations by the effective date.

As a result, we could face tax assessments and audits. Our liability for these taxes and associated penalties could exceed our historical tax accruals. Jurisdictions in which we have not historically collected or accrued sales, use, value-added or other taxes could assert our liability for such taxes. A successful assertion that we should be collecting additional

taxes in jurisdictions where we have not historically done so could result in substantial tax liabilities for past sales. Furthermore, certain jurisdictions have introduced a digital services tax, which is generally a tax on gross revenue generated from users or customers located in those jurisdictions, and other jurisdictions have enacted or are considering enacting similar laws. Further, even where we are collecting and remitting taxes to the appropriate authorities, we may fail to accurately calculate, collect, report and remit such taxes. Any of these events could result in substantial tax liabilities and related penalties for past sales. It could also discourage customers from using our platform or otherwise harm our business, financial condition and results of operations.

We have recorded in the past a full valuation allowance on our net deferred tax assets since it is more likely than not that these benefits will not be realized. Future adjustments to the realizability of our deferred tax assets may have a material impact on our financial condition and results of operations.

Determining whether a valuation allowance for deferred tax assets is appropriate requires significant judgment and an evaluation of all positive and negative evidence. We assess the need for, or the sufficiency of, a valuation allowance against deferred tax assets at each reporting period. In making such an assessment, significant weight is given to evidence that can be objectively verified. New facts and circumstances, future financial results, and new tax legislation, among other factors, may require us to reevaluate our valuation allowance positions which could potentially affect our effective tax rate.

We continue to monitor the likelihood that we will be able to recover our deferred tax assets, including those for which a valuation allowance is recorded. There can be no assurance that our deferred tax assets will be fully realized. The determination to record or reverse a valuation allowance is subject to objective factors that cannot be readily predicted in advance and may have a material impact on our financial condition and results of operations.

If there are fluctuations in our effective tax rate due to changes in tax laws or regulations, we could suffer adverse tax and other financial consequences.

New tax laws or regulations could be enacted at any time, and existing tax laws or regulations could be interpreted, modified or applied in a manner that adversely affects our tax rates and therefore our results of operations and financial condition.

Legislation commonly referred to as the Tax Cuts and Jobs Act, which was enacted in December 2017, significantly reformed the U.S. Internal Revenue Code of 1986, as amended. The Tax Cuts and Jobs Act lowered U.S. federal corporate income tax rates, changed the utilization of future net operating loss carryforwards, allowed for the expensing of certain capital expenditures, eliminated the option to currently deduct research and development expenditures and requires taxpayers to capitalize and amortize U.S.-based and non-U.S.-based research and development expenditures over five and fifteen years, respectively, and put into effect significant changes to United States taxation of international business activities. It is possible that changes under the Tax Cuts and Jobs Act could increase our future tax liability.

In August 2022, the United States enacted the Inflation Reduction Act (the “IRA”), which among other provisions, introduced a 15% minimum tax on the adjusted financial statement income of certain large corporations and a 1% excise tax on certain share repurchases by covered corporations. We currently do not expect the IRA to have a material impact on our consolidated financial statements and are continuing to evaluate the potential impact of the IRA on future periods.

The Organization for Economic Co-operation and Development (the "OECD") has issued recommendations that, in some cases, make substantial changes to numerous long-standing tax positions and principles. These changes, many of which have been adopted or are under active consideration by OECD members and/or other countries, could increase tax uncertainty and may adversely affect our provision for income taxes, cash tax liability, and effective tax rate in countries where we operate.

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

We are required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are required to provide an annual management report on the effectiveness of our disclosure controls and internal control over financial reporting. However, pursuant to an exemption available to emerging growth companies, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until we are no longer deemed an emerging growth company.

As we mature, we will need to further develop our internal control systems and procedures to keep pace with our rapid growth and we are currently working to improve our controls. Our current controls and any new controls that we develop may become inadequate because, among other reasons, they may not keep pace with our growth or the conditions in our business may change.

We have made, and will continue to make, changes to our financial management control systems and other areas to manage our obligations as a public company, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems.

If we fail to maintain effective systems, controls and procedures, including disclosure controls and internal controls over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations and prevent fraud could be adversely impacted. Moreover, we may have to disclose in periodic reports we file with the SEC material weaknesses in our system of internal controls. The existence of a material weakness would preclude management from concluding that our internal controls over financial reporting are effective, and would preclude our independent auditors from issuing an unqualified opinion that our internal controls over financial reporting are effective. We may also experience higher than anticipated operating expenses during and after the implementation of these changes.

If we are unable to implement any of the changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our business, financial condition and results of operations. Additionally, we do not expect that our internal control systems, even if timely and well established, will prevent all errors and all fraud. Internal control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

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

For as long as we continue to be an emerging growth company, we may also take advantage of other exemptions from certain reporting requirements that are applicable to other public companies, including not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and any golden parachute arrangements, such as "say-on-pay," "say-on-frequency" and "say-on-golden-parachutes," and reduced financial reporting requirements. Although we cannot predict with any certainty, investors may find our Class A common stock less attractive because we will rely on these exemptions, which could result in a less active trading market for our Class A common stock, increased price fluctuation and a decrease in the trading price of our Class A common stock. Moreover, the information that we provide to our stockholders may be different than the information you might receive from other public reporting companies in which you hold equity interests.

We will remain an emerging growth company until the earliest of: (i) the last day of the first fiscal year in which our annual gross revenue is $1.235 billion or more; (ii) the last day of the fiscal year during which the fifth anniversary of our listing as a public company; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company that is subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business, financial condition and results of operations.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain 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 New York Stock Exchange ("NYSE") on which our Class A common stock is traded and other applicable securities rules and regulations. The SEC and other regulators have continued to adopt new rules and regulations and make additional changes to existing regulations that require our compliance. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact, in ways we cannot currently anticipate, the manner in which we operate our business. We expect that compliance with these rules and regulations will continue to cause us to incur additional accounting, legal and other expenses that we did not incur as a private company. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and reduce the trading price of our Class A common stock. We also anticipate that we will incur costs associated with corporate governance requirements, including

requirements under securities laws, as well as rules and regulations implemented by the SEC and the NYSE, particularly after we are no longer an "emerging growth company." We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, while also diverting some of management's time and attention from revenue-generating activities. Furthermore, these rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. In addition, if we fail to comply with these rules and regulations, we could be subject to a number of penalties, including the delisting of our Class A common stock, fines, sanctions or other regulatory action or civil litigation.

Risks Related to Ownership of our Class A Common Stock

The trading price of our Class A common stock may be volatile and could decline significantly and rapidly regardless of our operating performance.

The trading price of our Class A common stock may be volatile and subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- the number of shares of our Class A common stock made available for trading;
- sales or expectations with respect to sales of shares of our Class A common stock by holders of our Class A common stock;
- actual or anticipated fluctuations in our business, financial condition and results of operations;
- variance in our financial performance from expectations of securities analysts;
- changes in our revenue;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- our involvement in any litigation;
- our sale of our Class A common stock or other securities in the future;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

Recently, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

None of our stockholders are party to any contractual restrictions on transfer. Sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, could cause the trading price of our Class A common stock to decline.

In addition to the supply and demand and volatility factors discussed above, sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our Founder, directors, executive officers and principal stockholders, or the perception that these sales might occur in large quantities, could cause the trading price of our Class A common stock to decline.

None of our security holders are subject to any contractual restriction on the transfer or sale of their shares.

In addition, certain of our stockholders have rights, subject to some conditions, to require us to file registration statements for the public resale of their Class A common stock or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the trading price of our Class A common stock to decline or be volatile.

The multi-class structure of our common stock has the effect of concentrating voting control with those stockholders who hold our Class B common stock, including our Founder and Chief Executive Officer. This will limit or preclude your ability to influence corporate matters, including the election of directors, amendments to our organizational

documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions requiring stockholder approval.

Our Class A common stock has one vote per share and our Class B common stock has ten votes per share. The multi-class structure of our common stock has the effect of concentrating voting control with our Class B common stockholders. As of December 31, 2022, Mr. Casalena holds a majority of the voting power of our outstanding capital stock. As a result, Mr. Casalena will have control over most matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. He may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. Corporate actions might be taken even if other stockholders oppose them. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control or other liquidity event of our company, could deprive our stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale or other liquidity event and might ultimately affect the trading price of our Class A common stock. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

Pursuant to our amended and restated certificate of incorporation, we are authorized to issue 1,000,000,000 shares of Class C common stock and as of December 31, 2022, there is no Class C common stock outstanding. Although we have no current plans to issue any shares of Class C common stock in the future, we may issue shares of Class C common stock for a variety of corporate purposes, including financings, acquisitions, investments, dividends and equity incentives to our employees, consultants and directors. Under our amended and restated certificate of incorporation, our board of directors has the authority, without stockholder approval except as required by the listing standards of the NYSE, to issue additional shares of our capital stock. Because the Class C common stock carries no voting rights, is not convertible into any other capital stock and is not listed for trading on an exchange or registered for sale with the SEC, shares of Class C common stock may be less liquid and less attractive to any future recipients of these shares than shares of Class A common stock, although we may seek to list the Class C common stock for trading and register shares of Class C common stock for sale in the future. In addition, because our Class C common stock carries no voting rights and is not counted when determining whether the seven percent ownership threshold related to automatic conversion of the Class B common stock is met, if we issue shares of Class C common stock in the future, the holders of our Class B common stock, including our Founder and Chief Executive Officer, may be able to elect all of our directors and to determine the outcome of most matters submitted to a vote of our stockholders for a longer period of time than would be the case if we issued Class A common stock rather than Class C common stock in such transactions. In addition, if we issue shares of Class C common stock in the future, such issuances would have a dilutive effect on the economic interests of our Class A common stock and Class B common stock.

We cannot predict the impact our capital structure may have on our stock price.

We cannot predict whether our multi-class structure will result in a lower or more volatile market price of our Class A common stock, in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P, Dow Jones and FTSE Russell have each announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500. These changes exclude companies with multiple classes of shares of common stock from being added to these indices. In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the multi-class structure of our capital stock may prevent the inclusion of our Class A common stock in these indices and may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the trading price of our Class A common stock.

The multi-class structure of our common stock additionally has the effect of concentrating voting control with our Class B common stockholders, including our Founder and Chief Executive Officer. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, takeover, or other business combination involving us that you, as a stockholder, may otherwise support, and could allow us to take actions that some of our stockholders do not view as beneficial, which could reduce the trading price of our Class A common stock. Furthermore, this concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock. Any issuance of Class C common stock could also cause the trading price of our Class A common stock to decline.

We do not intend to pay dividends on our capital stock for the foreseeable future.

We do not currently anticipate paying dividends on our capital stock. Any declaration and payment of future dividends to holders of our capital stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, the provisions of Delaware law affecting the payment of dividends and distributions to stockholders and other considerations that our board of directors deems relevant. In addition, the terms of

the Credit Agreement currently limit our ability to pay dividends and future agreements governing our indebtedness may similarly limit our ability to pay dividends. Consequently, your only opportunity to achieve a return on your investment in our company will be if the trading price of our Class A common stock appreciates and you sell your shares at a profit. There is no guarantee that the price of our Class A common stock in the market will ever exceed the price that you paid for your shares.

Anti-takeover provisions contained in our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the trading price of our Class A common stock.

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- our multi-class common stock structure, which provides holders of our Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock;
- our stockholders are only able to take action at a meeting of stockholders and not by written consent;
- special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors or our chief executive officer;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- certain amendments to our amended and restated certificate of incorporation or our amended and restated bylaws require the approval of at least 66⅓% of the then-outstanding voting power of our capital stock;
- our amended and restated bylaws provide that certain litigation against us can only be brought in Delaware; and
- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock.

These and other provisions in our amended and restated certificate of incorporation and our amended and restated bylaws and under Delaware law could discourage potential takeover attempts, reduce the price investors might be willing to pay in the future for shares of our Class A common stock and result in the trading price of our Class A common stock being lower than it would be without these provisions.

Our amended and restated certificate of incorporation contains exclusive forum provisions for certain claims, 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, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders; (iii) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the General Corporation Law of the State of Delaware or our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware.

This provision, however, does not apply to suits brought to enforce any duty or liability created by the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or rules and regulations thereunder. The federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act or the Exchange Act. Accordingly, while there can be no assurance that federal or state courts will determine that our exclusive forum provision should be enforced in a particular case, suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court.

Our investors are deemed to have notice of and consented to these forum provisions, provided, however, that stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. These provisions may limit our stockholders' ability to bring a claim in a judicial forum they find 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 and agents. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

General Risk Factors

Our business, financial condition and results of operations may differ from any projections that we disclose or any information that may be attributed to us by third-parties.

From time to time, we may provide guidance via public disclosures regarding our projected business, financial condition or results of operations. However, any such projections involve risks, assumptions and uncertainties, and our actual results could differ materially from such projections. Factors that could cause or contribute to such differences include, but are not limited to, those identified in these Risk Factors, some or all of which are not predictable or in our control. Other unknown or unpredictable factors also could adversely impact our performance, and we undertake no obligation to update or revise any projections, whether as a result of new information, future events or otherwise. In addition, various news sources, bloggers and other publishers often make statements regarding our historical or projected business or financial performance, and you should not rely on any such information even if it is attributed directly or indirectly to us.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our Class A common stock adversely, the trading price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not control these analysts. If any of the analysts who cover us downgrade our Class A common stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our Class A common stock may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our Class A common stock to decline and our Class A common stock to be less liquid.

Additional issuances of our stock could result in significant dilution to our stockholders.

Additional issuances of our stock, exercise of options or vesting of RSUs will result in dilution to existing holders of our capital stock. The amount of dilution could be substantial depending upon the size of the issuance, exercise or vesting. 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 trading price of our Class A common stock to decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters, primarily used for product development, marketing, and business operations, is located in New York, New York and consists of 166,088 square feet of office space under a lease that expires in 2030. We also lease office space in Chicago, IL, primarily used for our hospitality services, and internationally in Dublin, Ireland primarily used for additional business services and customer care.

We believe our existing facilities are sufficient for our current needs. In the future, we may need to reassess our existing facilities or add new facilities as we increase our employee base and further expand our international operations. We believe suitable space will be available on commercially reasonable terms to meet our future needs.

Item 3. Legal Proceedings

From time to time, we may be involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, financial condition and results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Market Information for Common Stock

Our Class A common stock has been listed on the NYSE under the symbol "SQSP" since May 19, 2021. Prior to that date, there was no public trading market for our Class A common stock. Our Class B and Class C common stock are neither listed nor publicly traded.

Holders of Record

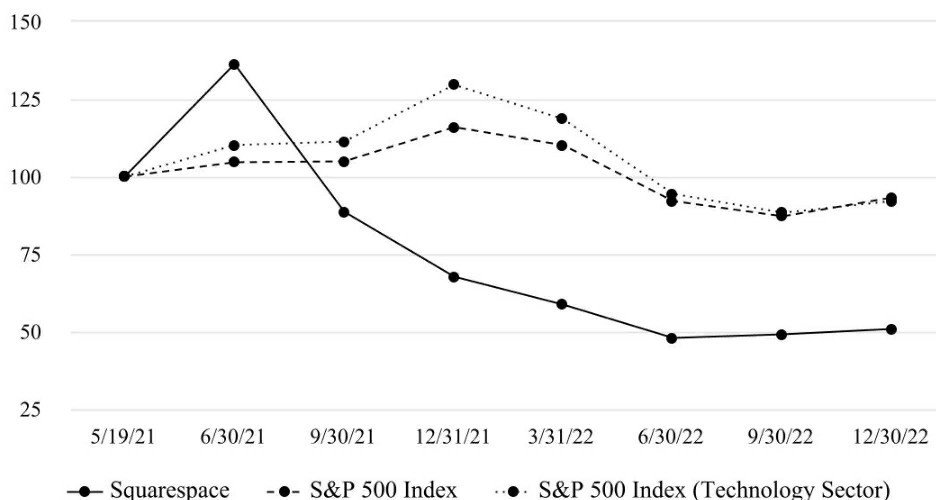
As of February 24, 2023, there were 41 holders of record of our Class A common stock and 3 holders of record of our Class B common stock. As of February 24, 2023, there were no shares of our Class C common stock outstanding. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant. In addition, the terms of our credit facility contain restrictions on our ability to declare and pay cash dividends on our capital stock, and we may enter into credit agreements or other borrowing arrangements in the future that may restrict our ability to declare and pay cash dividends.

Performance Graph

The following graph compares the cumulative total return to stockholders on our Class A common stock from May 19, 2021 (the date our Class A common stock commenced trading on the NYSE) through December 31, 2022 relative to the cumulative total returns of the Standard & Poor's 500 Index and the Standard & Poor's Information Technology Index over the same period. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index at the market close on May 19, 2021, and its relative performance is tracked through December 31, 2022. The returns shown are based on historical results and are not intended to suggest future performance.



Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of shares of our Class A common stock during the three months ended December 31, 2022.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased under the Plans or Programs (in thousands)
October 1 - 31	390,993	$ 21.08	390,993	$ 105,652
November 1 - 30	299,661	20.59	299,661	99,993
December 1 - 31	846,077	21.01	846,077	79,807
Total	1,536,731	$ 20.95	1,536,731	$ 79,807

(1) On May 10, 2022, the board of directors authorized a general share repurchase program of the Company's Class A common stock of up to $200,000, with no fixed expiration. These Class A common stock repurchases may occur in the open market, through privately negotiated transactions, through block purchases, other purchase techniques including the establishment of one or more plans under Rule 10b5-1 of the Securities Exchange Act of 1934 or by any combination of such methods. The timing and actual amount of shares repurchased will depend on a variety of different factors and may be modified, suspended or terminated at any time at the discretion of the board of directors.

(2) Average price paid per share includes costs associated with the repurchases.

Item 6. [Reserved]

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and the other financial information included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual business, financial condition and results of operations could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly under "Item 1A. Risk Factors." See also "Cautionary Note Regarding Forward-Looking Statements." Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Squarespace enables anyone to stand out and succeed online, providing customers in over 200 countries and territories with the tools they need for an online presence with best-in-class design and a consistent brand across domains, websites, marketing and social media. Our commerce solutions include tools for selling digital content, classes, appointments, reservations, physical goods and more.

We primarily derive revenue from monthly and annual subscriptions to our presence and commerce solutions. Subscription revenue accounted for 91.5% and 92.1% of our total revenue during the years ended 2022 and 2021, respectively. Payments for our subscription plans are generally collected at the beginning of the subscription period and we generally recognize the associated revenue ratably over the term of the customer contract. Non-subscription revenue primarily consists of commerce transaction fees received through revenue sharing arrangements with payment processors that handle our customers' commerce transactions, payment processing fees received in exchange for use of our hospitality services as well as revenue we generate from third-party services we offer that provide additional functionality to our customers.

We generated revenue of $867.0 million and $784.0 million in fiscal 2022 and 2021, respectively, and net loss of $252.2 million and $249.1 million in 2022 and 2021, respectively. We believe we have a predictable business model driven by stable customer acquisition and the adoption by our existing customers of additional offerings and add-on subscriptions to grow and scale with our platform as their needs evolve. No individual unique subscription accounted for more than 1% of our total bookings in 2022 and 2021.

Key Factors Affecting Our Performance

Acquisition of new and retention of existing unique subscriptions

Acquiring and retaining unique subscriptions to our platform is the primary driver of our revenue growth. The number of unique subscriptions to our platform was 4.2 million as of December 31, 2022, representing an increase of 3% relative to December 31, 2021. In order to support the acquisition of new unique subscriptions, we intend to continue to invest in our direct response marketing efforts and expand internationally. We view this spending as a long-term investment in our business to attract new unique subscriptions.

Expansion of our commerce offerings

We believe that our commerce offerings significantly expand our addressable market. Our comprehensive commerce offerings enable our customers to sell anything online, attracting a differentiated set of commerce-oriented brands to our platform. On March 31, 2021, we acquired Tock, which expanded our commerce offerings by adding a platform for reservations, take-out, delivery and events for the hospitality industry.

For the year ended December 31, 2022, our platform processed approximately $6,058.8 million of gross merchandise value (“GMV”), representing an increase of 4.8% from the same period in 2021. GMV represents the total dollar value of orders processed through our platform in the period, net of refunds and fraudulent orders.

We continue to invest in and innovate our commerce offerings to enable customers to build the most impactful online stores, deepen our functionality and establish leadership in commerce services and hospitality services. Our commerce revenue was $269.7 million for the year ended December 31, 2022, representing 17.5% growth from the same period in 2021. We believe the adoption of our commerce offerings by new and existing customers will help drive our long-term revenue growth.

Investments in product innovation

We rely on hiring and retaining a talented product development workforce. The success of our customers relies on the innovation tied to this workforce and our ability to remain agile to address customer needs. Our research and product development expenses were $227.3 million in 2022, representing 19.4% growth over 2021.

Foreign currency fluctuations

As of December 31, 2022, we had customers in over 200 countries and territories and our international customers represented approximately 30% of our bookings. As foreign currency exchange rates change, translation of the statements of operations of our international businesses into U.S. dollars may affect year-over-year comparability of our operating results.

Key Components of Results of Operations

Revenue

We primarily derive revenue from annual and monthly subscriptions. Typically, annual and monthly subscriptions represent 75% and 25% of total subscriptions, respectively. Revenue is also derived from non-subscription services, including fixed percentages or fixed-fees earned on revenue share arrangements with third-parties and on sales made through our customers’ sites. In addition, we earn fixed-fees on sales through certain hospitality offerings and payment processing fees in exchange for use of our hospitality services. Payments received for subscriptions in advance of fulfillment of our performance obligations are recorded as deferred revenue. Subscription plans automatically renew unless advance notice is provided to us. We primarily recognize subscription revenue ratably on a straight-line basis, net of a reserve for refunds. Transaction fee revenue, payment processing revenue and revenue generated from third-parties is recognized at a point in time, when the sale has been completed.

We disaggregated our revenue by product type in accordance with the following definitions:

Presence revenue

Presence revenue primarily consists of fixed-fee subscriptions to our plans that offer core platform functionalities, currently branded “Personal” and “Business” plans in our offerings. Presence revenue also consists of fixed-fee subscriptions related to additional entry points for starting online such as domain managed services and social media stories. Additionally, presence revenue is derived from third-party solutions related to email services and access to third-

party content to enhance online presence. For customers in need of a larger scale solution, we have an enterprise offering where revenue is recognized over the life of the contract.

Commerce revenue

Commerce revenue primarily consists of fixed-fee subscriptions to our plans that offer all the features of presence plans as well as additional features that support end to end commerce transactions, currently branded “Basic” and “Advanced” in our plan offerings. Commerce revenue also includes fixed-fee subscriptions to a number of other tools that support running an online business such as marketing, member areas, scheduling and hospitality tools. Non-subscription revenue is derived from fixed-fees earned on revenue share arrangements with commerce partners as well as fixed transaction fees earned on GMV processed through Business plan sites and certain hospitality offerings. Commerce revenue also includes payment processing fees received in exchange for use of our hospitality services.

Cost of revenue

Cost of revenue consists primarily of credit card and payment processing fees, domain registration fees, and web hosting costs. Cost of revenue also includes customer support, employee-related expenses, amortization and depreciation, and allocated shared costs. Employee-related expenses consist of salaries, taxes, benefits and stock-based compensation. We expect that cost of revenue may fluctuate as a percentage of total revenue from period to period based on the subscriptions purchased and non-subscription transactions during that particular period.

Operating expenses:

Research and product development

Research and product development expenses are primarily employee-related expenses, costs associated with continuously developing new solutions and enhancing and maintaining our technology platform as well as allocated shared costs. These costs are expensed as incurred. Employee-related expenses consist of salaries, taxes, benefits and stock-based compensation. In addition, we capitalize employee-related expenses relating to software development costs incurred in connection with adding functionality to our platform, as well as internal-use projects during the application development stage. These capitalized software development costs are deferred and amortized ratably over three years.

Marketing and sales

Marketing and sales expenses include costs related to advertisements used to drive customer acquisition, employee-related expenses related to our brand and sales of hospitality services, customer acquisition and creative assets, affiliate fees on customer referrals, sales commissions, and allocated shared costs. Allocated shared costs include customer support costs related to assistance provided by our customer service team to customers during their trial periods on our platform. Depending on the nature of the advertising, costs are expensed at the time a commercial initially airs, when a promotion first appears in the media or as incurred. Affiliate fees on customer referrals are deferred and recognized ratably over the expected period of our relationship with the new customer. In addition, we capitalize sales commissions paid to internal sales personnel relating to obtaining customer contracts for hospitality services. These capitalized sales commissions are deferred and amortized ratably over the expected life of the new customer.

General and administrative

General and administrative expenses are primarily employee-related expenses associated with supporting business operations as well as expenses required to comply with government regulations in the markets in which we operate. The functional elements included in general and administrative are finance, people, legal, information technology and overall corporate support. Employee-related expenses consist of salaries, taxes, benefits and stock-based compensation.

In conjunction with the listing of our class A common stock (the “Direct Listing”) on the NYSE on May 19, 2021, we incurred certain stock-based compensation expenses associated with the vesting conditions of a grant to our CEO of shares of Class B common stock upon consummation of the listing which resulted in a one-time expense of $229.3 million during the year ended December 31, 2021. In addition, during the year ended December 31, 2021, we incurred professional fees of $25.3 million associated with the Direct Listing. We expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a U.S. securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. In addition, as a public company, we expect to incur additional costs associated with accounting, compliance, insurance and investor relations.

Impairment charge

The impairment charge during the year ended December 31, 2022 represents a non-cash goodwill impairment charge of $225.2 million primarily due to market values deteriorating subsequent to our Tock acquisition in March 2021. For further discussion on our impairment charge, see “Item 8. Financial Statements and Supplementary Data, Note 9. Goodwill and Intangible Assets, Net.”

Interest expense

Interest expense primarily consists of the interest expense related to our debt facilities. For further discussion on our interest expense related to our debt facilities, see "Liquidity and Capital Resources, Indebtedness.”

Other income, net

Other income, net is primarily comprised of net investment income and realized and unrealized foreign currency gains and losses. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk, Foreign Currency Exchange Risk.”

Provision for income taxes

The Company accounts for income taxes under the asset and liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company recognizes deferred tax assets to the extent it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. A valuation allowance is provided if it is determined that it is more likely than not that the deferred tax asset will not be realized.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties, where appropriate, related to unrecognized tax benefits in income tax expense.

Effective December 1, 2018, the Company became subject to a U.S. tax requirement that certain income earned by foreign subsidiaries, referred to as Global Intangible Low-Taxed Income (“GILTI”), must be included in the gross income of the subsidiary’s U.S. shareholder. Accounting principles generally accepted in the U.S. provide for an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current period expense when incurred. The Company elected to treat GILTI as a current period expense when incurred.

Results of operations

The following table sets forth our consolidated statements of operations information for the years ended December 31, 2022 and 2021.

	Years Ended December 31,	
($ in thousands)	**2022**	**2021**
Revenue	$ 866,972	$ 784,038
Cost of revenue(1)	152,655	126,631
Gross profit	714,317	657,407
Operating expenses:		
Research and product development(1)	227,297	190,371
Marketing and sales(1)	322,051	339,965
General and administrative(1)	151,620	367,945
Impairment charge	225,163	—
Total operating expenses	926,131	898,281
Operating loss	(211,814)	(240,874)
Interest expense	(18,207)	(11,081)
Other income, net	5,030	6,631
Loss before provision for income taxes	(224,991)	(245,324)
Provision for income taxes	(27,230)	(3,825)
Net loss	$ (252,221)	$ (249,149)

(1) Includes stock-based compensation as follows:

	Years Ended December 31,	
($ in thousands)	**2022**	**2021**
Cost of revenue	$ 3,414	$ 1,545
Research and product development	42,237	33,030
Marketing and sales	8,696	5,929
General and administrative(a)	48,186	267,420
Total stock-based compensation	$ 102,533	$ 307,924

(a) In conjunction with the Direct Listing in May 2021, we incurred certain stock-based compensation expenses associated with the vesting conditions of a grant to our CEO of shares of Class B common stock upon consummation of the listing which resulted in a one-time expense of $229.3 million.

The following table sets forth our consolidated statements of operations information as a percentage of total revenue for the years ended December 31, 2022 and 2021.

	Years Ended December 31,	
	2022	**2021**
Revenue	100.0 %	100.0 %
Cost of revenue	17.6 %	16.2 %
Gross profit	82.4 %	83.8 %
Operating expenses:		
Research and product development	26.2 %	24.3 %
Marketing and sales	37.1 %	43.4 %
General and administrative	17.5 %	46.9 %
Impairment charge	26.0 %	— %
Total operating expenses	106.8 %	114.6 %
Operating loss	(24.4)%	(30.8)%
Interest expense	(2.1)%	(1.4)%
Other income, net	0.6 %	0.8 %
Loss before provision for income taxes	(25.9)%	(31.4)%
Provision for income taxes	(3.1)%	(0.5)%
Net loss	(29.0)%	(31.9)%

The following table sets forth our consolidated revenue by geographic location and our consolidated revenue by geographic location as a percentage of total revenue for the years ended December 31, 2022 and 2021.

($ in thousands, except percentages)	Years Ended December 31, 2022	Years Ended December 31, 2021	Change Amount	Change %
United States	$ 622,796	$ 544,500	$ 78,296	14.4 %
International	244,176	239,538	4,638	1.9 %
Total revenue	$ 866,972	$ 784,038	$ 82,934	10.6 %
Percentage of total revenue:				
United States	71.8 %	69.4 %		
International	28.2 %	30.6 %		
Total revenue	100.0 %	100.0 %		

Comparison of the Years Ended December 31, 2022 and 2021

Revenue

($ in thousands, except percentages)	Years Ended December 31, 2022	Years Ended December 31, 2021	Change Amount	Change %
Presence	$ 597,300	$ 554,523	$ 42,777	7.7 %
Commerce	269,672	229,515	$ 40,157	17.5 %
Total revenue	$ 866,972	$ 784,038	$ 82,934	10.6 %
Percentage of total revenue:				
Presence	68.9 %	70.7 %		
Commerce	31.1 %	29.3 %		
Total revenue	100.0 %	100.0 %		

Presence revenue

Presence revenue increased $42.8 million, or 7.7%, for the year ended December 31, 2022 compared to the same period in 2021. This increase was primarily the result of the growth of our unique subscriptions, driven by strong retention of existing subscriptions and continued acquisition of new subscriptions, as well as price increases across our website subscription plans.

Commerce revenue

Commerce revenue increased $40.2 million, or 17.5%, for the year ended December 31, 2022 compared to the same period in 2021. This increase was primarily the result of the growth of our unique subscriptions for our commerce offerings and the growth of our hospitality services.

Cost of revenue and gross profit

($ in thousands, except percentages)	Years Ended December 31, 2022	Years Ended December 31, 2021	Change Amount	Change %
Cost of revenue	$ 152,655	$ 126,631	$ 26,024	20.6 %
Gross profit	$ 714,317	$ 657,407	$ 56,910	8.7 %
Percentage of total revenue:				
Cost of revenue	17.6 %	16.2 %		
Gross profit	82.4 %	83.8 %		

Cost of revenue

Cost of revenue increased $26.0 million, or 20.6%, for the year ended December 31, 2022 compared to the same period in 2021. The increase was primarily driven by increased payment processing fees, hosting costs and domain name registration fees associated with our growing subscription base as well as payroll and associated benefit expenses for customer support associated with hospitality services.

Gross profit

Gross profit increased $56.9 million, or 8.7%, for the year ended December 31, 2022 compared to the same period in 2021. As a percentage of total revenue, gross profit was 82.4% and 83.8% for the years ended December 31, 2022 and 2021, respectively.

Operating expenses:

Research and product development

	Years Ended December 31,		Change	
($ in thousands, except percentages)	2022	2021	Amount	%
Research and product development	$ 227,297	$ 190,371	$ 36,926	19.4 %
Percentage of total revenue	26.2 %	24.3 %		

Research and product development expenses increased $36.9 million, or 19.4%, for the year ended December 31, 2022 compared to the same period in 2021. The increase is primarily due to payroll and associated benefit expenses related to increased headcount, partially offset by capitalized internally developed software costs, in support of our product development roadmap, and the addition of hospitality services.

Marketing and sales

	Years Ended December 31,		Change	
($ in thousands, except percentages)	2022	2021	Amount	%
Marketing and sales	$ 322,051	$ 339,965	$ (17,914)	(5.3)%
Percentage of total revenue	37.1 %	43.4 %		

Marketing and sales expenses decreased $17.9 million, or 5.3%, for the year ended December 31, 2022 compared to the same period in 2021, primarily due to a reduction in our brand spend channels, partially offset by increased expenses related to our direct response channels and payroll and associated benefits related to increased headcount in support of our expanded marketing operations including hospitality services.

General and administrative

	Years Ended December 31,		Change	
($ in thousands, except percentages)	2022	2021	Amount	%
General and administrative	$ 151,620	$ 367,945	$ (216,325)	(58.8)%
Percentage of total revenue	17.5 %	46.9 %		

General and administrative expenses decreased $216.3 million, or 58.8%, for the year ended December 31, 2022 compared to the same period in 2021, primarily due to one-time expenses related to our Direct Listing in May 2021, which included a $229.3 million expense for stock-based compensation associated with the vesting conditions of a grant to our CEO of shares of Class B common stock upon consummation of the listing and professional fees of $25.3 million, partially offset by increased indirect tax expense, software related to business operations, rent expense as a result of impairments of certain right-of-use assets, and increased payroll and benefits expense associated with increased headcount.

Impairment charge

	Years Ended December 31,		Change	
($ in thousands, except percentages)	2022	2021	Amount	%
Impairment charge	$ 225,163	$ —	$ 225,163	100.0 %
Percentage of total revenue	26.0 %	— %		

We incurred an impairment charge of $225.2 million for the year ended December 31, 2022 which represents a non-cash goodwill impairment charge primarily due to market values deteriorating after our Tock acquisition in March 2021. For further discussion on our impairment charge, see "Item 8. Financial Statements and Supplementary Data, Note 9. Goodwill and Intangible Assets, Net."

Interest expense

($ in thousands, except percentages)	Years Ended December 31, 2022	2021	Change Amount	%
Interest expense	$ (18,207)	$ (11,081)	$ (7,126)	64.3 %
Percentage of total revenue	(2.1)%	(1.4)%		

Interest expense increased $7.1 million, or 64.3%, for the year ended December 31, 2022 compared to the same period in 2021, due to higher interest rates, driven by increased LIBOR rates, on our total debt outstanding related to our amended credit agreement.

Other income, net

($ in thousands, except percentages)	Years Ended December 31, 2022	2021	Change Amount	%
Other income, net	$ 5,030	$ 6,631	$ (1,601)	(24.1)%
Percentage of total revenue	0.6 %	0.8 %		

Other income, net was in a net income position of $5.0 million and $6.6 million for the year ended December 31, 2022 and 2021, respectively. The decrease is primarily due to less favorable foreign exchange rates for the year ended December 31, 2022 compared to the same period in 2021.

Provision for income taxes

For the years ended December 31, 2022 and 2021, we recorded income tax expense of $27.2 million and $3.8 million, respectively, which resulted in an effective tax rate of 12.1% and 1.6%, respectively.

Our estimated annual effective income tax rate for the year ended December 31, 2022 differed from the statutory rate of 21% primarily due to a goodwill impairment charge, the change in the valuation allowance for deferred tax assets related primarily to the capitalization and amortization of research and development expenditures as required by the 2017 Tax Cuts and Jobs Act, nondeductible executive compensation, unrecognized tax benefits, state and local income taxes, stock-based compensation, and the effect of foreign operations, partially offset by research and development credits and foreign-derived intangible income deduction.

Our estimated annual effective income tax rate for the year ended December 31, 2021 differed from the statutory rate of 21% primarily due to nondeductible transaction expenses, increase in valuation allowance, nondeductible executive compensation, and unrecognized tax benefits, partially offset by windfall on stock-based compensation, research and development tax credits and state and local income taxes.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for each of the eight fiscal quarters ended December 31, 2022, as well as the percentage of revenues that each line item represents for each quarter. The information for each of these quarters has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") on the same basis as our audited historical condensed consolidated financial information and includes, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. These quarterly results are not necessarily indicative of our results of operations to be expected for any future period.

($ in thousands)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	Three Months Ended (Unaudited)							
Revenue	$ 228,812	$ 217,696	$ 212,702	$ 207,762	$ 207,420	$ 200,962	$ 196,010	$ 179,646
Cost of revenue(1)	40,106	38,907	36,993	36,649	33,854	32,868	32,501	27,408
Gross profit	188,706	178,789	175,709	171,113	173,566	168,094	163,509	152,238
Operating expenses:								
Research and product development(1)	56,828	54,312	58,829	57,328	50,679	48,769	48,912	42,011
Marketing and sales(1)	66,154	74,248	68,743	112,906	90,960	80,249	70,784	97,972
General and administrative(1)	37,942	38,507	39,190	35,981	31,608	32,091	284,730	19,516
Impairment charge	225,163	—	—	—	—	—	—	—
Total operating expenses	386,087	167,067	166,762	206,215	173,247	161,109	404,426	159,499
Operating (loss)/income	(197,381)	11,722	8,947	(35,102)	319	6,985	(240,917)	(7,261)
Interest expense	(7,230)	(5,209)	(3,319)	(2,449)	(2,503)	(2,491)	(2,827)	(3,260)
Other (loss)/income, net	(9,567)	6,869	6,217	1,511	2,138	2,101	(1,201)	3,593
(Loss)/income before (provision for)/benefit from income taxes	(214,178)	13,382	11,845	(36,040)	(46)	6,595	(244,945)	(6,928)
(Provision for)/benefit from income taxes	(19,784)	(3,277)	52,651	(56,820)	(16,264)	(3,756)	10,413	5,782
Net (loss)/income	$ (233,962)	$ 10,105	$ 64,496	$ (92,860)	$ (16,310)	$ 2,839	$ (234,532)	$ (1,146)
Net (loss)/income attributable to Class A, Class B and Class C common stockholders, basic(2)	$ (233,962)	$ 10,105	$ 64,496	$ (92,860)	$ (16,310)	$ 2,839	$ (234,532)	$ (2,115)
Net (loss)/income attributable to Class A, Class B and Class C common stockholders, dilutive(2)	$ (233,962)	$ 10,105	$ 64,496	$ (92,860)	$ (16,310)	$ 2,839	$ (234,532)	$ (2,115)
Net (loss)/income per share attributable to Class A, Class B, and Class C common stockholders, basic	$ (1.72)	$ 0.07	$ 0.46	$ (0.67)	$ (0.12)	$ 0.02	$ (3.22)	$ (0.11)
Net (loss)/income per share attributable to Class A, Class B, and Class C common stockholders, dilutive	$ (1.72)	$ 0.07	$ 0.45	$ (0.67)	$ (0.12)	$ 0.02	$ (3.22)	$ (0.11)
Weighted-average shares used in computing net (loss)/income per share attributable to Class A, Class B, and Class C stockholders, basic	136,340,283	137,832,634	140,082,038	139,423,228	138,970,923	138,625,579	72,900,951	19,012,323
Weighted-average shares used in computing net (loss)/income per share attributable to Class A, Class B, and Class C stockholders, dilutive	136,340,283	139,667,719	142,133,303	139,423,228	138,970,923	143,251,717	72,900,951	19,012,323

(1) Includes stock-based compensation as follows:

($ in thousands)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	Three Months Ended (Unaudited)							
Cost of revenue	$ 944	$ 1,000	$ 846	$ 624	$ 450	$ 440	$ 380	$ 275
Research and product development	11,099	9,462	11,508	10,168	9,210	8,782	8,245	6,793
Marketing and sales	2,450	2,252	2,395	1,599	1,472	1,716	1,569	1,172
General and administrative(a)	12,989	11,380	12,111	11,706	12,693	12,796	240,319	1,612
Total stock-based compensation	$ 27,482	$ 24,094	$ 26,860	$ 24,097	$ 23,825	$ 23,734	$ 250,513	$ 9,852

a. In conjunction with our Direct Listing in May 2021, we incurred certain stock-based compensation expense associated with the vesting conditions of a grant to our CEO of shares of Class B common stock upon completion of the listing which resulted in a one time expense of $229.3 million. In addition, in general and administrative expenses, we incurred professional fees of $25.3 million associated with the Direct Listing.

(2) Preferred shares of the Company do not participate in periods of net loss. Therefore, in periods of net loss, or when undistributed earnings of the Company are negative, there is no additional allocation of undistributed earnings to preferred shareholders included within the calculation of net (loss)/income attributable to Class A, Class B and Class C common stockholders.

The following table sets forth our condensed consolidated statements of operations information as a percentage of total revenue for the three month periods indicated below.

	Three Months Ended (Unaudited)							
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue(1)	17.5 %	17.9 %	17.4 %	17.6 %	16.3 %	16.4 %	16.6 %	15.3 %
Gross profit	82.5 %	82.1 %	82.6 %	82.4 %	83.7 %	83.6 %	83.4 %	84.7 %
Operating expenses:								
Research and product development(1)	24.8 %	24.9 %	27.7 %	27.6 %	24.4 %	24.3 %	25.0 %	23.4 %
Marketing and sales(1)	28.9 %	34.1 %	32.3 %	54.3 %	43.9 %	39.9 %	36.1 %	54.5 %
General and administrative(1)	16.6 %	17.7 %	18.4 %	17.3 %	15.2 %	16.0 %	145.3 %	10.9 %
Impairment charge	98.4 %	— %	— %	— %	— %	— %	— %	— %
Total operating expenses	168.7 %	76.7 %	78.4 %	99.2 %	83.5 %	80.2 %	206.4 %	88.8 %
Operating income/(loss)	(86.2)%	5.4 %	4.2 %	(16.8)%	0.2 %	3.4 %	(123.0)%	(4.1)%
Interest expense	(3.2)%	(2.4)%	(1.6)%	(1.2)%	(1.2)%	(1.2)%	(1.4)%	(1.8)%
Other (loss)/income, net	(4.2)%	3.2 %	2.9 %	0.7 %	1.0 %	1.0 %	(0.6)%	2.0 %
(Loss)/income before (provision for)/benefit from income taxes	(93.6)%	6.2 %	5.5 %	(17.3)%	— %	3.2 %	(125.0)%	(3.9)%
(Provision for)/benefit from income taxes	(8.6)%	(1.5)%	24.8 %	(27.3)%	(7.8)%	(1.9)%	5.3 %	3.2 %
Net income/(loss)	(102.2)%	4.7 %	30.3 %	(44.6)%	(7.8)%	1.3 %	(119.7)%	(0.7)%

Quarterly Trends

Our business is impacted by seasonal fluctuations. We typically register a greater number of new unique subscriptions during the first quarter of a year. We believe this is related to, among other things, our customers' buying habits and our increased marketing and sales spend in the first quarter of most years. Our hospitality services have experienced a greater number of prepayments on reservations around the time of major holidays and special occasions during the first and fourth quarter of the year. In the future, seasonal trends may cause fluctuations in our quarterly results, which may impact the predictability of our business and operating results.

Liquidity and Capital Resources

To date, we have primarily financed our operations through cash flows from operations.

As of December 31, 2022, we had cash and cash equivalents and investment in marketable securities of $228.8 million and $17.7 million of available borrowing capacity under our Revolving Credit Facility, as defined below. During July 2021, we were issued an additional letter of credit for $2.5 million relating to a security deposit for our operating lease in Chicago, IL. Additionally, during September 2022, the letter of credit for our security deposit related to the New York, NY headquarters was reduced by $2.4 million due to a scheduled step-down per the lease agreement. See "Item 8. Financial Statements and Supplementary Data, Note 11. Debt." We believe our existing cash and cash equivalents and investment in marketable securities will be sufficient to meet our operating working capital and capital expenditure requirements over the next 12 months. On January 1, 2022, a provision of the Tax Cuts and Jobs Act of 2017 went into effect which eliminates the option to deduct research and development costs in the year incurred and instead requires taxpayers to amortize such costs over five years and 15 years for domestic and foreign costs, respectively. While we expect to pay significantly higher cash tax payments during 2023, the adverse cash flow impact will diminish in future years as our capitalized research and development expenditures continue to amortize. In addition, we have also filed federal tax refund claims totaling approximately $8.7 million of which $4.0 million relates to a research and development tax credit carryback to 2018 and $4.7 million relates to a 2020 tax overpayment. We expect to receive these refunds during 2023. Our principal commitments consist of payments for our Credit Facility, operating leases and purchase commitments related to cloud-computing services. In addition, as of December 31, 2022, we had accrued $11.2 million of unrecognized tax benefits related to uncertain tax positions. At this time, we are unable to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease over time. On May 10, 2022, the board of directors authorized a general share repurchase program of the Company's Class A common stock of up to $200 million, with no fixed expiration. During the year ended December 31, 2022, the Company repurchased 5.5 million shares for a total cash consideration of $120.2 million, including commissions of $0.1 million, through open market purchases at an average price per share of $21.28. As of December 31, 2022, approximately $79.8 million remained available for stock repurchase. Our future financing requirements will depend on many factors, including our growth rate, subscription renewal activity, the

timing and extent of spending to support development of our platform and products, the expansion of marketing and sales activities and any future investments or acquisitions we may make. See "Item 1A. Risk Factors."

The following table summarizes our operating, investing and financing activities for the years ended December 31, 2022 and 2021.

	Years Ended December 31,	
($ in thousands)	2022	2021
Net cash provided by/(used in):		
Operating activities	$ 164,219	$ 123,157
Investing activities	$ (12,031)	$ (207,730)
Financing activities	$ (152,836)	$ 260,713

Net cash provided by operating activities

Net cash provided by operating activities in fiscal 2022 was $164.2 million, which reflected our net loss of $252.2 million, offset by certain non-cash items primarily consisting of a $225.2 million impairment charge, $102.5 million of stock-based compensation, $31.6 million of depreciation and amortization, and $2.2 million of non-cash lease expense. Cash provided by operating activities included $39.5 million in deferred revenue, $8.7 million in funds payable to customers, $9.1 million in other operating assets and liabilities, and $3.7 million in prepaid expenses and other current assets, primarily offset by $5.5 million of accounts receivable and due from vendors and $2.2 million of accounts payable and accrued liabilities.

Net cash provided by operating activities in fiscal 2021 was $123.2 million, which reflected our net loss of $249.1 million offset by certain non-cash items primarily consisting of $307.9 million of stock-based compensation, $32.7 million of depreciation and amortization, and $3.2 million of deferred tax expense. Cash provided by operating activities included $29.4 million of deferred revenue, $14.5 million in accounts payable and accrued liabilities, $10.7 million in funds payable to customers, and $8.4 million of deferred rent and lease incentives, primarily offset by $35.4 million in prepaid expenses and other current assets.

Net cash used in investing activities

Net cash used in investing activities in fiscal 2022 was $12.0 million, which reflected $11.5 million used in connection with the purchase of property and equipment and $27.7 million used to purchase marketable securities, offset by $27.2 million in proceeds from the sale and maturities of marketable securities.

Net cash used in investing activities in fiscal 2021 was $207.7 million, which reflected $202.2 million, net of acquired cash, used to pay for the acquisition of Tock, and $28.7 million used to purchase marketable securities, offset by $34.2 million in proceeds from the sale and maturities of marketable securities. We additionally spent $11.0 million in connection with the purchase of property and equipment.

Net cash (used in)/provided by financing activities

Net cash used in financing activities in fiscal 2022 was $152.8 million, which primarily reflected $120.2 million in payments for repurchase and retirement of Class A common stock, $21.3 million in taxes paid related to net share settlement of equity awards and $13.6 million in principal payments on our Term Loan as defined below. These payments were partially offset by $2.2 million of proceeds from the exercise of stock options.

Net cash provided by financing activities in fiscal 2021 was $260.7 million, which primarily reflected $304.4 million in proceeds from the issuance of 4,452,023 shares of Class C common stock, net of issuance costs, coupled with $4.8 million of proceeds from the exercise of stock options. These proceeds were partially offset by $34.5 million in taxes paid related to net share settlement of equity awards and $13.6 million in principal payments on our Term Loan as defined below.

Indebtedness

On December 12, 2019, we entered into a credit agreement with various financial institutions that provided for a $350.0 million term loan (the "Term Loan") and a $25.0 million revolving credit facility ("Revolving Credit Facility"), which included a $15.0 million letter of credit sub-facility. On December 11, 2020, we amended the credit agreement (as amended, the "Credit Agreement") to increase the size of the Term Loan to $550.0 million and extend the maturity date for the Term Loan and the Revolving Credit Facility to December 11, 2025.

The original borrowings under the Term Loan were used to provide for the repurchase, and subsequent retirement, of outstanding capital stock in 2019. The additional borrowings were used to provide for a dividend on all outstanding capital stock.

Borrowings under the Credit Agreement are subject to an interest rate equal to, at our option, LIBOR or the bank's alternative base rate (the "ABR"), in either case, plus an applicable margin. The ABR is the greater of the prime rate, the federal funds effective rate plus the applicable margin or the LIBOR quoted rate plus the applicable margin. The applicable margin is based on an indebtedness to consolidated EBITDA ratio as prescribed under the Credit Agreement and ranges from 1.25% to 2.25% on applicable LIBOR loans and 0.25% to 1.25% on ABR loans. In addition, the Revolving Credit Facility is subject to an unused commitment fee, payable quarterly, of 0.20% to 0.25% of the unutilized commitments (subject to reduction in certain circumstances). Consolidated EBITDA is defined in the Credit Agreement and is not comparable to our definition of adjusted EBITDA used elsewhere in the Annual Report on Form 10-K since the Credit Agreement allows for additional adjustments to net (loss)/income including the exclusion of transaction costs, changes in deferred revenue, and other costs that may be considered non-recurring. Further, consolidated EBITDA, as defined in the Credit Agreement, may be different from similarly titled EBITDA financial measures used by other companies. The definition of consolidated EBITDA is contained in Section 1.1 of the Credit Agreement.

As of December 31, 2022, $516.3 million was outstanding under the Term Loan. The Term Loan requires scheduled quarterly principal payments beginning March 31, 2021 in aggregate annual amounts equal to 2.50% for 2021 and 2022, 7.50% for 2023 and 2024 and 10.0% for 2025, in each case, on the amended Term Loan principal amount, with the balance due at maturity. In addition, the Credit Agreement includes certain customary prepayment requirements for the Term Loan, which are triggered by events such as asset sales, incurrence of indebtedness and sale leasebacks.

As of December 31, 2022, $7.3 million was outstanding under the Revolving Credit Facility in the form of outstanding letters of credit and $17.7 million remained available for borrowing by us. The outstanding letters of credit relate to security deposits for certain of our leased locations.

The Credit Agreement contains certain customary affirmative covenants and events of default. The negative covenants in the Credit Agreement include, among others, limitations on our ability (subject to negotiated exceptions) to incur additional indebtedness or issue additional preferred stock, incur liens on assets, enter into agreements related to mergers and acquisitions, dispose of assets or pay dividends and distributions. In addition, commencing with the fiscal quarter ending December 31, 2020, we were required to maintain an indebtedness to consolidated EBITDA ratio of not more than 4.50, tested as of the last day of each fiscal quarter, with a step-down to 4.25 for the fiscal quarters ending March 31, 2022 and June 30, 2022, a further step-down to 4.00 for the fiscal quarters ending September 30, 2022 and December 31, 2022 and a final step-down to 3.75 for the fiscal quarter ending March 31, 2023 and each fiscal quarter thereafter (the "Financial Covenant"), subject to customary equity cure rights. The Financial Covenant is subject to a 0.50 step-up in the event of a material permitted acquisition, which we can elect to implement up to two times during the life of the facility. We did not elect to implement this step-up as a result of the acquisition of Tock. If we are not in compliance with the covenants under the Credit Agreement or we otherwise experience an event of default, the lenders would be entitled to take various actions, including acceleration of amounts due under the Credit Agreement. As of December 31, 2022 and 2021, the Company was in compliance with all applicable covenants, including the Financial Covenant.

The obligations under the Credit Agreement are guaranteed by our wholly-owned domestic subsidiaries and are secured by substantially all of the assets of the guarantors, subject to certain exceptions.

Total interest expense related to our indebtedness was $18.2 million and $11.1 million for the years ended December 31, 2022 and 2021, respectively.

Key Performance Indicators and Non-GAAP Financial Measures

We review the following key performance indicators and non-GAAP financial measures to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Increases or decreases in our key performance indicators and non-GAAP financial measures may not correspond with increases or decreases in our revenue and our key performance indicators and non-GAAP financial measures may be calculated in a manner different than similar key performance indicators and non-GAAP financial measures, respectively, used by other companies.

	Years Ended December 31,			
	2022		2021	
Unique subscriptions (in thousands)		4,204		4,086
Total bookings (in thousands)	$	906,056	$	813,060
ARRR (in thousands)	$	931,708	$	835,194
ARPUS	$	209.16	$	202.54
Adjusted EBITDA (in thousands)	$	147,499	$	125,088
Unlevered free cash flow (in thousands)	$	165,550	$	122,387
GMV (in thousands)	$	6,058,832	$	5,781,681

Unique subscriptions. Unique subscriptions represent the number of unique sites, standalone scheduling subscriptions, Unfold (social) subscriptions and hospitality subscriptions, as of the end of a period. A unique site represents a single subscription and/or group of related subscriptions, including a website subscription and/or a domain subscription, and other subscriptions related to a single website or domain. Every unique site contains at least one domain subscription or one website subscription. For instance, an active website subscription, a custom domain subscription and a Google Workspace subscription that represent services for a single website would count as one unique site, as all of these subscriptions work together and are in service of a single entity's online presence. Unique subscriptions do not account for one-time purchases in Unfold or for hospitality services. The total number of unique subscriptions is a key indicator of the scale of our business and is a critical factor in our ability to increase our revenue base.

Unique subscriptions increased 0.1 million, or 2.9%, as of December 31, 2022 compared to the same period in 2021. These increases were primarily a result of the continued acquisition of new subscriptions and stable retention of existing subscriptions.

Total bookings. Total bookings includes cash receipts for all subscriptions purchased, as well as payments due under the terms of contractual agreements for obligations to be fulfilled. In the case of multi-year contracts, total bookings only includes one year of committed revenue. Total bookings provides insight into the sales of our solutions and the performance of our business because, for a large portion of our business, we collect payment at the time of sale and recognize revenue ratably over the term of our subscription agreements.

Total bookings increased $93.0 million, or 11.4%, for the year ended December 31, 2022 compared to the same period in 2021. These increases were primarily a result of an increase in our unique subscriptions, price increases across several of our website plans, as well as the growth of our hospitality services.

Annual run rate revenue ("ARRR"). We calculate ARRR as the monthly revenue from subscription fees and revenue generated in conjunction with associated fees (fees taken or assessed in conjunction with commerce transactions) in the last month of the period multiplied by 12. We believe that ARRR is a key indicator of our future revenue potential. However, ARRR should be viewed independently of revenue, and does not represent our GAAP revenue on an annualized basis, as it is an operating metric that can be impacted by subscription start and end dates and renewal rates. ARRR is not intended to be a replacement or forecast of revenue.

ARRR increased $96.5 million, or 11.6%, as of December 31, 2022 compared to the same period in 2021. This increase was primarily a result of an increase in unique subscriptions and an increase in our hospitality services.

Average revenue per unique subscription ("ARPUS"). We calculate ARPUS as the total revenue during the preceding 12-month period divided by the average of the number of total unique subscriptions at the beginning and end of the period. We believe ARPUS is a useful metric in evaluating our ability to sell higher-value plans, add-on subscriptions, and hospitality services.

ARPUS increased $6.62, or 3.3%, as of December 31, 2022 compared to the same period in 2021. The increase was primarily due to increased prices and an increased mix of higher tiered plans across our website subscriptions, the continued growth of our commerce offerings and attached products, as well as the addition and subsequent growth of our hospitality services.

Adjusted EBITDA. Adjusted EBITDA is a supplemental performance measure that our management uses to assess our operating performance. We calculate adjusted EBITDA as net (loss)/income excluding interest expense, other income/(loss), net, (provision for)/benefit from income taxes, depreciation and amortization, stock-based compensation expense

and other items that we do not consider indicative of our ongoing operating performance. The following is a reconciliation of adjusted EBITDA to the most comparable GAAP measure, net (loss)/income:

	Years Ended December 31,	
($ in thousands)	2022	2021
Net loss	$ (252,221)	$ (249,149)
Interest expense	18,207	11,081
Provision for income taxes	27,230	3,825
Depreciation and amortization	31,617	32,720
Stock-based compensation expense	102,533	307,924
Other income, net	(5,030)	(6,631)
Impairment charge	225,163	—
Direct listing costs	—	25,318
Adjusted EBITDA	$ 147,499	$ 125,088

Adjusted EBITDA increased $22.4 million, or 17.9%, for the year ended December 31, 2022 compared to the same period in 2021. The increase is primarily due to increases in revenue and a reduction in marketing and sales spend, partially offset by an increase in cash-based payroll and associated benefits related to increases in headcount in research and product development and the addition of hospitality services.

Unlevered free cash flow. Unlevered free cash flow is a supplemental liquidity measure that our management uses to evaluate our core operating business and our ability to meet our current and future financing and investing needs. We define unlevered free cash flow as cash flow from operating activities less cash paid for capital expenditures increased by cash paid for interest expense net of the associated tax benefit. The following is a reconciliation of unlevered free cash flow to the most comparable GAAP measure, cash flows from operating activities:

	Years Ended December 31,	
($ in thousands)	2022	2021
Cash flows from operating activities	$ 164,219	$ 123,157
Cash paid of capital expenditures	(11,543)	(11,021)
Free cash flow	$ 152,676	$ 112,136
Cash paid for interest, net of the associated tax benefit	12,874	10,251
Unlevered free cash flow	$ 165,550	$ 122,387

Unlevered free cash flow increased $43.2 million, or 35.3%, for the year ended December 31, 2022 compared to the same period in 2021. The increase was primarily driven by a reduction in spend related to costs associated with the Direct Listing and advertising costs, partially offset by increased spend in research and development in support of our product development roadmap.

Gross Merchandise Value. GMV represents the value of physical goods, content and time sold, including hospitality services, net of refunds, on our platform over a given period of time. GMV processed on our platform increased $0.3 billion, or 4.8%, for the year ended December 31, 2022 compared to the same period in 2021. This increase was primarily due to GMV related to our hospitality services as well as our scheduling product.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements. Management's estimates are based on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates. See "Item 8. Financial Statements and Supplemental Data, Note 2. Summary of Significant Accounting Policies," as it describes the significant accounting policies and methods used in the preparation of our consolidated financial statements. The accounting policies and estimates below have been identified by our management as those that are most critical to our consolidated financial statements as they require management to make significant judgements and estimates about inherently uncertain matters.

Revenue recognition

We primarily derive revenue from monthly and annual subscriptions. Revenue is also derived from non-subscription services including fixed percentages or fixed-fees earned on revenue share arrangements with third-parties and on sales made through our customers' websites.

Revenue is recognized when control of the promised services is transferred to the customer, in an amount reflecting the consideration we expect to be entitled to in exchange for those services. Revenue is recognized net of expected refunds and any sales or indirect taxes collected from customers, which are subsequently remitted to governmental authorities. We typically receive payment at the time of sale and our customer arrangements do not include a significant financing component. The majority of our customer arrangements and the period between customer payment and transfer of control of the service is expected to be one year or less. Payments received in advance of transfer of control or satisfaction of the related performance obligation are recorded as deferred revenue with the aggregate amount representing the transaction price allocated to those performance obligations that are partially or fully unsatisfied. Subscription plans automatically renew unless advance notice is provided to us.

Arrangements with our customers do not represent a license and do not provide our customers with the right to take possession of the software supporting our SaaS-based technology platform at any time.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Subscription and domain managed services revenues are generally recognized over-time with the exception of cases where we act as a reseller of third-party software solutions. We have determined that subscriptions to our platform represent a stand-ready obligation to perform over the subscription term. These performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits. Subscription revenues related to third-party software solutions are recognized on a net basis at a point in time, upon purchase of the software solution, which is when we satisfy our obligation to facilitate the transfer between the customer and the third-party developer. Domain managed services revenue consists of consideration received from customers in exchange for domain registration and management services. We recognize consideration received from domain managed services on a gross basis over the subscription term since we are obligated to manage our customers' domains over a contractual period, which is typically one year.

Revenue associated with non-subscription offerings is primarily recognized at a point in time. Included in non-subscription revenue are revenue share arrangements with payment processors and third-party business applications (together "Commerce Partners"). Consideration received from Commerce Partners is recognized at a point in time as we are acting as an agent and facilitating the sale of products between our customers and third-parties. We also earn transaction fee revenue based on a fixed-fee for GMV processed on our business plans and for certain hospitality offerings. In addition, non-subscription revenue includes processing fees earned in exchange for use of certain hospitality services. These transaction and processing fee revenues are recognized at a point in time, when the sale has been completed.

Business combinations

Assets acquired and liabilities assumed as part of a business combination are recorded at their fair value at the date of acquisition. The purchase price is allocated to the identifiable net assets acquired, including intangible assets and liabilities assumed, based on estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is recorded as goodwill.

Unanticipated events and circumstances that occur could affect the accuracy or validity of such assumptions, estimates or actual results. All subsequent changes to the estimated fair values of the acquired assets and liabilities assumed that occur within the measurement period and are based on facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill.

Determining the fair value of assets acquired and liabilities assumed requires significant judgment, including the selection of a valuation methodology, the estimate of future revenues and cash flows and discount rates. The assets purchased and liabilities assumed are reflected in our consolidated balance sheet and the results are included in the consolidated statements of operations from the date of acquisition. We have amortized intangible assets over their estimated useful lives on a straight-line basis.

Acquisition-related transaction costs, including legal and accounting fees and other external costs that are directly related to the acquisition, are recognized separately from the acquisition and are expensed as incurred, primarily in general and administrative expense in the consolidated statements of operations.

We record estimates as of the acquisition date and reassess the estimates at each reporting period up to one year after the acquisition date. Changes in estimates made prior to finalization of purchase accounting are recorded to goodwill.

Goodwill and long-lived assets

Our goodwill balance is tested for impairment at least annually. We perform our annual goodwill impairment analysis during the fourth quarter. If events or indicators of impairment occur between annual impairment analysis, we perform an impairment analysis of goodwill at that date. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition or sale or disposition of a significant asset.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis, including the identification of reporting units, identification and allocation of the assets and liabilities to reporting units and determination of fair value. In estimating the fair value of a reporting unit for the purposes of our annual or periodic impairment analysis, we make estimates and significant judgments about the future cash flows of the reporting unit. Changes in judgment on these assumptions and estimates could result in goodwill impairment charges. We believe that the assumptions and estimates utilized are appropriate based on the information that was available to management.

Intangible assets with finite lives and property and equipment are amortized or depreciated over their estimated useful life on a straight-line basis. We monitor conditions related to these assets to determine whether the events and circumstances warrant a revision to the remaining amortization or depreciation period. We test these assets for potential impairment whenever we conclude events or changes in circumstances (triggering event) indicate that the carrying amount may not be recoverable. The impairment test requires a comparison of the estimated undiscounted future cash flows expected to be generated over the useful life of an asset group to the carrying amount of the asset group. An asset group is generally established by identifying the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets. If the carrying amount of an asset group exceeds the estimated undiscounted future cash flows, an impairment is measured as the difference between the fair value of the asset group and the carrying amount of the asset group. Determining whether a long-lived asset is impaired requires various estimates and assumptions, including whether a triggering event occurred, the identification of asset groups, estimates of future cash flows and the discount rate used to determine fair values.

Stock-based compensation

We account for stock-based compensation in accordance with Accounting Standards Codification, ("ASC") 718, *Stock-Based Compensation*. Under the fair value recognition provisions of this accounting guidance, compensation cost for service-based awards, including options to purchase stock and restricted stock units, are measured at fair value on the date of grant and recognized over the service period, net of forfeitures. Forfeitures are recorded as they occur if the employee fails to meet the requisite service period. The fair value of restricted stock units are estimated on the date of grant based on the fair value of our common stock. Compensation cost for performance-based awards is measured at fair value on the grant date and is recognized when the vesting trigger becomes probable. Stock-based compensation is allocated on a specific identification basis per each individual employee recipient and is classified into the corresponding line item where the related employee's cash compensation and benefits reside in the consolidated statements of operations.

Income taxes

We recognize deferred income tax assets and liabilities for the expected future tax consequences attributable to both differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as the existence of any net operating losses and certain income tax credit carryforwards. Income tax assets and liabilities are determined based on the differences between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse as well as the expected income tax effects of net operating loss and certain income tax credit carryforwards. Valuation allowances are established, when necessary, to reduce deferred tax assets when we expect the amount of tax benefit to be realized is less than the carrying value of the deferred tax asset. The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified.

We account for uncertainty in income taxes using a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities.

The amount recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate audit settlement.

Recently Issued Accounting Standards

A discussion of recent accounting pronouncements is included in Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Implications of Being an Emerging Growth Company

As a company with less than $1.235 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include that:

- we are required to include only reduced disclosure in "Management's Discussion and Analysis of Financial Condition and Results of Operations";
- we are not required to engage an auditor to report on our internal controls over financial reporting pursuant to Section 404(b);
- we are not required to submit certain executive compensation matters to stockholder advisory votes, such as "say-on-pay," "say-on-frequency" and "say-on-golden parachutes"; and
- we are not required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to our median employee compensation.

We may take advantage of these provisions until the last day of the fiscal year following the fifth anniversary of the effectiveness of the registration statement of which this Annual Report on Form 10-K forms a part or such earlier time that we are no longer an emerging growth company.

Under the JOBS Act, emerging growth companies also can delay adopting new or revised accounting standards until such time as those standards would otherwise apply to private companies. We currently take advantage of this exemption.

For risks related to our status as an emerging growth company, see "Item 1A. Risk Factors, Risks Related to Our Business and Industry, We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign currency exchange risk

While we generate the majority of our revenue in U.S. dollars, a portion of our revenue is denominated in Euros. For the year ended December 31, 2022, 71.8% of our revenue was denominated in U.S. dollars and 69.4% for the same period in 2021. For the year ended December 31, 2022, 28.2% of our revenue was denominated in Euros and 30.6% for the same period in 2021. As we expand globally, we will be further exposed to fluctuations in currency exchange rates.

In addition, the assets and liabilities of our international subsidiaries are denominated in the local currencies of the subsidiaries. Accordingly, assets and liabilities of these subsidiaries are translated into U.S. dollars at exchange rates in effect on the applicable balance sheet date. Income and expense items are translated at average exchange rates for the applicable period. As a result, our results of operations will be impacted by any increase or decrease in the value of the foreign currencies relative to the U.S. dollar. Transaction gains/(losses) for the years ended December 31, 2022 and 2021 were $3.3 million and $6.4 million, respectively.

We currently do not hedge foreign currency exposure. We may in the future hedge our foreign currency exposure and may use currency forward contracts, currency options or other common derivative financial instruments to reduce foreign currency risk. It is difficult to predict the effect that future hedging activities would have on our operating results.

Interest rate sensitivity

We had cash equivalents and marketable securities totaling $114.3 million as of December 31, 2022. Our cash equivalents are held for working capital purposes. Our investments in marketable securities are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes. Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Our future investment income may fall short of our

expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

Borrowings under the Credit Agreement are subject to an interest rate equal to, at our option, LIBOR or ABR, in either case, plus an applicable margin. Based on the outstanding balance of the Credit Agreement as of December 31, 2022, for every 100 basis point increase in LIBOR or ABR, we would incur approximately $5.2 million of additional annual interest expense. We currently do not hedge interest rate exposure. We may in the future hedge our interest rate exposure and may use swaps, caps, collars, structured collars or other common derivative financial instruments to reduce interest rate risk. It is difficult to predict the effect that future hedging activities would have on our operating results.

Credit risk

We maintain components of our cash and cash equivalents balance in various accounts, which from time to time exceed the federal depository insurance coverage limit. In addition, substantially all of our cash and cash equivalents, as well as our marketable securities, are held by three financial institutions that we believe are of high credit quality. We have not experienced any losses on our deposits of cash and cash equivalents and accounts are monitored by our management team to mitigate risk. We are exposed to credit risk in the event of default by the financial institution holding our cash and cash equivalents or an event of default by the issuers of the corporate bonds and commercial paper we hold.

Item 8. Financial Statements and Supplementary Data

SQUARESPACE, INC.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Squarespace, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Squarespace, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive (loss)/income, changes in redeemable convertible preferred stock and stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2022 due to the adoption of ASU No. 2016-02, Leases (Topic 842), and the related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2015.

New York, New York
March 9, 2023

SQUARESPACE, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares and per share amounts)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 197,037	$ 203,247
Restricted cash	35,583	30,433
Investment in marketable securities	31,757	31,456
Accounts receivable	10,748	7,969
Due from vendors	4,442	1,828
Prepaid expenses and other current assets	48,326	67,099
Total current assets	327,893	342,032
Property and equipment, net	51,633	52,839
Operating lease right-of-use assets	86,824	—
Goodwill	210,438	435,601
Intangible assets, net	42,808	60,138
Other assets	10,921	8,939
Total assets	$ 730,517	$ 899,549
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 12,987	$ 26,533
Accrued liabilities	64,360	60,861
Deferred revenue	269,689	233,999
Funds payable to customers	38,845	30,137
Debt, current portion	40,758	13,586
Deferred rent and lease incentives, current portion	—	2,095
Operating lease liabilities, current portion	11,514	—
Total current liabilities	438,153	367,211
Deferred income taxes, non-current portion	788	—
Debt, non-current portion	473,167	513,047
Deferred rent and lease incentives, non-current portion	—	32,348
Operating lease liabilities, non-current portion	110,169	—
Other liabilities	11,231	422
Total liabilities	1,033,508	913,028
Commitments and contingencies (see Note 13)		
Redeemable convertible preferred stock, par value of $0.0001; zero shares authorized as of December 31, 2022 and 2021, respectively; zero shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Preferred stock, par value of $0.0001; 100,000,000 shares authorized as of December 31, 2022 and 2021, respectively; zero shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Stockholders' deficit:		
Class A common stock, par value of $0.0001; 1,000,000,000 shares authorized as of December 31, 2022 and 2021, respectively; 87,754,534 and 90,826,625 shares issued and outstanding as of December 31, 2022 and 2021, respectively	8	9
Class B common stock, par value of $0.0001; 100,000,000 shares authorized as of December 31, 2022 and 2021, respectively; 47,844,755 and 48,344,755 shares issued and outstanding as of December 31, 2022 and 2021, respectively	5	5
Class C common stock (authorized March 15, 2021), par value of $0.0001; zero shares authorized as of December 31, 2022 and 2021, respectively; zero shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Class C common stock (authorized May 10, 2021), par value of $0.0001; 1,000,000,000 shares authorized as of December 31, 2022 and 2021, respectively; zero shares issued and outstanding as of December 31, 2022 and 2021, respectively	—	—
Additional paid in capital	875,737	911,570
Accumulated other comprehensive loss	(1,665)	(208)
Accumulated deficit	(1,177,076)	(924,855)
Total stockholders' deficit	(302,991)	(13,479)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 730,517	$ 899,549

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

SQUARESPACE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except shares and per share amounts)

	Years Ended December 31,		
	2022	2021	2020
Revenue	$ 866,972	$ 784,038	$ 621,149
Cost of revenue	152,655	126,631	98,337
Gross profit	714,317	657,407	522,812
Operating expenses:			
Research and product development	227,297	190,371	167,906
Marketing and sales	322,051	339,965	260,039
General and administrative	151,620	367,945	54,647
Impairment charge	225,163	—	—
Total operating expenses	926,131	898,281	482,592
Operating (loss)/income	(211,814)	(240,874)	40,220
Interest expense	(18,207)	(11,081)	(10,043)
Other income/(loss), net	5,030	6,631	(7,678)
Loss/income before (provision for)/benefit from income taxes	(224,991)	(245,324)	22,499
(Provision for)/benefit from income taxes	(27,230)	(3,825)	8,089
Net (loss)/income	$ (252,221)	$ (249,149)	$ 30,588
Less: accretion of redeemable convertible preferred stock to redemption value	—	(969)	(4,844)
Less: declared dividends to preferred shareholders	—	—	(278,454)
Net loss attributable to Class A, Class B, Class C common stockholders, basic and dilutive	(252,221)	(250,118)	(252,710)
Net loss per share attributable to Class A, Class B and Class C common stockholders, basic and dilutive	$ (1.82)	$ (2.60)	$ (14.10)
Weighted-average shares used in computing net loss per share attributable to Class A, Class B and Class C stockholders, basic and dilutive	138,409,491	96,234,381	17,917,236

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

SQUARESPACE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME
(in thousands)

	Years Ended December 31,		
	2022	**2021**	**2020**
Net (loss)/income	$ (252,221)	$ (249,149)	$ 30,588
Other comprehensive (loss)/income:			
Foreign currency translation adjustment	(1,279)	(2,511)	2,528
Unrealized (loss)/gain on marketable securities, net of income taxes	(178)	(152)	35
Total other comprehensive (loss)/income	(1,457)	(2,663)	2,563
Total comprehensive (loss)/income	$ (253,678)	$ (251,812)	$ 33,151

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

SQUARESPACE, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive (Loss)/Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	104,446,332	$ 126,546	8,185,625	$ 1	13,470,755	$ 1	—	$ —	$ 1,196	$ (108)	$ (378,182)	$ (377,092)
Stock-based compensation	—	—	—	—	—	—	—	—	31,417	—	—	31,417
Stock option exercises	—	—	—	—	897,777	—	—	—	1,435	—	—	1,435
Vested RSUs converted to common shares	—	—	1,366,242	—	—	—	—	—	—	—	—	—
Repurchase of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(648,097)	—	—	—	—	—	(20,161)	—	—	(20,161)
Accretion of redeemable convertible preferred stock	—	4,844	—	—	—	—	—	—	(4,844)	—	—	(4,844)
Dividend declared	—	—	—	—	—	—	—	—	—	—	(328,112)	(328,112)
Net income	—	—	—	—	—	—	—	—	—	—	30,588	30,588
Total impact on comprehensive income, net of taxes	—	—	—	—	—	—	—	—	—	2,563	—	2,563
Balance at December 31, 2020	104,446,332	$ 131,390	8,903,770	$ 1	14,368,532	$ 1	—	$ —	$ 9,043	$ 2,455	$ (675,706)	$ (664,206)
Stock-based compensation	—	—	—	—	—	—	—	—	308,304	—	—	308,304
Stock option exercises	—	—	1,551,185	—	1,775,171	—	—	—	4,760	—	—	4,760
Vested RSUs converted to common shares	—	—	1,661,752	—	—	—	—	—	—	—	—	—
Repurchase of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(737,715)	—	—	—	—	—	(34,503)	—	—	(34,503)
Conversion of convertible preferred stock to Class A and Class B common stock in connection with the direct listing	(104,446,332)	(132,359)	54,862,435	6	49,583,897	5	—	—	132,348	—	—	132,359
Conversion of Class B common stock to Class A common stock in connection with the direct listing	—	—	17,382,845	1	(17,382,845)	(1)	—	—	—	—	—	—
Conversion of Class C common stock to Class A common stock in connection with the direct listing	—	—	7,202,353	1	—	—	(7,202,353)	(1)	—	—	—	—
Issuance of Class C common stock, net of issuance costs	—	—	—	—	—	—	4,452,023	—	304,409	—	—	304,409
Issuance of Class C common stock for acquisition	—	—	—	—	—	—	2,750,330	1	188,178	—	—	188,179
Accretion of redeemable convertible preferred stock	—	969	—	—	—	—	—	—	(969)	—	—	(969)
Net loss	—	—	—	—	—	—	—	—	—	—	(249,149)	(249,149)
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	(2,663)	—	(2,663)

Balance at December 31, 2021	—	$ —	90,826,625	$ 9	48,344,755	$ 5	—	$ —	$ 911,570	$ (208)	$ (924,855)	$ (13,479)
Stock-based compensation	—	—	—	—	—	—	—	—	103,513	—	—	103,513
Stock option exercises	—	—	674,773	—	—	—	—	—	2,251	—	—	2,251
Vested RSUs converted to common shares	—	—	2,209,501	—	—	—	—	—	—	—	—	—
Repurchase of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(925,179)	—	—	—	—	—	(21,404)	—	—	(21,404)
Repurchase and retirement of Class A common stock	—	—	(5,531,186)	(1)	—	—	—	—	(120,193)	—	—	(120,194)
Conversion of Class B common stock to Class A common stock	—	—	500,000	—	(500,000)	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(252,221)	(252,221)
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	(1,457)	—	(1,457)
Balance at December 31, 2022	—	$ —	87,754,534	$ 8	47,844,755	$ 5	—	$ —	$ 875,737	$ (1,665)	$ (1,177,076)	$ (302,991)

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

SQUARESPACE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2022	**2021**	**2020**
OPERATING ACTIVITIES:			
Net (loss)/income	$ (252,221)	$ (249,149)	$ 30,588
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:			
Depreciation and amortization	31,617	32,720	21,703
Stock-based compensation	102,533	307,924	31,254
Impairment charge	225,163	—	—
Deferred income taxes	788	3,196	(4,852)
Non-cash lease expense	2,227	—	—
Other	832	1,181	2,437
Changes in operating assets and liabilities:			
Accounts receivable and due from vendors	(5,461)	712	(2,936)
Prepaid expenses and other current assets	3,699	(35,423)	8,659
Accounts payable and accrued liabilities	(2,215)	14,525	27,115
Deferred revenue	39,464	29,364	40,104
Funds payable to customers	8,707	10,726	—
Other operating assets and liabilities	9,086	7,381	(4,042)
Net cash provided by operating activities	164,219	123,157	150,030
INVESTING ACTIVITIES:			
Proceeds from the sale and maturities of marketable securities	27,193	34,155	148,762
Purchases of marketable securities	(27,681)	(28,694)	(109,966)
Purchase of property and equipment	(11,543)	(11,021)	(4,712)
Cash paid for acquisitions, net of acquired cash	—	(202,170)	—
Other	—	—	178
Net cash (used in)/provided by investing activities	(12,031)	(207,730)	34,262
FINANCING ACTIVITIES:			
Borrowings on term loan	—	—	197,325
Principal payments on debt	(13,586)	(13,586)	(6,563)
Payments for repurchase and retirement of Class A common stock	(120,193)	—	—
Contingent consideration paid for acquisition	—	—	(15,000)
Taxes paid related to net share settlement of equity awards	(21,268)	(34,503)	(20,161)
Proceeds from exercise of stock options	2,211	4,760	1,435
Proceeds from issuance of Class C (authorized on March 15, 2021) common stock, net of issuance costs	—	304,409	—
Dividends paid	—	(367)	(327,745)
Net cash (used in)/provided by financing activities	(152,836)	260,713	(170,709)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(412)	(351)	659
Net (decrease)/increase in cash, cash equivalents and restricted cash	(1,060)	175,789	14,242
Cash, cash equivalents and restricted cash at the beginning of the period	233,680	57,891	43,649
Cash, cash equivalents and restricted cash at the end of the period	$ 232,620	$ 233,680	$ 57,891
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	$ 197,037	$ 203,247	$ 57,891
Restricted cash	35,583	30,433	—
Cash, cash equivalents and restricted cash at the end of the period	$ 232,620	$ 233,680	$ 57,891
SUPPLEMENTAL DISCLOSURE OF CASH FLOW			
Cash paid during the year for interest	$ 17,088	$ 10,251	$ 9,429
Cash paid during the year for income taxes, net of refunds	$ 10,664	$ 1,929	$ 6,580
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 1,784	$ 1,994	$ 104
Purchases of property and equipment included in prepaid expenses and other current assets	$ 3,329	$ 3,463	$ —
Dividends declared included in accrued liabilities	$ —	$ —	$ 367
Accrued taxes on equity tax withholdings	$ 176	$ —	$ —
Non-cash leasehold improvements	$ (5,864)	$ —	$ —
Capitalized stock-based compensation	$ 980	$ 380	$ 163

Issuance of Class C (authorized on March 15, 2021) common stock for acquisition	$ —	$ 188,179	$ —

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

SQUARESPACE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except shares and per share amounts)

1. Description of Business

Squarespace, Inc., and its subsidiaries, (the "Company") is a leading all-in-one platform for businesses and independent creators to build online presence, grow their brands and manage their businesses across the internet. The Company offers websites, domains, e-commerce, tools for managing a social media presence, marketing tools, scheduling and hospitality services. The Company is headquartered in New York, NY, with additional offices operating in Chicago, IL, Dublin, Ireland, and Aveiro, Portugal.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies.

The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company's consolidated financial statements may not be comparable to financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards based on public company effective dates.

The Company will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the Company's total annual gross revenue is at least $1,235,000, (ii) the last day of the fiscal year following the fifth anniversary of the completion of the Direct Listing, as discussed below, (iii) the date on which the Company issued more than $1,000,000 in non-convertible debt securities during the prior three-year period, or (iv) the date on which the Company becomes a large accelerated filer.

Acquisition of Tock, Inc

On March 31, 2021, the Company acquired all of the equity interests in Tock, Inc. ("Tock"), a reservation platform for prepaid reservations, access to restaurant management data, and other customization features, for a total consideration of $425,710. See "Note 4. Acquisitions" for further information on the acquisition of Tock.

Direct Listing

On May 19, 2021, the Company completed a direct listing of its Class A common stock (the "Direct Listing") on the NYSE. The Company incurred fees related to financial advisory service, audit, and legal expenses in connection with the Direct Listing and recorded general and administrative expenses of $25,318 for the year ended December 31, 2021.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Company's consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and include the Company's wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Functional Currency

As of December 31, 2022, the Company had six international subsidiaries. The Company wholly owns Squarespace Ireland Limited ("Limited"), based in Ireland, which is the parent of the Company's additional international subsidiaries. The functional currency of the Company's international subsidiaries is their local currency. Assets and liabilities of Limited are translated into U.S. dollars at exchange rates in effect on the balance sheet date. Retained earnings and other equity items are translated at historical rates, and revenue and expense items are translated at weighted average exchange rates for the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive loss in stockholders' deficit with the majority of the adjustments derived from Limited. Foreign currency impact on the statement of cash flows is translated to U.S. dollars using average exchange rates for the period, which approximates the timing of cash flows. The Company reports the effect of exchange rate changes on cash, cash equivalents, and restricted cash balances held in foreign currencies as a separate item in the reconciliation of the changes in cash, cash equivalents, and

restricted cash during the period. Transactions denominated in currencies other than the functional currency are remeasured to the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities denominated in currencies other than the functional currency are re-measured at period-end using the period-end exchange rate. Gains and losses resulting from remeasurement are recorded in other income/(loss), net in the consolidated statement of operations. Transaction gains/(losses) for the years ended December 31, 2022, 2021 and 2020 were $3,299, $6,356 and $(8,826), respectively.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management's estimates are based on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Significant estimates include but are not limited to (i) the recognition and measurement of loss contingencies, and indirect tax liabilities; (ii) the inputs used in the valuation of acquired intangible assets; (iii) the inputs used in the quantitative assessment over goodwill impairment (iii) the grant date fair value of stock-based awards; (iv) the recognition, measurement and valuation of current and deferred income taxes; (v) existence of applicable indirect tax nexus in different jurisdictions and associated indirect tax liabilities; and (vi) the incremental borrowing rate for operating lease liabilities. The Company evaluates its assumptions and estimates on an ongoing basis and adjusts prospectively, if necessary.

Operating Segments and Reporting Units

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"), who makes decisions about allocating resources and assessing performance. The Company defines its CODM as its Chief Executive Officer ("CEO"). An operating segment is determined to be a reporting unit if all of its components are similar or if it consists of a single component. A component consists of a business within the operating segment for which discrete financial information is available with a level of segment management that regularly reviews the operating results of that component.

During the quarter ended December 31, 2022, the Company revised its operating segments to reflect changes in the way the CODM manages and evaluates the business. As of December 31, 2022, the Company's business operates in two operating segments which are aggregated into one reportable segment. Therefore, all required segment information can be found in the Consolidated Financial Statements. See "Note 9. Goodwill and Intangible Assets, Net" for further information.

As of December 31, 2022 and 2021, the Company did not have material long-lived assets located outside of the United States.

Concentration of Risks Related to Credit, Interest Rates and Foreign Currencies

The Company is subject to credit risk, interest rate risk on any indebtedness the Company would potentially incur, market risk on investments and foreign currency risk in connection with the Company's operations internationally.

The Company maintains the components of its cash and cash equivalents balance in various accounts, which from time to time exceed the federal depository insurance coverage limit. In addition, substantially all cash and cash equivalents, as well as marketable securities, are held by three financial institutions. The Company has not experienced any concentration losses related to its cash, cash equivalents and marketable securities to date.

As of December 31, 2022 and 2021, no single customer accounted for more than 10% of the Company's accounts receivable. Additionally, no single customer accounted for more than 10% of the Company's revenue during the years ended December 31, 2022, 2021 and 2020.

The Company is also subject to foreign currency risks that arise from normal business operations. Foreign currency risks include the translation of local currency and intercompany balances established in local customer currencies sold through the Company's international subsidiaries.

Cash and Cash Equivalents

Cash and cash equivalents are stated at fair value. The Company considers all highly liquid investments purchased with an original maturity date of 90 days or less from the date of original purchase to be cash equivalents.

Restricted Cash and Payment Processing Transactions

As a result of the acquisition of Tock, the Company processes certain payments and holds funds on behalf of its restaurant customers consisting of diner prepayments for restaurant reservations as well as to-go orders. While the Company does not have any contractual obligation to hold such cash as restricted, the diner prepayments and associated sales tax are included in restricted cash in the consolidated balance sheets as of December 31, 2022 and 2021.

In addition, the Company recognizes the liability due to restaurant customers in funds payable to customers and the associated sales tax payable in accrued liabilities in the consolidated balance sheets as of December 31, 2022 and 2021. Funds are remitted to the restaurant customers based on the stipulated contract terms. In addition to restricted cash held on behalf of restaurant customers, the Company recognizes in-transit receivables from certain third-party vendors which assist in processing and settling payment transactions due to a clearing period before the related cash is received or settled. In-transit receivables are included in due from vendors in the consolidated balance sheets as of December 31, 2022 and 2021.

The following table represents the assets and liabilities related to payment processing transactions:

	December 31, 2022	December 31, 2021
Restricted cash	$ 35,583	$ 30,433
Due from vendors	4,442	1,828
Total payment processing assets	40,025	32,261
Funds payable to customers	(38,845)	(30,137)
Sales tax payable	(1,180)	(2,124)
Total payment processing liabilities	(40,025)	(32,261)
Total payment processing transactions, net	$ —	$ —

See “Note 4. Acquisitions” for further information on the acquisition of Tock.

Investment in Marketable Securities

The Company classifies its investment in marketable securities as available for sale securities which are stated at fair value, as determined by quoted market prices. Unrealized gains and losses are reported in accumulated other comprehensive loss. Unrealized losses are evaluated for impairment and those considered other than temporarily impaired are recorded as a charge to other income/(loss), net in the consolidated statements of operations. Subsequent gains or losses realized upon redemption or sale of these securities in excess or below their adjusted cost basis are also recorded as other income/(loss), net in the consolidated statements of operations. The cost of securities sold is based upon the specific identification method.

The Company considers all of its investment in marketable securities, irrespective of the maturity date, as available for use in current operations, and therefore classifies these securities within current assets in the consolidated balance sheets.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement, describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

See “Note 6. Fair Value of Financial Instruments” for further information.

Accounts Receivable

Accounts receivable consists of receivables from third-party credit card processors and other trade receivables. Accounts receivable are recorded at the invoiced amount and do not bear interest. There was no allowance for doubtful accounts as of December 31, 2022 and 2021.

Property and Equipment, net

Property and equipment is carried at cost and is depreciated over its estimated useful life using the straight-line method beginning on the date the asset is placed in service. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life. The Company regularly evaluates the estimated remaining useful lives of its property and equipment to determine whether events or changes in circumstances warrant a revision to the remaining period of depreciation. Cost and the related accumulated depreciation and amortization are deducted from property and equipment, net in the consolidated balance sheets upon retirement. Maintenance and repairs are charged to expense when incurred.

See “Note 8. Property and Equipment” for information on impairment losses recorded on property and equipment, net during the year ended December 31, 2022.

Capitalized Software Development Costs

The Company capitalizes certain software development costs, including employee-related expenses such as salaries and stock-based compensation, incurred in connection with adding functionality to its platform, as well as internal-use projects during the application development stage. These costs are amortized on a straight-line basis over an estimated useful life of three years.

Software development costs incurred during planning and maintenance and minor upgrades and enhancements of software without additional functionality are expensed as incurred.

Business Combinations

The Company evaluates acquisitions to determine whether it is a business combination or an asset acquisition. The Company accounts for business combinations under the acquisition method of accounting. The Company includes the results of operations of acquired businesses in its consolidated financial statements as of the respective dates of acquisition. The purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. Critical estimates used in valuing certain acquired intangible assets include, but are not limited to, future expected cash flows (e.g., from customer relationships or technology) and discount rates.

The determination of the acquisition date fair value of tangible and intangible assets acquired requires considerable judgment and is sensitive to changes in underlying assumptions. During the measurement period, which will not exceed one year from closing, the Company will continue to obtain information to assist in finalizing the acquisition date fair values. Any qualifying changes to preliminary estimates will be recorded as adjustments to the respective assets and liabilities, with any residual amounts allocated to goodwill. Transaction costs are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. The recognition of goodwill represents the strategic and synergistic benefits the Company expects to realize from acquisitions. Goodwill is not amortized to earnings, rather, assessed for impairment annually during the fourth quarter for its reporting units. The Company also performs an assessment at other times if events or changes in circumstances indicate the carrying value of the assets may not be recoverable.

In conducting the annual impairment test, the Company first reviews qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If factors indicate that the fair value of the reporting unit is less than its carrying amount, a quantitative assessment is performed and the fair value of the reporting unit is estimated using a combination of a discounted cash flow methodology and the market valuation approach using publicly traded multiples in similar businesses. This analysis requires significant judgments and estimates, including estimation of future cash flows based on internally developed forecasts, long-term growth rates for the business and the determination of the weighted-average cost of capital adjusted for the reporting unit being tested. If the carrying value of the reporting unit continues to exceed its fair value, the implied fair value of the reporting unit's goodwill is calculated and an impairment loss equal to the excess is recorded.

During the quarter ended December 31, 2022, based on the Company's change in its internal reporting structure, the Company reassessed its reporting unit determination. The Company performed its annual impairment test on the recoverability of its goodwill for each of its two reporting units, and as a result, recognized an impairment charge of $225,163 for the year ended December 31, 2022. The Company's analyses did not indicate impairment of goodwill during the years ended December 31, 2021 and 2020. See "Note 9. Goodwill and Intangible Assets, Net" for further information.

Intangible Assets

The Company's intangible assets are finite-lived and are amortized on a straight-line basis over their estimated remaining life, which is aligned to the economic benefit of the asset.

Long-Lived Assets

Long-lived assets or asset groups are reviewed periodically for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable. Upon occurrence, recoverability is measured by comparing the sum of the undiscounted expected future cash flows the asset or asset group is expected to generate to its carrying amount. If the carrying amount of the asset or asset group exceeds its undiscounted expected future cash flows, an impairment loss is recognized in the amount of the excess of the carrying amount over the fair value. Any impairments are treated as permanent reductions in the carrying amount of the respective asset.

There were no additional material impairments of long-lived assets recorded during the years ended December 31, 2021 and 2020 except for those described herein.

Leases

ASC Topic 842, Leases

The Company adopted ASC Topic 842, Leases ("ASC Topic 842"), as of January 1, 2022. The Company determines if an arrangement is or contains a lease at inception by assessing whether the arrangement conveys the right to control the use of an identified asset. The Company classifies, measures and recognizes a lease liability on the lease commencement date based on the present value of lease payments over the remaining lease term. As of December 31, 2022, the Company's leases are classified as operating leases. The Company uses an estimated incremental borrowing rate based on information available at the lease commencement date in determining the present value of future payments as the rate implicit in the lease is not generally known. The incremental borrowing rate is based on the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Operating right-of-use assets related to operating lease liabilities equal the amount of the initial measurement of the lease liability adjusted for any initial direct costs, prepaid rent and lease incentives received. Lease terms that are used in determining operating lease liabilities at lease inception may include options to extend or terminate the leases and when it is reasonably certain that the Company will exercise such options. Operating lease expense is recorded on a straight-line basis over the lease term. The straight-line expense is allocated within the consolidated statements of operations based on departmental employee headcount. Variable lease costs are recognized as incurred and allocated within the consolidated statements of operations based on departmental employee headcount. The Company has applied practical

expedients for lease agreements with lease and non-lease components, and in such cases, accounts for the components as a single lease component. The Company has also elected not to recognize operating right-of-use assets and operating lease liabilities for any lease with an original lease term of less than one year.

Operating lease right-of-use assets are included in non-current assets on the consolidated balance sheets for the entire lease term. The Company includes the portion of the total lease payments, net of implicit interest, that are due in the next 12 months in current liabilities and the remaining portion in non-current liabilities on the consolidated balance sheets. The difference between straight-line lease expense and the cash paid for leases is included as non-cash lease expense in the adjustments to reconcile net loss to net cash provided by operating activities on the consolidated statements of cash flows.

Operating sublease income is recognized on a straight-line basis over the sublease term and is allocated within the consolidated statements of operations based on departmental employee headcount.

See “Note 14. Leases” for further information on impairment losses on leases recorded during the year ended December 31, 2022.

ASC Topic 840, Leases

Prior to the adoption of ASC Topic 842, the Company categorized leases at their inception as either operating or capital leases in accordance with ASC Topic 840, Leases. In the ordinary course of business, the Company enters into long term operating leases for office space. The Company’s headquarters is located in New York, NY. As of December 31, 2021, the Company also had office leases in Portland, OR, Los Angeles, CA, Chicago, IL, and Dublin, Ireland, all of which included varying commencement and expiration dates. The Company recognized rent expense on a straight-line basis over the lease period and accrued for rent expense as incurred, but not paid. Any related lease incentives were recorded as a reduction in rent expense on a straight-line basis over the lease term. The Company classified deferred rent and lease incentives as current based on the rent expense that would have been recognized during the succeeding twelve-month period from the balance sheet date. All other deferred rent and lease incentives were recorded as non-current in the consolidated balance sheets. The Company recognized any sublease rental income on a straight-line basis as an offset to rent expense.

Revenue Recognition

The Company primarily derives revenue from annual and monthly subscriptions. Revenue is also derived from non-subscription services, including fixed percentages or fixed-fees earned on revenue share arrangements with third-parties and on sales made through the Company’s customers’ sites.

Revenue is recognized when control of the promised services is transferred to the customer, in an amount reflecting the consideration the Company expects to be entitled to in exchange for those services. Revenue is recognized net of expected refunds and any sales or indirect taxes collected from customers, which are subsequently remitted to governmental authorities. The Company typically receives payment at the time of sale and its customer arrangements do not include a significant financing component. The majority of the Company’s customer arrangements and the period between customer payment and transfer of control of the service is expected to be one year or less. Payments received in advance of transfer of control or satisfaction of the related performance obligation are recorded as deferred revenue with the aggregate amount representing the transaction price allocated to those performance obligations that are partially or fully unsatisfied. Subscription plans automatically renew unless advance notice is provided to the Company.

Arrangements with the Company’s customers do not represent a license and do not provide the customer with the right to take possession of the software supporting the Company’s SaaS-based technology platform or products at any time.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Subscription and domain managed services revenues are generally recognized over-time with the exception of cases where the Company acts as a reseller of third-party software solutions. The Company has determined that subscriptions

represent a stand-ready obligation to perform over the subscription term. These performance obligations are satisfied over time as the customer simultaneously receives and consumes the benefits. Subscription revenues related to third-party software solutions are recognized on a net basis, at a point in time. The Company determined that it satisfies its performance obligation by facilitating the transfer between the customer and the third-party developer. Domain managed services revenue consists of consideration received from customers in exchange for domain registration and management services. The Company recognizes consideration received from domain managed services on a gross basis over the subscription term since the Company is obligated to manage its customers' domains over a contractual period, which is typically one year.

Revenue associated with non-subscription offerings is primarily recognized at a point in time. Included in non-subscription revenue are revenue share arrangements with third-party payment processors and business applications (together "Commerce Partners"). Consideration received from reseller arrangements with its Commerce Partners is recognized at a point in time as the Company is acting as an agent and facilitating the sale of products between its customers and third-parties. The Company also earns transaction fee revenue based on a fixed-fee of gross merchandise value ("GMV") processed on the Company's Business plan and for certain hospitality offerings. GMV represents the total dollar value of orders processed through the Company's platform in the period, net of refunds and fraudulent orders. In addition, non-subscription revenue includes processing fees earned in exchange for use of certain hospitality services. These transaction and processing fee revenues are recognized at a point in time, when the sale has been completed.

Performance Obligations

Certain customer arrangements include multiple performance obligations which consist of access or use of some or all of the Company's products. For arrangements that include multiple performance obligations, the transaction price to each of the underlying performance obligations is allocated based on its relative stand-alone selling price ("SSP") and other factors. The Company determines SSP based on the price at which the distinct service is sold separately. If the SSP is not observable through past transactions, the Company estimates the SSP by taking into account available information such as market conditions, internally approved pricing and cost-plus expected margin guidelines related to the performance obligations. For new customers, the Company offers certain products free of charge for the first year. The Company has determined that this offer is a material right and accordingly, the transaction price is allocated to these performance obligations and recognized as the respective performance obligation is satisfied.

Revenue by Product Type

The following summarizes the Company's revenue recognition policy for its disaggregated product types:

Presence

Presence revenue primarily consists of fixed-fee subscriptions to the Company's plans that offer core platform functionalities, currently branded "Personal" and "Business" plans. Presence revenue also consists of fixed-fee subscriptions related to additional entry points for starting online such as domain managed services and social media stories. Additionally, presence revenue is derived from third-party solutions related to email services and access to third-party content to enhance online presence. For customers in need of a larger scale solution, the Company has an enterprise offering, and revenue is recognized over the life of the contract.

Commerce

Commerce revenue primarily consists of fixed-fee subscriptions to the Company's plans that offer all the features of presence plans as well as additional features that support end to end commerce transactions, currently branded "Basic" and "Advanced" plans. Commerce revenue also includes fixed-fee subscriptions to a number of other tools that support running an online business such as marketing, member areas, scheduling and hospitality tools. Non-subscription revenue is derived from fixed-fees earned on revenue share arrangements with commerce partners as well as fixed transaction fees earned on GMV processed through Business plan sites and certain hospitality offerings. Commerce revenue also includes payment processing fees received for use of the Company's hospitality services.

Assets Recognized from Contract Costs

The Company capitalizes customer arrangement origination costs related to affiliate fees on customer referrals ("referral fees"), costs related to fees on sales of the Company's social media tools on third-party platforms ("app fees")

and commissions paid to internal sales personnel relating to customer contracts for the Company's hospitality services ("sales commissions"). Amounts expected to be recognized within one year of the balance sheet date are recorded as prepaid expenses and other current assets, with the remaining portion recorded as other assets in the consolidated balance sheets. Capitalized referral, app fees and sales commissions are considered to be incremental and recoverable costs of obtaining a contract with a customer.

Referral fees and sales commissions are deferred and amortized on a straight-line basis over the future benefit period of approximately two to four years and are included within marketing and sales in the consolidated statements of operations. App fees are also deferred and amortized on a straight-line basis over the future benefit of approximately one year and are included within cost of revenue in the consolidated statements of operations. The period of benefit was estimated by considering factors such as historical customer attrition rates, the useful life of the Company's technology, and the impact of competition in its industry. No referral fees and sales commissions are paid to third-parties for renewals.

The Company's fulfillment costs (such as setup costs) are expensed as incurred as these do not generate or enhance resources of the Company that will be used in satisfying future performance obligations and do not meet the criteria for capitalization. No other material contract costs were capitalized during the period.

The Company periodically reviews the estimated benefit period so that the amortization is consistent with the transfer of services to the customer to which the asset relates.

Cost of Revenue

Cost of revenue consists primarily of credit card and payment processor fees, domain registration fees, hosting costs and app fees. Cost of revenue also includes customer support employee-related expenses, allocated shared costs and depreciation and amortization. Employee-related expenses consist of salaries, taxes, benefits, and stock-based compensation.

Research and Product Development

Research and product development expenses are primarily employee-related expenses, costs associated with continuously developing new solutions and enhancing and maintaining the Company's technology platform as well as allocated shared costs. These costs are expensed as incurred. Employee-related expenses consist of salaries, taxes, benefits and stock-based compensation.

Marketing and Sales

Marketing and sales expenses include costs related to advertisements used to drive customer acquisition, employee-related expenses related to the Company's brand, customer acquisition and creative assets, affiliate fees on customer referrals, sales commissions and allocated shared costs. Allocated shared costs include customer support costs related to assistance provided by our customer service team to customers during their trial periods on our platform. Employee-related expenses consist of salaries, taxes, benefits, and stock-based compensation.

Depending on the nature of the advertising, costs are expensed at the time a commercial initially airs, when a promotion first appears in the media or as incurred. Affiliate fees on customer referrals are deferred and recognized ratably over the expected period of the Company's relationship with the new customer. In addition, the Company capitalizes sales commissions paid to internal sales personnel relating to obtaining customer contracts for hospitality services. The Company's advertising costs for the years ended December 31, 2022, 2021 and 2020 were $241,904, $274,919 and $220,152, respectively.

General and Administrative

General and administrative expenses are primarily employee-related expenses associated with supporting business operations, expenses required to comply with government regulations in the markets in which the Company operates and allocated shared costs. The functional elements included in general and administrative are finance, people, legal, information technology and overall corporate support. Employee-related expenses consist of salaries, taxes, benefits, and stock-based compensation.

Stock-based Compensation

Service-based Awards

Stock-based compensation costs related to stock awards with a service-based vesting condition are measured based on the fair value of the awards granted. Prior to the Direct Listing, the fair value of the Company's shares of Class A and Class B common stock underlying the awards was determined by the board of directors with input from management and independent third-party valuation specialists, as there was no public market for the Company's Class A and Class B common stock. The board of directors determined the fair value of the Class A and Class B common stock by considering a number of objective and subjective factors including: (i) the fair value of the Company's Class A and Class B common stock, (ii) the expected Class A and Class B common stock price volatility over the expected life of the award, (iii) the expected term of the award, (iv) risk-free interest rates, (v) the exercise price, (vi) the expected dividend yield of the Company's Class A and Class B common stock, and (vii) general and industry specific economic outlook, amongst other factors. Subsequent to the Direct Listing, the grant date fair value is determined by the closing price of the Company's Class A common stock as reported on the date of grant. The Company recognizes stock-based compensation expense ratably, net of forfeitures, over the requisite service period, which is the vesting period. Forfeitures are recorded as they occur.

Market-based and Performance-based Awards

Stock-based compensation costs related to stock awards with market-based or performance-based vesting conditions are measured based on the fair value of the awards granted. The Company determines the grant date fair value using equity valuation models, such as the Monte Carlo simulation, using assumptions and judgements made by management and third-party valuation specialists. The Company recognizes stock-based compensation expense for market-based awards using the accelerated attribution method over the longer of (i) the period of time the market condition is expected to be met (i.e., the derived service period) or (ii) the service vesting condition period. The Company recognizes stock-based compensation expense for performance-based awards when the vesting trigger becomes probable.

As of December 31, 2022, all classes of the Company's Class C common stock are not available for issuance as stock-based compensation.

Stock-based compensation is allocated on a specific identification basis for each individual employee recipient and is classified into the corresponding line item where the related employee's cash compensation and benefits reside in the consolidated statements of operations.

Other Income/(Loss), Net

Other income/(loss), net is primarily comprised of net investment income and realized and unrealized foreign currency gains and losses.

Income Taxes

The Company accounts for income taxes under the asset and liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company recognizes deferred tax assets to the extent it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. A valuation allowance is provided if it is determined that it is more likely than not that the deferred tax asset will not be realized.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties, where appropriate, related to unrecognized tax benefits in income tax expense.

Effective December 1, 2018, the Company became subject to a U.S. tax requirement that certain income earned by foreign subsidiaries, referred to as Global Intangible Low-Taxed Income ("GILTI"), must be included in the gross income of the subsidiary's U.S. shareholder. Accounting principles generally accepted in the U.S. provide for an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or

recognizing such taxes as a current period expense when incurred. The Company elected to treat GILTI as a current period expense when incurred.

Accretion of Redeemable Convertible Preferred Stock

The carrying value of the Series A-2 and Series B redeemable convertible preferred stock is accreted to redemption value from the date of issuance to the earliest redemption date using the effective interest method. Increases to the carrying value of redeemable convertible preferred stock recognized in each period are charged to retained earnings, or in the absence of retained earnings, to additional paid in capital, or in the absence of additional paid in capital, to accumulated deficit.

Share Repurchases and Retirement

Repurchases and retirements of shares are reflected as a reduction to additional paid in capital, or in the absence of additional paid in capital, to accumulated deficit.

Net (Loss)/Income Per Share Attributable to Class A, Class B and Class C Common Stockholders

The Company calculates net (loss)/income per share attributable to Class A, Class B and Class C common stockholders using the two-class method required for companies with participating securities. The Company considers redeemable convertible preferred stock to be participating securities as holders of such securities have non-forfeitable dividend rights in the event of the Company's declaration of a dividend for shares of Class A, Class B and Class C common stock. During periods when the Company is in a net loss position, the net loss attributable to Class A, Class B and Class C common stockholders is not allocated to the redeemable convertible preferred stock and unvested Class A, Class B and Class C common stock under the two-class method as these securities do not have a contractual obligation to share in the Company's losses. Payment in excess of the carrying value on the redemption of redeemable convertible preferred stock represents a deemed dividend to the redeemable convertible preferred stockholder. Accordingly, the difference between the amount paid upon redemption and the carrying value of the redeemable convertible preferred stock is deducted from (if a premium) or added to (if a discount) net income to arrive at net (loss)/income available to Class A, Class B and Class C common stockholders.

Distributed and undistributed earnings allocated to participating securities are subtracted from net (loss)/income in determining net (loss)/income attributable to Class A, Class B and Class C common stockholders. Basic net (loss)/income per share is computed by dividing net (loss)/income attributable to Class A, Class B and Class C common stockholders by the weighted-average number of shares of the Company's Class A, Class B and Class C common stock outstanding.

The diluted net (loss)/income per share attributable to Class A, Class B and Class C common stockholders is computed by giving effect to all dilutive securities. Diluted net (loss)/income per share attributable to Class A, Class B and Class C common stockholders is computed by dividing the resulting net (loss)/income attributable to Class A, Class B and Class C common stockholders by the weighted-average number of fully diluted Class A, Class B and Class C common shares outstanding. The Company used the if-converted method as though the conversion, exchange or vesting, respectively, had occurred as of the beginning of the period or the original date of issuance, if later. During periods when there is a net loss attributable to Class A, Class B and Class C common stockholders, potentially dilutive Class A, Class B and Class C common stock equivalents are excluded from the calculation of diluted net loss per share attributable to Class A, Class B and Class C common stockholders as their effect is anti-dilutive. If the effect of a conversion of an instrument is neutral to earnings per share, the Company considers the security to be dilutive.

Recently Issued Accounting Pronouncements

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies. See "Note 1. Description of Business" for further information on the Company's status as an emerging growth company.

Accounting Pronouncements Recently Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). This standard requires lessees to recognize a right-of-use

asset and a lease liability for operating leases initially measured at the present value of the lease payments in its consolidated balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In July 2018, the FASB issued ASU 2018-10, *Leases (Topic 842): Codification Improvements* ("ASU 2018-10") and ASU 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11"), to provide additional guidance for the adoption of ASU 2016-02. ASU 2018-10 clarifies certain provisions and corrects unintended applications of the guidance. ASU 2018-11 provides an alternative transition method which allows entities the option to present all prior periods under previous lease accounting guidance while recognizing the cumulative effect of applying the new standard as an adjustment to the opening balance of retained earnings in the year of adoption. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Deferral of the Effective Date*, which requires nonpublic companies to adopt the provisions of ASU 2016-02 for fiscal years beginning after December 15, 2021, and for interim periods in fiscal years beginning after December 15, 2022. The Company adopted this standard as of January 1, 2022 using the modified retrospective approach. Pursuant to the practical expedients, the Company has elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or, (iii) initial direct costs for any existing leases. The Company recognized $100,998 of operating lease right-of-use assets and $127,009 of operating lease liabilities on its consolidated balance sheets as of January 1, 2022 with the difference being primarily adjustments for deferred rent and remaining lease incentive balances. The adoption of this standard did not have a material impact on the Company's consolidated statements of operations. See "Note 14. Leases" for further information.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This standard requires entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. It also modifies the impairment model for available-for-sale debt securities and provides a simplified accounting model for purchased financial assets with credit deterioration since their origination. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) — Effective Dates*, which requires nonpublic companies to adopt the provisions of ASU 2016-13 for fiscal years and interim periods in fiscal years beginning after December 15, 2022. The Company early adopted this standard as of January 1, 2022. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 from the prior guidance's goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU No. 2017-04 is effective for fiscal years and interim periods in those years beginning after December 15, 2021 for nonpublic entities with early adoption permitted. The Company adopted this standard as of January 1, 2022. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard will simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, Income Taxes ("ASC 740"). The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. This standard is effective for nonpublic entities for annual reporting periods beginning after December 15, 2021 and interim periods in annual reporting periods beginning after December 15, 2022 with early adoption permitted. The Company adopted this standard as of January 1, 2022. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.* This standard defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. ASU No. 2022-06 is effective upon issuance of this update for all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The Company adopted this standard as of December 31, 2022 and will continue to assess the impact of this standard in its consolidated financial statements as the Company determines the timing of transitioning prior to December 31, 2024.

Accounting Pronouncements Pending Adoption

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASC 2021-08"). This standard requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, Revenue from Contracts with Customers, as if the acquirer had originated the contracts. ASU 2021-08 is effective for fiscal years and interim periods in those years beginning after December 15, 2022 for nonpublic entities with early adoption permitted. The Company has adopted this standard as of January 1, 2023, however, as the Company has not completed any acquisitions subsequent to the date of adoption, the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

3. Revenue

The Company has disaggregated revenue from contracts with customers by product type, subscription type, revenue recognition pattern, and geography as these categories depict the nature, amount, timing and uncertainty of revenue and how cash flows are affected by economic factors.

Revenue by Product Type, Subscription Type and Revenue Recognition Pattern

The following tables summarize revenue by product type, subscription type, and revenue recognition pattern for the periods presented:

	Year Ended December 31, 2022		
	Presence	Commerce	Total
Subscription revenue			
Transferred over time	$ 581,427	$ 198,297	$ 779,724
Transferred at a point in time	13,670	—	13,670
Non-subscription revenue			
Transferred over time	1,857	3,596	5,453
Transferred at a point in time	346	67,779	68,125
Total revenue	$ 597,300	$ 269,672	$ 866,972

	Year Ended December 31, 2021		
	Presence	Commerce	Total
Subscription revenue			
Transferred over time	$ 539,767	$ 170,308	$ 710,075
Transferred at a point in time	11,972	—	11,972
Non-subscription revenue			
Transferred over time	2,008	2,570	4,578
Transferred at a point in time	776	56,637	57,413
Total revenue	$ 554,523	$ 229,515	$ 784,038

	Year Ended December 31, 2020		
	Presence	Commerce	Total
Subscription revenue			
Transferred over time	$ 466,321	$ 110,988	$ 577,309
Transferred at a point in time	8,700	—	8,700
Non-subscription revenue			
Transferred over time	1,430	208	1,638
Transferred at a point in time	1,380	32,122	33,502
Total revenue	$ 477,831	$ 143,318	$ 621,149

Revenue by Geography

Revenue by geography is based on the customer's self-reported country identifier or, if not available, the billing address or IP address, and was as follows:

	Years Ended December 31,		
	2022	2021	2020
United States	$ 622,796	$ 544,500	$ 430,118
International	244,176	239,538	191,031
Total revenue	$ 866,972	$ 784,038	$ 621,149

Currently no individual country contributes greater than 10% of total international revenue.

Deferred Revenue

The deferred revenue balance as of December 31, 2022 and 2021 represents the Company's aggregate remaining performance obligations that are expected to be recognized as revenue in subsequent periods. Generally, the Company's contracts are for one year or less and the value for contracts with terms greater than one year is not material. The change in deferred revenue primarily reflects cash payments received during the period for which the performance obligation was not satisfied prior to the end of the period partially offset by $233,999, $210,371 and $164,428 of revenues recognized during the years ended December 31, 2022, 2021 and 2020, respectively.

Capitalized Contract Costs

Assets capitalized related to contract costs consisted of the following:

	December 31, 2022	December 31, 2021
Capitalized referral fees, current	$ 6,368	$ 4,813
Capitalized referral fees, non-current	8,168	7,713
Capitalized app fees, current	971	1,202
Sales commissions, current	479	221
Sales commissions, non-current	159	131
Total capitalized contract costs	$ 16,145	$ 14,080

Amortization of capitalized contract costs was $10,674, $8,556 and $5,637 for the years ended December 31, 2022, 2021 and 2020, respectively, and were included in marketing and sales in the consolidated statements of operations.

There were no impairment charges recognized related to capitalized contract costs for the years ended December 31, 2022, 2021 and 2020.

Obligations for Returns, Refunds and Other Similar Obligations

The Company did not have any material change in revenue recognition from a previous period due to refunds, change in transaction price or other consideration variables. As of December 31, 2022 and 2021, obligations for refunds were $400 and $506, respectively, and were included in accrued liabilities in the consolidated balance sheets.

4. Acquisitions

Tock, Inc.

On March 31, 2021 (the "Tock Acquisition Date"), the Company acquired all of the equity interests in Tock, a reservation platform for prepaid reservations, access to restaurant management data, and other customization features. The purpose of the acquisition was to expand the Company's complementary suite of services available with a platform for reservations, take-out, delivery and events for the hospitality industry. The total consideration for the transaction was $425,710, consisting of $226,821 of cash, $188,179 of the Company's Class C common stock, and $10,710 of net working capital adjustments. The Company recognized this transaction as a business combination.

The Company finalized the purchase accounting, including the identification and allocation of consideration to assets acquired, and the purchase price allocation as of March 31, 2022. Goodwill associated with the acquisition of Tock is not amortizable for tax purposes.

The following table sets forth the allocation of the purchase price to the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed, with the excess recorded to goodwill:

	Tock
Net tangible assets acquired	$ 13,004
Deferred income tax liability	(724)
Customer relationships – restaurants	37,000
Customer relationships – enterprise	16,000
Tradename	5,000
Developed technology	3,000
Net assets acquired	73,280
Consideration	425,710
Goodwill	$ 352,430

	Amount
Consideration transferred	$ 425,710
Less: Issuances of Class C common stock	(188,179)
Less: Cash acquired	(18,350)
Less: Restricted cash	(17,011)
Cash paid for acquisitions, net of acquired cash	$ 202,170

The Company did not acquire any businesses during the year ended December 31, 2022 or December 31, 2020.

See “Note 9. Goodwill and Intangible Assets, Net” for further information on the Company's goodwill and intangible assets.

5. Investment in Marketable Securities

The following tables represent the amortized cost, gross unrealized gains and losses and fair market value of the Company’s available-for-sale (“AFS”) marketable securities:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Corporate bonds and commercial paper	$ 19,849	$ —	$ (74)	$ 19,775
Asset backed securities	2,219	1	(12)	2,208
U.S. treasuries	9,905	—	(131)	9,774
Total investment in marketable securities	$ 31,973	$ 1	$ (217)	$ 31,757

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Corporate bonds and commercial paper	$ 19,301	$ —	$ (14)	$ 19,287
Asset backed securities	6,190	2	—	6,192
U.S. treasuries	6,003	—	(26)	5,977
Total investment in marketable securities	$ 31,494	$ 2	$ (40)	$ 31,456

The Company's gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2022 and 2021, aggregated by investment category and the length of time that individual securities have been in a continuous loss position were as follows:

	December 31, 2022					
	Less than 12 months		12 months or Greater		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
Corporate bonds and commercial paper	$ 14,768	$ (25)	$ 5,007	$ (49)	$ 19,775	$ (74)
Asset backed securities	$ 2,208	$ (12)	$ —	$ —	$ 2,208	$ (12)
U.S. treasuries	$ 3,873	$ (29)	$ 5,901	$ (102)	$ 9,774	$ (131)
Total investment in marketable securities	$ 20,849	$ (66)	$ 10,908	$ (151)	$ 31,757	$ (217)

	December 31, 2021					
	Less than 12 months		12 months or Greater		Total	
	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses	Aggregate Fair Value	Gross Unrealized Losses
Corporate bonds and commercial paper	$ 19,287	$ (14)	$ —	$ —	$ 19,287	$ (14)
Asset backed securities	$ 6,192	$ —	$ —	$ —	$ 6,192	$ —
U.S. treasuries	$ 5,977	$ (26)	$ —	$ —	$ 5,977	$ (26)
Total investment in marketable securities	$ 31,456	$ (40)	$ —	$ —	$ 31,456	$ (40)

The Company recognized unrealized losses of $178 and $152 with respect to its AFS securities during the years ended December 31, 2022 and 2021. The unrealized losses were due to changes in market rates and the Company has determined the losses are temporary in nature. These unrealized losses were classified in accumulated other comprehensive loss in the consolidated balance sheets as of December 31, 2022 and 2021.

The Company reviews AFS marketable securities on a recurring basis to evaluate whether or not any securities have experienced an other-than-temporary decline in fair value. Some factors considered in establishing an expected credit loss on AFS marketable securities are the length of time and extent to which the market value has been less than the cost, the financial condition and near-term prospects of the issuer, the Company's intent to sell, and whether it is more likely than not the Company will be required to sell the investment before recovery of the investments amortized cost basis. The Company does not have any AFS securities for which an expected credit loss has been recorded as the Company's AFS securities with an amortized cost basis lower than fair value are not considered other-than-temporary declines in fair value. In the instance that the Company has AFS securities at an amortized cost basis lower than fair value, the Company does not intend to sell, nor is it more-likely-than not the Company would be required to sell, the AFS security prior to recovery.

The contractual maturities of the investments classified as marketable securities were as follows:

	December 31, 2022	December 31, 2021
Due within 1 year	$ 28,564	$ 19,248
Due in 1 year through 5 years	3,193	12,208
Total investment in marketable securities	$ 31,757	$ 31,456

Investment Income/(Expense)

Investment income consists of interest income and accretion income/amortization expense on the Company’s cash, cash equivalents and marketable securities, and is recorded in other income/(loss), net in the consolidated statements of operations. The components of investment income were as follows:

	Year Ended December 31,		
	2022	2021	2020
Interest income	$ 1,632	$ 536	$ 1,373
Accretion income/(expense)	29	(277)	(278)
Total investment income	$ 1,661	$ 259	$ 1,095

6. Fair Value of Financial Instruments

A summary of the Company's investments in marketable securities (including, if applicable, those marketable securities classified as cash and cash equivalents) were as follows:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 82,584	$ —	$ —	$ 82,584
Available-for-sale debt securities				
Corporate bonds and commercial paper	—	19,775	—	19,775
Asset backed securities	—	2,208	—	2,208
U.S. treasuries	9,774	—	—	9,774
Total	$ 92,358	$ 21,983	$ —	$ 114,341

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 81,501	$ —	$ —	$ 81,501
Available-for-sale debt securities				
Corporate bonds and commercial paper	—	19,287	—	19,287
Asset backed securities	—	6,192	—	6,192
U.S. treasuries	5,977	—	—	5,977
Total	$ 87,478	$ 25,479	$ —	$ 112,957

The Company's valuation techniques used to measure the fair value of money market funds and certain AFS marketable securities were derived from quoted prices in active markets for identical assets. The valuation techniques used to measure the fair value of the Company's other debt securities, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the periods presented.

For certain other financial instruments, including accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate the fair value of such instruments due to the relatively short maturity of these balances. The Company records debt obligations at their approximate their fair values as they are based upon rates available to the Company for obligations of similar terms and maturities.

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	December 31, 2022	December 31, 2021
Prepaid advertising expenses	$ 7,045	$ 16,236
Prepaid income tax	17,134	22,032
Prepaid operational expenses	14,780	12,301
Receivables for leasehold improvements	—	5,186
Prepaid referrals, current	6,368	4,813
Other current assets	2,999	6,531
Total prepaid expenses and other current assets	$ 48,326	$ 67,099

8. Property and Equipment, Net

Property and equipment, net consisted of the following:

	Estimated Useful Life (Years)	December 31, 2022	December 31, 2021
Computer hardware	3	21,441	28,445
Furniture and fixtures	7	7,031	5,536
Leasehold improvements	Shorter of 10 years or remaining term of lease	75,481	74,977
Capitalized software development costs	3	18,390	13,992
Total property and equipment		122,343	122,950
Less: accumulated depreciation and amortization		(70,710)	(70,111)
Total property and equipment, net		$ 51,633	$ 52,839

During the three months ended December 31, 2022, the Company impaired its capitalized software development costs relating to certain capitalized activities for products in development that will no longer be used. The Company recorded a charge of $289 to research and product development costs in the consolidated statements of operations.

Depreciation and amortization expense related to property and equipment, net was included in the following line items in the consolidated statements of operations:

	Year Ended December 31,		
	2022	2021	2020
Cost of revenue	$ 6,234	$ 6,147	$ 7,298
Research and product development	4,795	4,079	4,034
Marketing and sales	1,891	1,326	1,384
General and administrative	1,366	1,439	1,600
Total depreciation and amortization expense	$ 14,286	$ 12,991	$ 14,316

Capitalized Software Development Costs

Amortization of capitalized software development costs included in depreciation and amortization expense was included in the following line items in the consolidated statements of operations:

	Year Ended December 31,		
	2022	2021	2020
Cost of revenue	$ 3,767	$ 3,114	$ 2,469
General and administrative expenses	—	240	288
Total amortization of capitalized software development costs	$ 3,767	$ 3,354	$ 2,757

Capitalized software development costs, net, included in property and equipment, net, are $6,940 and $5,876 as of December 31, 2022 and 2021, respectively. During the three months ended December 31, 2022, the Company incurred additional amortization costs recorded in cost of revenue of $409 associated with certain assets that were placed in service and subsequently abandoned.

9. Goodwill and Intangible Assets, Net

Goodwill

As of December 31, 2022 and 2021, the Company had goodwill of $210,438 and $435,601, respectively. Changes in the Company's goodwill included the following:

		Total Goodwill
Balance as of December 31, 2020	**$**	**83,171**
Acquisition of Tock		352,430
Balance as of December 31, 2021	**$**	**435,601**
Impairment Charge		(225,163)
Balance as of December 31, 2022	**$**	**210,438**

During the year ended December 31, 2022, the Company recognized a non-cash goodwill impairment charge of $225,163 included in impairment charge on the consolidated statements of operations. The charge was primarily due to market values deteriorating subsequent to the Tock acquisition in March 2021. The following are key assumptions used in determining the fair value of the reporting unit goodwill.

Weighted average cost of capital	16 %
Terminal value	3 %
Revenue growth rates	10% to 35%

The Company determined that these significant inputs fall within Level 3 of the hierarchy for fair value reporting.

Intangible assets, net

The following tables summarize the carrying value of the Company's finite-lived intangible assets:

	Useful Lives (in years)	December 31, 2022					
		Gross Carrying Value		Accumulated Amortization		Net Carrying Value	
Technology	3 to 5	$	17,533	$	(12,386)	$	5,147
Customer relationships	2 to 5		61,830		(27,416)		34,414
Tradenames	3 to 5		11,496		(8,249)		3,247
Total intangible assets, net		$	90,859	$	(48,051)	$	42,808

	Useful Lives (in years)	December 31, 2021					
		Gross Carrying Value		Accumulated Amortization		Net Carrying Value	
Technology	3 to 5	$	17,533	$	(8,479)	$	9,054
Customer relationships	2 to 5		61,830		(16,304)		45,526
Tradenames	3 to 5		11,496		(5,938)		5,558
Total intangible assets, net		$	90,859	$	(30,721)	$	60,138

Technology, customer relationships and tradenames have weighted-average remaining useful lives of 1.3 years, 3.2 years and 3.2 years, respectively. The weighted-average remaining useful life for finite-lived intangible assets was 3.0 years as of December 31, 2022.

Amortization of finite-lived intangible assets was included in the following line items in the consolidated statements of operations:

	Years Ended December 31,		
	2022	2021	2020
Cost of revenue	$ 3,907	$ 3,660	$ 2,915
Marketing and sales	10,962	12,956	2,232
General and administrative	2,462	3,113	2,240
Total amortization of finite-lived intangible assets	$ 17,331	$ 19,729	$ 7,387

The increase in marketing and sales expense during the year ended December 31, 2021 includes accelerated amortization of $3,230 associated with the Company's acquired Videolicious, Inc. ("Videolicious") customer relationships asset due to the change in useful life from 8.0 years to 2.2 years. The change in useful life reflects the Company's decision to optimize presence and commerce revenues by utilizing Videolicious technology to expand products available to platform subscribers rather than through the sale of the Videolicious product to enterprise customers.

In addition, during the year ended December 31, 2021, the Company recognized additional amortization of $1,331 primarily relating to the decrease of the Tock acquired customer relationship intangible asset's useful life from ten years to five years. The changes to the Tock intangible assets was based on the changes to management's estimates and assumptions used during the initial purchase accounting assessment. If these measurement period adjustments had been recognized as of the Tock Acquisition Date, the Company would have recorded an additional $885 of amortization related to the Tock acquired intangible assets during the year ended December 31, 2021.

As of December 31, 2022, the expected future amortization expense for finite-lived intangible assets was as follows:

Year Ending December 31,	Amount
2023	$ 15,507
2024	12,873
2025	11,600
2026	2,828
Thereafter	—
Total	$ 42,808

10. Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31, 2022	December 31, 2021
Accrued marketing expenses	$ 14,620	$ 23,042
Accrued indirect taxes	33,486	19,565
Accrued leasehold improvement expenditures	—	1,228
Accrued product expenses	4,524	1,359
Accrued payroll expense	4,985	2,900
Other accrued expenses	6,745	12,767
Total accrued liabilities	$ 64,360	$ 60,861

11. Debt

Debt outstanding as of December 31, 2022 and 2021 was as follows:

	December 31, 2022	December 31, 2021
Term Loan	$ 516,266	$ 529,852
Less: unamortized original issue discount	(1,917)	(2,635)
Less: unamortized deferred financing costs	(424)	(584)
Less: debt, current	(40,758)	(13,586)
Total debt, non-current	$ 473,167	$ 513,047

Credit Facility

On December 12, 2019 (the “Closing Date”), the Company entered into a credit agreement (the “2019 Credit Agreement”) with certain lending institutions (the “2019 Credit Facility”) which included Initial Term A Loans for $350,000 (“2019 Term Loan”), and Revolving Credit Loans of up to $25,000 (“2019 Revolving Credit Facility”), which included a Letters of Credit sub-facility available up to a total of $15,000 (“2019 Letter of Credit”). The 2019 Credit Facility had a maturity of five years.

On December 11, 2020 (the “Modification Date”), the Company amended the 2019 Credit Agreement (“2020 Credit Agreement”) to increase the total size of the 2019 Term Loan to $550,000 (collectively, the “2020 Term Loan”) with the same lending institutions as the 2019 Credit Facility (collectively, the “Credit Facility”) and extend the maturity date for the 2020 Term Loan and the 2019 Revolving Credit Facility (as extended, the "Revolving Credit Facility") to December 11, 2025 (collectively, the “Modification”). The proceeds from the additional term loan of $200,000 were used to provide for the payment of a one-time dividend, see “Note 16. Stockholder’s Deficit” for further information. The Modification was accounted for in accordance with ASC Topic 470-50, Debt - Modifications and Extinguishments. As a result, the Company continued to capitalize the $722 of unamortized original debt discount and $752 of the unamortized deferred financing costs related to the issuance of the 2019 Credit Facility.

As of December 31, 2022 and 2021, the amount of unamortized original debt discount and deferred financing costs were $1,917 and $2,635 and $424 and $584, respectively, and are being amortized over the term of the Credit Facility using the effective interest method.

Borrowings under the Credit Facility are subject to an interest rate equal to LIBOR plus the applicable margin based on the Company’s Consolidated Total Debt to Consolidated EBITDA ratio. The applicable margin was 1.50% and 1.50% as of December 31, 2022 and 2021, respectively. The effective interest rate was 5.94% and 1.63% as of December 31, 2022 and 2021, respectively.

The 2020 Term Loan requires scheduled quarterly principal payments beginning March 31, 2021 in aggregate annual amounts equal to 2.50% for 2021 and 2022, 7.50% for 2023 and 2024 and 10.0% for 2025, in each case, on the amended 2020 Term Loan principal amount, with the balance due at maturity. In addition, the Credit Facility includes certain customary prepayment requirements based on events such as asset sales, debt issuances or incurrences and sale leasebacks.

As of December 31, 2022, $7,255 was outstanding under the Revolving Credit Facility in the form of outstanding letters of credit and $17,745 remained available for borrowing by the Company. The letters of credit issued as of December 31, 2022 were related to certain of the Company's operating lease agreements for offices that require security deposits in the form of an irrevocable letter of credit. During the year ended December 31, 2022, the letter of credit for the Company's security deposit related to its New York, NY headquarters was reduced by $2,388 due to a scheduled step-down per the lease agreement. The letters of credit issued are subject to a fee equal to the interest rate on the Credit Facility. In addition, the Revolving Credit Facility is subject to an unused commitment fee of 0.20% to 0.25%, depending on the consolidated total debt to consolidated EBITDA ratio as defined by the 2020 Credit Agreement, quarterly to the lenders in respect of the unutilized commitments.

The 2020 Credit Agreement contains certain customary affirmative covenants and events of default. The negative covenants in the Credit Facility include, among other items, limitations on the ability, subject to negotiated exceptions, to incur additional indebtedness or issue additional preferred stock of the Company, to create or issue certain liens on certain assets, to enter into agreements related to mergers and acquisitions, including the sale of certain assets or disposition of assets, or declare, make or pay dividends and distributions. The 2020 Credit Agreement contains certain negative covenants

for an indebtedness to consolidated EBITDA ratio, as defined by the 2020 Credit Agreement, and commencing with December 31, 2020 and all fiscal quarters thereafter through maturity. As a result of the Modification, commencing with the fiscal quarter ending December 31, 2020, the Company is required to maintain an indebtedness to consolidated EBITDA ratio of not more than 4.50, tested as of the last day of each fiscal quarter, with a step-down to 4.25 for the fiscal quarters ending March 31, 2022 and June 30, 2022, a further step-down to 4.00 for the fiscal quarters ending September 30, 2022 and December 31, 2022 and a final step-down to 3.75 for the fiscal quarter ending March 31, 2023 and each fiscal quarter thereafter (the “Financial Covenant”), subject to customary equity cure rights. The Financial Covenant is subject to a 0.50 step-up in the event of a material permitted acquisition, which the Company can elect to implement up to two times during the life of the facility. The Company did not elect to implement this step-up as a result of the acquisition of Tock. If the Company is not in compliance with the covenants under the 2020 Credit Agreement or the Company otherwise experiences an event of default, the lenders would be entitled to take various actions, including acceleration of amounts due under the 2020 Credit Agreement. As of December 31, 2022 and 2021, the Company was in compliance with all applicable covenants, including the Financial Covenant.

Consolidated EBITDA is defined in the Credit Agreement as net (loss)/income adjusted to exclude interest expense, other income/(loss), net, (provision for)/benefit from income taxes, depreciation and amortization, and stock-based compensation expense. In addition, consolidated EBITDA also allows for other adjustments such as the exclusion of transaction costs, changes in deferred revenue, and other costs that may be considered non-recurring.

The fair value of the 2020 Term Loan was approximately $516,266 and $529,852 as of December 31, 2022 and 2021, respectively. The fair market value estimate is based on Level 2 of the fair market value hierarchy.

Interest Expense

Total interest expense related to debt was $18,206, $11,081 and $9,851 for the years ended December 31, 2022, 2021 and 2020, respectively.

Scheduled Principal Payments

The scheduled principal payments required under the terms of the 2020 Credit Facility are as follows:

Year Ending December 31,	Amount
2023	$ 40,758
2024	40,758
2025	434,750
Total	$ 516,266

12. Income Taxes

As of December 31, 2022, the Company is subject to income taxation and files income tax returns in the U.S. federal jurisdiction, various U.S. state and foreign jurisdictions.

Income Tax (Provision)/Benefit

The domestic and foreign components of the Company’s income before income taxes are as follows:

	Year Ended December 31,		
	2022	2021	2020
U.S.	$ (224,320)	$ (261,461)	$ 16,672
Foreign	(671)	16,137	5,827
(Loss)/income before income taxes	$ (224,991)	$ (245,324)	$ 22,499

The Company’s (provision for)/benefit from income taxes for the years ended December 31, 2022, 2021 and 2020 is comprised of the following:

	Year Ended December 31,		
	2022	2021	2020
Current:			
Federal	$ (21,714)	$ 475	$ 5,421
State	(5,425)	186	(660)
Foreign	697	(1,290)	(1,524)
Total current	(26,442)	(629)	3,237
Deferred:			
Federal	(671)	2,545	4,340
State	(117)	(4,931)	(151)
Foreign	—	(810)	663
Total deferred	(788)	(3,196)	4,852
(Provision for)/benefit from income taxes	$ (27,230)	$ (3,825)	$ 8,089

A reconciliation of the statutory federal income tax rate to the Company’s effective income tax rate for the years ended December 31, 2022, 2021 and 2020 is as follows:

	Year Ended December 31,		
	2022	2021	2020
Expected (provision for)/benefit from income tax at federal statutory tax rate (21%)	$ 47,248	$ 51,518	$ (4,725)
Effect of:			
State and local income taxes, net of federal benefit	(2,665)	3,066	(230)
Nondeductible transaction expenses	—	(48,280)	(283)
Stock-based compensation	(2,617)	14,476	5,192
Effect of foreign operations	(2,267)	164	231
Foreign-derived intangible income deduction	4,575	—	236
Research and development credits	15,936	10,562	15,946
Nondeductible executive compensation	(7,426)	(6,914)	(2,498)
Valuation allowance	(28,490)	(26,866)	—
Unrecognized tax benefits	(3,547)	(2,787)	(5,302)
Impairment charge	(47,284)	—	—
Other adjustments	(693)	1,236	(478)
(Provision for)/benefit from income taxes	$ (27,230)	$ (3,825)	$ 8,089

The Company’s estimated annual effective income tax rate for the year ended December 31, 2022, differed from the statutory rate of 21%, primarily due to a goodwill impairment charge, the change in the valuation allowance for deferred tax assets related primarily to the capitalization and amortization of research and development expenditures as required by the 2017 Tax Cuts and Jobs Act, nondeductible executive compensation, unrecognized tax benefits, state and local income taxes, stock-based compensation and the effect of foreign operations, partially offset by research and development credits and foreign-derived intangible income deduction.

Deferred Income Taxes

Deferred tax assets and liabilities reflect the effects of net operating losses, income tax credits and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Significant components of the Company’s deferred income tax assets and liabilities were as follows:

	December 31,	
	2022	2021
Deferred tax assets:		
Accrued expenses	$ 4,540	$ 880
Leases	8,532	8,358
Net operating loss carryforwards	3,906	19,373
Stock-based compensation	12,582	10,951
Interest expense carryforwards	—	1,790
Research and development capitalization	49,390	—
Research and development tax credits	—	7,767
Other	167	115
Gross deferred tax assets	79,117	49,234
Valuation allowance	(56,966)	(26,875)
Net deferred tax assets	22,151	22,359
Deferred tax liabilities:		
Deferred expenses	(3,458)	(2,720)
Fixed assets	(5,392)	(5,534)
Intangible assets	(11,413)	(13,657)
Unrealized gains/losses on foreign exchange	(2,676)	(441)
Other	—	(7)
Total deferred tax liabilities	(22,939)	(22,359)
Net deferred tax liabilities	$ (788)	$ —

As of December 31, 2022, the Company had federal net operating loss carryovers of approximately $1,786 and state net operating loss carryovers of approximately $52,546 (post-apportioned). The federal net operating loss may be carried forward indefinitely. The state net operating loss carryforwards, if not utilized, will expire on various dates, beginning in 2032.

In addition, the Company has research tax credit carryforwards of approximately $312 for federal purposes, which will begin to expire after 2042.

The Company’s ability to utilize the aforementioned gross operating loss carryovers and tax credit carryovers in the future may be subject to restrictions in the event of future ownership changes as defined in Section 382 of the U.S. Internal Revenue Code. Such annual limitations could result in the expiration of the gross operating loss carryovers and tax credit carryovers before utilization. However, it is not expected that the annual limitation will result in the expiration of tax attribute carryforwards prior to utilization.

During 2022, the Company recorded a full valuation allowance of $56,966 against all federal, state, and foreign deferred tax assets that the Company believes will not be realizable on a more-likely-than-not basis. The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified. A significant piece of objective negative evidence evaluated was the cumulative loss incurred by the Company over the three-year period ending December 31, 2022. After considering both positive and negative evidence to assess the recoverability of the Company's net deferred tax assets and given the substantial amount of deferred tax assets that will remain unutilized to offset reversing deferred tax liabilities, the Company determined that it was not more-likely-than-not that it would realize any of its deferred tax assets. The Company intends to continue maintaining a full valuation allowance on its federal, state and foreign deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances.

As of December 31, 2022, the Company considers the earnings of foreign subsidiaries to be permanently reinvested outside the United States and, as a result, no deferred tax liability has been recognized with regard to these earnings. The Company recognizes the earnings of these foreign subsidiaries to be indefinitely reinvested outside the U.S. on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and its specific plans

for reinvestment of those subsidiaries' earnings. Under current tax laws, should the Company's plans change and it were to choose to repatriate some or all of the funds it has designated as permanently reinvested outside the U.S., such amounts would be treated as previously taxed income from the one-time transition tax, Global Intangible Low-Taxed Income or foreign dividends-received deduction.

Uncertain Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2022 and 2021 is as follows:

	Year Ended December 31, 2022
Balance at beginning of year	$ 8,317
Additions based on tax positions taken during a prior period	1,004
Expirations based on tax positions taken during the current period	(1,749)
Additions based on tax positions taken during the current period	3,583
Balance at December 31, 2022	$ 11,155

	Year Ended December 31, 2021
Balance at beginning of year	$ 5,302
Additions based on tax positions taken during a prior period	859
Additions based on tax positions taken during the current period	2,156
Balance at December 31, 2021	$ 8,317

Of the $11,155 of the unrecognized tax benefits, $10,843 has been recorded to other liabilities and the remaining balance was recorded as a reduction in the gross deferred tax assets, offset by a corresponding reduction in the valuation allowance. As of December 31, 2022, unrecognized tax benefits approximated $11,155, of which $10,843 would affect the effective tax rate. As of December 31, 2021, unrecognized tax benefits approximated $8,317, which would not affect the effective tax rate if recognized due to the valuation allowance. The Company does not believe that its unrecognized tax benefits as of December 31, 2022 will significantly increase or decrease within the next twelve months.

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the Company's (provision for)/benefit from income taxes. The Company has not accrued interest and penalties related to uncertain tax positions due to offsetting tax attributes as of December 31, 2022.

The Company's federal income tax returns for the years ended December 31, 2018 through December 31, 2021 remain subject to examination. The Company's corporate income tax returns for the years ended December 31, 2018 through December 31, 2021 remain subject to examination by taxing authorities in various U.S. states and Ireland. In addition, in the U.S., any net operating losses or credits that were generated in prior years but utilized in open years may also be subject to examination.

Supplemental Information: Valuation Allowance

A reconciliation of the beginning and ending valuation allowance for the year ended December 31, 2022 and 2021 is as follows:

	Year Ended December 31, 2022
Balance at beginning of year	$ 26,875
Charged/(credited) to expenses	30,054
Charged/(credited) to other accounts	37
Balance at end of year	$ 56,966

	Year Ended December 31, 2021
Balance at beginning of year	$ —
Charged/(credited) to expenses	26,866
Charged/(credited) to other accounts	9
Balance at end of year	$ 26,875

13. Commitments and Contingencies

Indirect Taxes

The Company is subject to indirect taxation in some, but not all, of the various U.S. states and foreign jurisdictions in which it conducts business. Therefore, the Company has an obligation to charge, collect and remit Value Added Tax (“VAT”) or Goods and Services Tax (“GST”) in connection with certain of its foreign sales transactions and sales and use tax in connection with eligible sales to subscribers in certain U.S. states. On June 21, 2018, the U.S. Supreme Court overturned the physical presence nexus standard and held that states can require remote sellers to collect sales and use tax. In addition, U.S. states and foreign jurisdictions have and continue to enact laws which expand tax collection and remittance obligations of e-commerce platforms. As a result of these rulings, recently enacted laws, and the scope of the Company’s operations, taxing authorities continue to provide regulations that increase the complexity and risks to comply with such laws and could result in substantial liabilities, prospectively as well as retrospectively. Based on the information available, the Company continues to evaluate and assess the jurisdictions in which indirect tax nexus exists and believes that the indirect tax liabilities are adequate and reasonable. However, due to the complexity and uncertainty around the application of these rules by taxing authorities, results may vary materially from the Company’s expectations. The Company had an indirect tax liability of $33,486 and $19,565 as of December 31, 2022 and 2021, respectively, which was included in accrued liabilities in the consolidated balance sheets.

Certain Risks and Concentrations

The Company’s revenues were principally generated from SaaS customers establishing their online presence. The market is highly competitive and rapidly changing. Significant changes in this industry, technological advances or changes in customer buying behavior could adversely affect the Company’s future operating results.

Other

The Company is subject to litigation and other claims that arise in the ordinary course of business. While the ultimate result of outstanding legal matters cannot presently be determined, the Company does not expect that the ultimate disposition will have a material adverse effect on its results of operations or financial condition. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company’s control. Based on the Company’s current knowledge, the final outcome of any particular legal matter will not have a material adverse effect on the Company’s financial condition.

14. Leases

The Company has operating leases for its office space with lease terms through 2034. Certain lease agreements include options to extend and/or terminate the lease. The Company's lease agreements do not contain terms and conditions

of material restrictions, covenants, or residual value guarantees. Variable lease costs are comprised primarily of the Company's proportionate share of operating expenses and property taxes.

On March 10, 2022, the Company entered into an agreement to sublease a portion of one of its office spaces in Chicago, IL through the existing termination date of May 30, 2023. The Company expects to receive total lease payments of approximately $409 over the term of the sublease. During the year ended December 31, 2022, the Company recorded sublease income of $293 related to the Chicago, IL office space sublease.

On September 15, 2022, the Company entered into a lease for office space in Aveiro, Portugal. As a result, the Company recorded an operating lease liability and operating lease right-of-use asset of $252 and $255, respectively, in the consolidated balance sheet with the difference being due to prepaid rent as of lease commencement.

During the year ended December 31, 2022, the Company reassessed the useful life of its operating lease right-of-use asset related to leased office space in Los Angeles, CA due to ceasing the use of the office space with no expected future benefit. As a result, the Company recorded an additional $258 of operating lease expense during the year ended December 31, 2022.

During the year ended December 31, 2022, the Company remeasured the lease liability and adjusted the right-of-use asset related to its leased office space in Portland, OR due to a reassessment of the lease term. As a result, the associated operating lease liability and operating lease right-of-use asset were reduced by $3,213 in the consolidated balance sheet as of December 31, 2022.

Additionally, during the year ended December 31, 2022, the Company determined the carrying value of certain right-of-use assets were not recoverable based on undiscounted future cash flows. The Company used the income approach to determine the fair value of the right-of-use assets, including Level 3 inputs of the fair market value hierarchy, based on discounted projected future cash flows over the remaining lease term using a discount rate similar to the current incremental borrowing rate. As a result, the Company recorded aggregated impairment losses of $2,038 in general and administrative expenses in the consolidated statement of operations during the year ended December 31, 2022.

The components of operating lease expense, net recognized in the condensed consolidated statement of operations were as follows:

	Year Ended December 31, 2022
Operating lease costs	
Operating lease costs	$ 16,504
Variable lease costs	1,931
Short-term lease costs	130
Operating lease income	
Sublease income	648
Total operating lease expense, net	$ 17,917

Supplemental disclosure of cash and non-cash operating activities related to operating leases were as follows:

	Year Ended December 31, 2022
Cash paid for amounts included in the measurement of operating lease liabilities, net of cash received for lease incentives	$ 14,229
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 255

As of December 31, 2022, the weighted-average lease term and discount rate related to operating leases were as follows:

	December 31, 2022
Weighted-average remaining lease term (in years)	8.25
Weighted-average discount rate use in measuring operating lease liabilities	3.75 %

As of December 31, 2022, maturities of operating lease liabilities were as follows:

Year Ending December 31,		Amount
2023	$	15,839
2024		16,478
2025		16,865
2026		17,588
2027		17,052
Thereafter		58,436
Total operating lease payments		142,258
Less: imputed interest		(20,575)
Total operating lease liabilities	$	121,683

15. Redeemable Convertible Preferred Stock

The Company previously issued Series A-1, Series A-2 and Series B redeemable convertible preferred stock prior to the Direct Listing. Immediately prior to the completion of the registration statement in connection with the Direct Listing being declared effective, all outstanding shares of the Company's redeemable convertible preferred stock converted into an aggregate of 54,862,435 shares of Class A common stock and 49,583,897 shares of Class B common stock.

The authorized, issued and outstanding shares of the redeemable convertible preferred stock immediately prior to the conversion into common stock were as follows:

	Authorized and Originally Issued Shares	Outstanding Shares		Net Carrying Value
A-1 Preferred Stock	57,999,960	54,431,446	$	5
A-2 Preferred Stock	47,483,380	39,134,868		63,462
B Preferred Stock	12,634,398	10,880,018		68,892
Total	118,117,738	104,446,332	$	132,359

The authorized, issued and outstanding shares of the redeemable convertible preferred stock immediately prior to the conversion into common stock as of December 31, 2020 were as follows:

	Authorized and Originally Issued Shares	December 31, 2020		
		Outstanding Shares		Net Carrying Value
A-1 Preferred Stock	57,999,960	54,431,446	$	6
A-2 Preferred Stock	47,483,380	39,134,868		63,283
B Preferred Stock	12,634,398	10,880,018		68,101
Total	118,117,738	104,446,332	$	131,390

The Company's Series A-1 redeemable convertible preferred stock did not have any liquidation preference. The liquidation preferences for Series A-2 and Series B redeemable convertible preferred stock immediately prior to the conversion into common stock and as of December 31, 2020 were as follows:

		Liquidation Preferences		Issuance Price/Liquidation Preference Per Share
Series A-2	$	31,699	$	0.81
Series B		34,490		3.17
Total	$	66,189		

The rights, preferences, restrictions and privileges of the holders of redeemable convertible preferred stock prior to

the Direct Listing were as follows:

Liquidation Preferences

Upon liquidation, dissolution, or winding up of the Company or a deemed liquidation event, the assets legally available for distribution to the Company's stockholders were to be distributed to the holders of Series A-1 redeemable convertible preferred stock and the holders of Class A common stock and Class B common stock after payment of liquidation proceeds to holders of Series A-2 redeemable convertible preferred stock and Series B redeemable convertible preferred stock as was set forth in the Amended and Restated Certificate of Incorporation. The holders of the Series A-2 and Series B redeemable convertible preferred stock were entitled to receive an amount per share equal to the sum of i) the Series A-2 redeemable convertible preferred stock original issue price ($0.81 per share) or the Series B redeemable convertible preferred stock original issue price ($3.17) (dependent on the redeemable convertible preferred shares series owned) and ii) any declared but unpaid dividends on such shares. If the proceeds distributed amongst the holders of the Series A-2 and Series B redeemable convertible preferred stock were insufficient to permit full payment of the previously mentioned liquidation preferences, then the entire proceeds legally available for distribution were to be distributed ratably amongst the holders of such shares in proportion to the full preferential amount that each such holder was otherwise entitled to receive.

Second, preferential payout was to be made to the holders of Class A and Class B common stock, Series A-1 and A-2 redeemable convertible preferred stock pro rata on an as-converted to Class A and Class B common stock basis until the holders of the Series A-2 redeemable convertible preferred stock had received $3.24 per share.

Finally, if proceeds were to remain after the Series A-2 redeemable convertible preferred stockholders had received $3.24 per share, the holders of Class A and Class B common stock and Series A-1 redeemable convertible preferred stock were to receive the remaining proceeds pro rata on an as-converted to Class A and Class B common stock basis.

Dividends

Redeemable convertible preferred stockholders were entitled to receive dividends when and if declared by the board of directors prior and in preference (or simultaneously on a pari passu basis) to the payment of any dividend or distribution on the shares of Class A and Class B common stock.

Dividends that were payable in Class A and Class B common stock were not subject to the preference above and Class A and Class B common stockholders might participate in any such stock dividends.

Redemption

Any time after March 12, 2021, the holders of at least 60% of the then outstanding shares of Series A-2 redeemable convertible preferred stock and Series B redeemable convertible preferred stock (which must have included the approval of General Atlantic (SQRS II) LP and General Atlantic (SQRS) LP ("GA") so long as GA held at least 7,200,000 shares) could have submitted to the Company a request to redeem all of the then outstanding shares of Series A-2 redeemable convertible preferred stock and Series B redeemable convertible preferred stock at $1.62 per share, and $6.33 per share, respectively, in three annual installments (the date of each such installment the "Redemption Date"). If the funds of the Company were not sufficient to redeem the full number of shares, the funds legally available were to be used to redeem the maximum number of shares ratably among the holders of such shares to be redeemed. The shares not redeemed were to remain outstanding and entitled to all the rights and preferences associated with such shares until additional funds were legally available for redemption.

The redemption value of the redeemable convertible preferred stock immediately prior to the conversion into common stock and as of December 31, 2020 was as follows:

	Redemption Value	
Series A-2	$	63,462
Series B		68,891
Total redemption value	$	132,353

As noted in the "Liquidation Preferences" section above, the Series A-1 redeemable convertible preferred stock was redeemable upon a deemed liquidation event, the occurrence of which was not solely within the Company's control. Since redemption was not probable (i.e., a deemed liquidation event was not probable), the Series A-1 redeemable convertible

preferred stock was also classified as temporary (mezzanine) equity prior to the Direct Listing.

Conversion Privileges

Series A-1 redeemable convertible preferred stock was to become Disqualified if the initial owner transferred its shares and their related control of the shares. The holders of Disqualified Series A-1 redeemable convertible preferred stock, Series A-2 redeemable convertible preferred stock and Series B redeemable convertible preferred stock could have at any time, and in any event on or prior to the fifth day prior to the redemption date, if applicable, converted their stock to Class A common stock as determined by dividing the original issue price by the conversion price in effect at that time. The holders of Series A-1 redeemable convertible preferred stock (other than Disqualified Series A-1 redeemable convertible preferred stock) could have at any time converted their shares into Class B common stock as determined by dividing the original issue price by the conversion price in effect at that time. The conversion price was to be adjusted for any issuances of common stock without consideration or for consideration per share less than the conversion price applicable to Series A-2 or Series B redeemable convertible preferred stock, stock splits or dividends, combinations, other distributions or recapitalizations.

Automatic Conversion

Each share of Series A-1 redeemable convertible preferred stock (other than Disqualified Series A-1 redeemable convertible preferred stock) were to be automatically converted into a share of Class B common stock and all other series of redeemable convertible preferred stock were to be automatically converted into a share of Class A common stock at the applicable conversion rate for such series of redeemable convertible preferred stock immediately prior to the earlier of (i) the Company’s sale of its Class A and Class B common stock in a firm commitment, underwritten public offering pursuant to a registration statement on Form S-1 which exceeds $100,000 in aggregate proceeds, or (ii) (A) in regards to the Series A-1 redeemable convertible preferred stock (Qualified and Disqualified) or the Series B redeemable convertible preferred stock, the date specified by vote or written consent of the holders of a majority of the then outstanding shares of Series A-1 redeemable convertible preferred stock (Qualified and Disqualified) or Series B redeemable convertible preferred stock, respectively and (B) in regards to the Series A-2 redeemable convertible preferred stock, the date specified by vote or written consent of the holders of at least 60% of the then outstanding shares of Series A-2 redeemable convertible preferred stock.

Voting Rights

The holder of each share of Series A-1 redeemable convertible preferred stock, Series A-2 redeemable convertible preferred stock, and Series B redeemable convertible preferred stock were to have the right to one vote for each share of Class A and Class B common stock into which such redeemable convertible preferred stock could have then been converted (assuming for such purposes only that all such redeemable convertible preferred stock was convertible into Class B common stock at its then applicable conversion rate), and with respect to such vote, such holder were to have full voting rights and powers equal to the voting rights and powers of the holders of Class A and Class B common stock, except as otherwise provided in the Charter or by law.

On May 10, 2021, the Company amended and restated its certificate of incorporation which authorized the board of directors to be able to issue preferred stock in one or more series without stockholder approval, unless required by law or the NYSE. The Company authorized 100,000,000 shares of preferred stock, par value $0.0001 per share. The board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The purpose of authorizing the Company's board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances including possible acquisitions, future financing and other corporate purposes.

16. Stockholders’ Deficit

Class A Common Stock

On May 19, 2021, the Company completed the Direct Listing of its Class A common stock. In addition, the Company increased the number of authorized shares of Class A common stock, par value $0.0001 per share, to 1,000,000,000. Each holder of shares of Class A common stock shall be entitled to one vote for each share held.

On May 10, 2022, the board of directors authorized a general share repurchase program of the Company’s Class A common stock of up to $200,000, with no fixed expiration (the "Stock Repurchase Plan"). These Class A common stock repurchases may occur in the open market, through privately negotiated transactions, through block purchases, other purchase techniques including the establishment of one or more plans under Rule 10b5-1 of the Securities Exchange Act of 1934 or by any combination of such methods. The timing and actual amount of shares repurchased will depend on a variety of different factors and may be modified, suspended or terminated at any time at the discretion of the board of directors.

During the year ended December 31, 2022, the Company repurchased 5,531,186 shares and paid cash of $120,193, including commissions of $113, under the Stock Repurchase Plan through open market purchases. The weighted-average price per share for the share repurchases was $21.28 during the year ended December 31, 2022. As of December 31, 2022, approximately $79,807 remained available for stock repurchase pursuant to the Stock Repurchase Plan.

Class B Common Stock

Each holder of shares of Class B common stock shall be entitled to ten votes for each share held.

Each outstanding share of the Company's Class B common stock is convertible into one share of Class A common stock at any time. During the year ended December 31, 2021, an aggregate of 17,382,845 shares of the Company's outstanding Class B common stock converted into an aggregate of 17,382,845 shares of Class A common stock. In addition, the Company increased the number of authorized shares of Class B common stock, par value $0.0001 per share, to 100,000,000.

Class C Common Stock

On March 15, 2021, the Company amended the certificate of incorporation and created Class C common stock with authorized shares of 7,673,154 and a par value of $0.0001. The Class C common stock has similar rights as the Company’s Class A common stock and Class B common stock, except the Class C common stock does not have any voting rights. Subsequent to the amendment, the Company issued 4,452,023 shares of its Class C common stock for proceeds of $304,609, less $200 of issuance costs.

On March 31, 2021, the Company issued 2,750,330 shares of its Class C common stock as a part of the purchase of Tock for a total consideration of $188,179. See “Note 4. Acquisitions” for further information on the purchase price structure.

Immediately prior to the registration statement in connection with the Direct Listing being declared effective, all outstanding shares of the Company’s Class C common stock converted into an aggregate of 7,202,353 shares of Class A common stock.

On May 10, 2021, the Company created a new Class C common stock pursuant to the Company's amended and restated certificate of incorporation. The Company authorized 1,000,000,000 shares of the new Class C common stock, par value $0.0001 per share. The board of directors has the authority, without stockholder approval except as required by the NYSE, to issue shares of the Company’s Class C common stock. The new Class C common stock is not convertible into shares of Class A common stock or shares of Class B common stock and has no voting rights. As of December 31, 2022, the Company has not issued any shares of the new Class C common stock.

Dividend

The Company shall not declare or pay dividends on Class A common stock, Class B common stock or Class C common stock unless the same dividend or distribution with the same record date and payment dated shall be declared or paid on all shares of Class A, Class B and Class C common stock.

On December 7, 2020, the Company declared a one-time dividend of $2.666 per share, for a total of $328,112, for all stockholders of record as of December 14, 2020. Dividends of 327,745 were paid on December 29, 2020 to redeemable convertible preferred stockholders and Class A and Class B common stockholders. During 2021, the Company paid the remaining $367 to redeemable convertible preferred stockholders and Class A and Class B common stockholders for the dividends declared on December 7, 2020.

During the year ended December 31, 2022, the Company did not declare or pay any dividends. During the year ended December 31, 2021, the Company did not declare any dividends.

17. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss activity for the years ended December 31, 2022, 2021 and 2020 was as follows:

	Foreign Currency Translation Adjustments	Net Unrealized Gains/(Losses) on Marketable Securities	Total Accumulated Other Comprehensive (Loss)/Income
Balance at December 31, 2019	$ (187)	$ 79	$ (108)
Other comprehensive income before reclassifications	2,528	41	2,569
Amounts reclassified from AOCI	—	5	5
Benefit from income taxes	—	(11)	(11)
Other comprehensive income	2,528	35	2,563
Balance at December 31, 2020	$ 2,341	$ 114	$ 2,455
Other comprehensive loss before reclassifications	(2,511)	(189)	(2,700)
Amounts reclassified from AOCI	—	—	—
Provision for income taxes	—	37	37
Other comprehensive loss	(2,511)	(152)	(2,663)
Balance at December 31, 2021	$ (170)	$ (38)	$ (208)
Other comprehensive loss before reclassifications	(1,279)	(178)	(1,457)
Amounts reclassified from AOCI	—	—	—
Provision for income taxes	—	—	—
Other comprehensive loss	(1,279)	(178)	(1,457)
Balance at December 31, 2022	$ (1,449)	$ (216)	$ (1,665)

18. Stock-based Compensation

Stock Options

Squarespace, Inc. Amended and Restated 2008 Equity Incentive Plan

In January 2008, the Company established and approved the Squarespace, Inc. 2008 Equity Incentive Plan which was ratified in 2010 and was subsequently amended and restated in March 2016 (“the 2008 Plan”). Under the 2008 Plan, which covers certain employees and consultants, the Company granted shares of its Class B common stock in the form of stock options. The stock options granted have a contractual life of ten years and generally vest over four years. The exercise price of the stock options was equal to the fair value of the Class B common stock of the Company as of the date of grant, as determined by the Company’s board of directors. After November 17, 2017, there were no additional grants from the 2008 Plan. In addition to service based awards, the Company also granted certain options that contain both a service condition and performance condition, as discussed below.

A summary of the Company's stock option activity for the 2008 Plan during the years ended December 31, 2022, 2021 and 2020 is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (years)	Aggregate Intrinsic Value
As of December 31, 2019	6,602,149	$ 2.18	4.69	$ 147,482
Options exercised	(897,777)	1.60		
Options forfeited and cancelled	(475,959)	6.05		
As of December 31, 2020	5,228,413	$ 1.93	3.60	$ 246,101
Options exercised	(3,326,356)	1.43		
Options forfeited and cancelled	(4,570)	3.31		
As of December 31, 2021	1,897,487	$ 2.80	3.89	$ 50,585
Options exercised	(674,773)	3.36		
Options forfeited and cancelled	(40,689)	0.43		
As of December 31, 2022	1,182,025	$ 2.58	2.73	$ 23,159
Options vested at December 31, 2022	1,182,025	$ 2.58	2.73	$ 23,159
Exercisable at December 31, 2022	1,182,025	$ 2.58	2.73	$ 23,159

As of December 31, 2022 and 2021, there were no unrecognized compensation costs for stock options. As of December 31, 2020, there was $128 of total unrecognized compensation costs, net of actual forfeitures, related to stock option grants that are expected to be recognized over a weighted-average period of 0.5 years. The tax benefit of stock option exercises was $684, $5,961 and $1,291 for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company recognizes the impact of forfeitures in the period that the option is forfeited. All of the Company's option awards are amortized on a straight-line basis over the requisite service periods of the awards.

On August 22, 2017 and September 10, 2017, the Company granted a total of 513,239 stock options to certain executives that contained both a service condition and a performance condition ("IPO Options"). These stock options have an exercise price of $6.15 per share of Class B common stock and total fair value of $1,351 on their respective grant dates. These stock options were to vest and become exercisable as follows: (i) 33.3% of the total number of shares underlying these options were to vest upon an IPO or a change in control of the Company, as defined in the option agreements (the "Initial Vesting Date") and (ii) thereafter, 33.3% of the total number of shares underlying these options were to vest on each of the one year anniversary of the Initial Vesting Date and the two year anniversary of the Initial Vesting Date, respectively, provided that each executive continued to provide services to the Company on the applicable vesting date. During the year ended December 31, 2020, upon the departure of executives holding the IPO Options, 438,239 of the outstanding IPO Options were forfeited in accordance with the original terms of the award and 75,000 IPO Options were modified to waive the performance condition allowing one executive to vest in the award. Accordingly, the Company remeasured the fair value of the IPO Options that were allowed to vest on the modification date and recognized $1,180 of stock-based compensation expense included in general and administrative in the consolidated statement of operations for the year ended December 31, 2020.

Restricted Stock Units (RSUs)

Squarespace, Inc. 2017 Equity Incentive Plan

On November 17, 2017, the Company's board of directors approved the Squarespace, Inc. 2017 Equity Incentive Plan ("the 2017 Plan"). Under the 2017 Plan, the Company may grant shares of its Class A common stock in the form of RSUs, stock options, stock appreciation rights, performance stock awards and other stock awards. RSUs generally vest over four years and are measured based on the fair market value of the underlying Class A common stock on the date of grant, as determined by the Company's board of directors. After April 15, 2021, no additional grants were issued from the 2017 Plan.

Squarespace, Inc. 2021 Equity Incentive Plan

On March 25, 2021, the Company's board of directors adopted the Squarespace, Inc. 2021 Equity Incentive Plan ("the 2021 Plan") which was approved by the stockholders on May 3, 2021 and went into effect on May 9, 2021. Under the 2021 Plan, the Company may grant shares of its Class A common stock in the form of RSUs, stock options, stock appreciation rights, performance stock awards and other stock awards. RSUs generally vest over four years and subsequent to the Direct Listing, are measured based on the closing price of the Company's Class A common stock as reported on the date of grant.

Additional Shareholder RSUs

During the year ended December 31, 2021, the Company granted 438,468 shares of Class C common stock in the form of RSUs outside of the 2017 and 2021 Plans. Immediately prior to the registration statement in connection with the Direct Listing being declared effective, shares of Class C common stock automatically converted to Class A common stock.

A summary of the Company's RSU activity during years ended December 31, 2022, 2021 and 2020 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value Per RSU
RSUs outstanding – December 31, 2019	5,723,783	$16.70
RSUs granted	1,585,618	33.43
RSUs vested	(1,366,242)	16.16
RSUs forfeited and cancelled	(501,684)	16.79
RSUs outstanding – December 31, 2020	5,441,475	$21.27
RSUs granted	2,224,913	56.41
RSUs vested	(1,661,752)	18.92
RSUs forfeited and cancelled	(543,017)	29.70
RSUs outstanding – December 31, 2021	5,461,619	$33.65
RSUs granted	7,051,349	25.78
RSUs vested	(2,209,501)	33.51
RSUs forfeited and cancelled	(1,829,624)	30.67
RSUs outstanding – December 31, 2022	8,473,843	$19.90

As of December 31, 2022, 2021 and 2020, the fair value of share units vested was $50,808, $77,480 and $42,616, respectively. As of December 31, 2022, 2021 and 2020, there was $192,616, $150,324 and $95,101 of total unrecognized compensation costs related to RSU grants that are expected to be recognized, respectively, over a weighted-average period of 3.0 years, 2.8 years and 2.9 years, respectively. The tax benefit of vested RSUs was $2,058, $10,589 and $4,970 for the years ended December 31, 2022, 2021 and 2020, respectively.

In connection with the vesting of the RSUs, the Company reacquired 925,179 shares for $21,404, 737,715 shares for $34,503 and 648,097 shares for $20,161 during the years ended December 31, 2022, 2021 and 2020, respectively, in order to satisfy employee tax withholding obligations. The employees received the net number of shares after consideration to those reacquired. The reacquired shares subsequently became available again for issuance under the Plan.

Executive Restricted Stock Grant

On August 22, 2017, and subsequently modified on August 24, 2020, the Company granted its Chief Executive Officer ("CEO") 4,460,858 shares of Class B common stock (the "CEO Stock Grant") that contained a provision that required either (1) a Liquidation Event (other than a liquidation, dissolution or winding up of the Company) as defined by the Stock Grant Agreement or (2) an IPO, as defined by the Stock Grant Agreement, before August 22, 2021 or the shares would be forfeited. The Company estimated the fair value of the Class B common stock to be $51.40 per share on the modification date.

On May 19, 2021, upon completion of the Direct Listing, 4,460,858 shares of Class B common stock vested in accordance with the Stock Grant Agreement. As a result, the Company recorded stock-based compensation expense of

$229,288 in general and administrative expenses in the consolidated statement of operations during the year ended December 31, 2021.

Casalena Performance Award

On April 15, 2021 ("Grant Date"), the board of directors of the Company approved an RSU grant to Anthony Casalena, CEO, of 2,750,000 Class A common shares ("Casalena Performance Award"). The Casalena Performance Award vesting is contingent on both service- and market-based vesting conditions. The market-based vesting condition is based on the achievement of specified Class A common stock price targets during the period beginning upon the effectiveness of the registration statement and ending on the fifth anniversary of the Grant Date ("Performance Period"). The Casalena Performance Award is divided into ten equal tranches. The market-based vesting condition is eligible to vest based on the achievement of ten different and progressively increasing stock price targets. The targets will be deemed to have been achieved when the average closing price of a share of the Company's Class A common stock on the trading days over any consecutive thirty calendar day period during the Performance Period equals or exceeds the applicable Class A common stock price target. The service-based vesting condition is deemed met in four equal installments over four years starting on the first anniversary of the Grant Date. Although the service-based vesting condition period is four years, Mr. Casalena must be employed by the Company at the time the market condition is met in order to vest in any tranche of the award.

The Company estimated the fair value of the Casalena Performance Award on the grant date to be approximately $83,534 using a Monte Carlo simulation with a weighted-average grant date fair value of $30.38 per Class A common share. The Company will recognize the fair value of the award as stock-based compensation expense using the accelerated attribution method over the longer of (i) the period of time the market condition for each tranche is expected to be met (i.e., the derived service period) or (ii) the service vesting condition of four years.

The applicable stock price targets are as follows:

Company Stock Price Target	Cumulative Number of Shares of Vest
$105.00	275,000
$140.00	550,000
$175.00	825,000
$210.00	1,100,000
$245.00	1,375,000
$280.00	1,650,000
$315.00	1,925,000
$350.00	2,200,000
$385.00	2,475,000
$420.00	2,750,000

During the years ended December 31, 2022 and 2021, the Company recorded compensation expense of $31,008 and $24,776, respectively, related to the Casalena Performance Award in general and administrative expenses in the consolidated statements of operations.

Stock-Based Compensation

The classification of stock-based compensation by line item in the consolidated statement of operations was as follows:

	Years Ended December 31,		
	2022	2021	2020
Cost of revenue	$ 3,414	$ 1,545	$ 780
Research and product development	42,237	33,030	21,619
Marketing and sales	8,696	5,929	3,144
General and administrative	48,186	267,420	5,711
Total stock-based compensation	$ 102,533	$ 307,924	$ 31,254

The amount above excludes $980, $380 and $163 of stock compensation capitalized as property and equipment, net, for the years ended December 31, 2022, 2021 and 2020, respectively. The tax benefit associated with stock-based compensation was $17,126 and $19,135, which was entirely offset by the Company's valuation allowance, for the years ended December 31, 2022 and 2021, respectively. The tax benefit associated with stock-based compensation recognized was $6,260 for the year ended December 31, 2020.

During the year ended December 31, 2022, certain RSUs were modified to allow for accelerated vesting. As a result of these modifications, the Company will record lower stock-based compensation expense of $18,247 through fiscal 2026. During the year ended December 31, 2022, the Company recorded stock-based compensation expense of $5,941 related to the modified awards.

Shares Available for Future Issuance

As of May 9, 2021, all shares available under the 2008 and 2017 Plans will continue to remain available but will no longer be available for future issuance. The shares available will continue to include all shares forfeited and expired and reacquired to satisfy employee tax withholding obligations that were issued under the 2008 and 2017 Plans.

The following table summarizes the shares available under the 2008 and 2017 Plans:

	Shares Available Under the 2008 and 2017 Plans
Balance as of December 31, 2019	1,787,435
Additional Class A common shares available for issuance	6,900,000
Granted	(1,585,618)
Forfeited and expired	977,643
Reacquired to satisfy employee tax withholding obligations	648,097
Balance as of December 31, 2020	8,727,557
Granted	(1,165,141)
Casalena Performance Award granted	(2,750,000)
Forfeited and expired	500,245
Reacquired to satisfy employee tax withholding obligations	737,715
Balance as of December 31, 2021	6,050,376
Granted	—
Forfeited and expired	918,956
Reacquired to satisfy employee tax withholding obligations	858,117
Balance as of December 31, 2022	7,827,449

On May 9, 2021, upon effectiveness of the 2021 Plan, the Company included an additional 19,250,000 Class A common shares available for issuance. The following table summarizes the shares available for future issuance under the 2021 Plan:

	Shares Available for Future Grant Under the 2021 Plan
Balance as of December 31, 2020	—
Class A common shares available for issuance	19,250,000
RSUs granted	(1,059,772)
RSUs forfeited and expired	47,342
Balance as of December 31, 2021	18,237,570
RSUs granted	(7,051,349)
RSUs forfeited and expired	951,357
Shares reacquired to satisfy employee tax withholding obligations	67,062
Additional authorized shares	6,958,569
Balance as of December 31, 2022	19,163,209

Annually on January 1 of each fiscal year, beginning on January 1, 2022, the authorized shares available for issuance shall be increased by a number of shares of common stock equal to 5% of the aggregate number of shares outstanding on December 31 of the year immediately prior. The Company increased the authorized shares available for issuance on January 1, 2022 by 6,958,569.

19. Retirement Plans

After three months of employment, employees of the Company may participate in a 401(k) savings plan. Employees may elect to defer portions of their salary pursuant to a formula upon meeting certain age and service requirements. Under this plan, the Company makes matching contributions on behalf of participants equal to 100% on participant contributions up to 4% of their compensation. Participants are immediately and fully vested in their voluntary contributions and all matching contributions. During the years ended December 31, 2022, 2021 and 2020, the Company contributed $7,628, $6,211 and $4,329, respectively, to this plan.

After completing three months of service, employees of Limited may participate in a tax efficient Defined contribution pension plan. Under this plan, Limited will make contributions up to 4% of the employee’s annual salary. During the years ended December 31, 2022, 2021 and 2020, Limited contributed $288, $226 and $140, respectively, to this plan.

The Company also maintains additional defined contribution pension plans for eligible international employees belonging to our additional international subsidiaries. Contributions to these plans from these subsidiaries were immaterial for December 31, 2022, 2021 and 2020, respectively.

The Company’s contributions are allocated on a specific identification basis for each individual employee recipient and are classified into the corresponding line item where the related employee’s cash compensation resides in the consolidated statements of operations.

20. Related Party Transactions

The Company's previous Chief Financial Officer, whose resignation was effective as of July 31, 2022, was appointed as a member of the board of directors of Avalara, Inc. on August 28, 2021. Transactions between Avalara, Inc. and the Company were not material for the periods during the years ended December 31, 2022 and 2021 through the previous Chief Financial Officer’s departure.

Certain former members of Tock's senior management have an ownership in several of the Company's restaurant customers. For the years ended December 31, 2022 and 2021, these restaurant customers contributed revenue of $1,167 and $545, respectively. As of December 31, 2022 and 2021, the Company had a liability of $413 and $1,934, respectively, due to these restaurant customers, which primarily represents diner prepayments and sales tax, and is included in funds due to customers in the consolidated balance sheets.

On September 1, 2014, the Company entered into an agreement with Getty Images to resell certain content to the Company’s customers. The Deputy Chairman of Getty Images is a member of the Company’s board of directors. Amounts recorded in connection with this agreement were not material for the years ended December 31, 2022, 2021 and 2020.

21. Net (Loss)/Income per Share Attributable to Class A, Class B and Class C Common Stockholders

The Company computes net (loss)/income per share of Class A common stock, Class B common stock and Class C common stock under the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock, Class B common stock and Class C common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock, Class B common stock and Class C common stock share in the Company’s net (loss)/income. Each share of Class C common stock was automatically converted into shares of Class A common stock immediately prior to the registration statement in connection with the Direct Listing being declared effective.

SQUARESPACE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except shares and per share amounts)

The following table sets forth the computation of basic and diluted net (loss)/income per share attributable to Class A, Class B and Class C common stockholders:

	Years Ended December 31,		
	2022	2021	2020
Numerator:			
Net (loss)/income	$ (252,221)	$ (249,149)	$ 30,588
Less: accretion of redeemable convertible preferred stock to redemption value	—	(969)	(4,844)
Less: declared dividends to preferred shareholders	—	—	(278,454)
Net loss attributable to Class A, Class B, Class C common stockholders, basic and dilutive	$ (252,221)	$ (250,118)	$ (252,710)
Denominator:			
Weighted-average shares used in computing net loss per share attributable to Class A, Class B and Class C stockholders, basic and dilutive	138,409,491	96,234,381	17,917,236
Net loss per share attributable to Class A, Class B and Class C common stockholders, basic and dilutive	$ (1.82)	$ (2.60)	$ (14.10)

The following weighted-average outstanding shares of potentially dilutive securities were excluded from the computation of diluted net (loss)/income per share attributable to Class A, Class B and Class C common stockholders for the periods presented because including them would have been antidilutive:

	Year Ended December 31,		
	2022	2021	2020
Redeemable convertible preferred stock	—	—	104,446,332
Outstanding stock options	1,182,027	1,897,487	5,228,413
Restricted stock units	8,473,843	5,461,619	5,441,475
Executive restricted stock	—	—	4,460,858
Total	9,655,870	7,359,106	119,577,078

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

None.

Item 9A. 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, in 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 December 31, 2022, the end of the period covered by the Annual Report on Form 10-K. Based on the evaluation of our disclosure controls and procedures our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were operating effectively and our management has concluded that our condensed consolidated financial statements included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with U.S. GAAP.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our management has concluded that its internal control over financial reporting was effective as of December 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm as permitted under the rules of the SEC for emerging growth public companies.

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(e) and Rule 15d-15(e) under the Exchange Act that occurred during the period covered by the Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of 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. However, in designing and evaluating the disclosure controls and procedures, our management recognizes that 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. 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, in our Company have been detected.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The full text of our code of business conduct and ethics is available on our investor relations website at investors.squarespace.com. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our code of business conduct and ethics by posting such information on the website address and location specified above.

The remaining information required by this item will be included in our Proxy Statement for our Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022, and is incorporated by reference.

Item 11. Executive Compensation

The information required by this item will be included in our Proxy Statement for our Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022, and is incorporated by reference.

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

The information required by this item will be included in our Proxy Statement for our Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022, and is incorporated by reference.

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

The information required by this item will be included in our Proxy Statement for our Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022, and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be included in our Proxy Statement for our Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2022, and is incorporated by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

(1) Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

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

(3) Exhibits

The documents listed in the following Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Exhibit Title	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
2.1	Agreement and Plan of Merger, dated March 31, 2021, by and among the Registrant, Tremont 2021 Acquisition Corp, Tremont 2021 Acquisition II LLC and Tock, Inc.	S-1	333-255284	2.1	April 16, 2021
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	S-8	333-255977	4.2	May 10, 2021
3.2	Amended and Restated Bylaws of the Registrant.	S-8	333-255977	4.3	May 10, 2021
4.1	Description of Securities.	10-K	001-40393	4.1	March 7, 2022
10.1	Voting and Support Agreement between the Registrant and the stockholders of the Registrant listed therein, dated May 10, 2021.	S-1	333-255284	10.1	April 16, 2021
10.2	Registration Rights Agreement between the Registrant and the stockholders of the Registrant listed therein, dated May 10, 2021.	S-1	333-255284	10.2	April 16, 2021
10.3†	Form of Indemnification Agreement between the Registrant and each of its Directors and Executive Officers.	S-1	333-255284	10.3	April 16, 2021
10.4†	Squarespace, Inc. 2021 Equity Incentive Plan.	S-8	333-255977	99.1	May 10, 2021
10.5†	Form of Restricted Stock Unit Award Agreement pursuant to the Squarespace, Inc. 2021 Equity Incentive Plan.	S-1	333-255284	10.5	April 16, 2021
10.6†	Form of Stock Option Award Agreement pursuant to the Squarespace, Inc. 2021 Equity Incentive Plan.	S-1	333-255284	10.6	April 16, 2021
10.7†	Squarespace, Inc. 2021 Employee Stock Purchase Plan.	S-8	333-255977	99.2	May 10, 2021
10.8†	Squarespace, Inc. 2017 Equity Incentive Plan.	S-1	333-255284	10.8	April 16, 2021
10.9†	Form of Restricted Stock Unit Award Agreement pursuant to the Squarespace, Inc. 2017 Equity Incentive Plan.	S-1	333-255284	10.9	April 16, 2021

10.10†	Squarespace, Inc. Amended 2008 Equity Incentive Plan.	S-1/A	333-255284	10.10	April 26, 2021
10.11†	Form of Stock Option Agreement pursuant to the Squarespace, Inc. Amended 2008 Equity Incentive Plan.	S-1/A	333-255284	10.11	April 26, 2021
10.12†	Squarespace, Inc. Amended and Restated 2008 Equity Incentive Plan.	S-1/A	333-255284	10.12	April 26, 2021
10.13†	Form of Stock Option Agreement pursuant to the Squarespace, Inc. Amended and Restated 2008 Equity Incentive Plan.	S-1/A	333-255284	10.13	April 26, 2021
10.14†	Form of Executive Employment Agreement.	S-1	333-255284	10.12	April 16, 2021
10.15†	Form of Employee Invention Assignment and Confidentiality Agreement.	S-1	333-255284	10.13	April 16, 2021
10.16†	Employment Agreement between Squarespace, Inc. and Anthony Casalena, dated April 15, 2021.	S-1	333-255284	10.14	April 16, 2021
10.17†	Performance Restricted Stock Unit Agreement between Squarespace, Inc. and Anthony Casalena, dated April 15, 2021.	S-1	333-255284	10.15	April 16, 2021
10.18	Amended and Restated Credit Agreement, dated December 11, 2020.	S-1	333-255284	10.16	April 16, 2021
10.19	Lease Agreement, between Trinity Hudson Holdings, LLC and the Registrant, dated September 19, 2014.	S-1	333-255284	10.17	April 16, 2021
10.20	First Amendment to the Lease Agreement, between Trinity Hudson Holdings, LLC and the Registrant, dated August 18, 2017.	S-1	333-255284	10.18	April 16, 2021
10.21	Second Amendment to the Lease Agreement, between Trinity Hudson Holdings, LLC and the Registrant, dated October 6, 2017.	S-1	333-255284	10.19	April 16, 2021
10.22	Third Amendment to the Lease Agreement, between Trinity Hudson Holdings, LLC and the Registrant, dated May 22, 2019.	S-1	333-255284	10.20	April 16, 2021
10.23	Fourth Amendment to the Lease Agreement, between Trinity Hudson Holdings, LLC and the Registrant, dated December 16, 2019.	S-1	333-255284	10.21	April 16, 2021
21.1*	List of Subsidiaries.				
23.1*	Consent of Independent Registered Public Accounting Firm.				
24.1*	Power of Attorney (included in the signature pages attached to this Annual Report on Form 10-K).				
31.1*	Certification of the Registrant's Principal Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of the Registrant's Principal Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1#	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
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).

*Filed herewith
†Indicates a management contract or compensatory plan.
#The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 9, 2023.

Squarespace, Inc.

By:	/s/ Anthony Casalena
Name:	Anthony Casalena
Title:	Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and officers of Squarespace, Inc., hereby severally constitute and appoint Anthony Casalena, Nathan Gooden and Courtenay O'Connor, and each of them singly, our true and lawful attorneys, with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below, all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of us might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Anthony Casalena Anthony Casalena	Chief Executive Officer and Director (Principal Executive Officer)	March 9, 2023
/s/ Nathan Gooden Nathan Gooden	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 9, 2023
/s/ Andrew Braccia Andrew Braccia	Director	March 9, 2023
/s/ Michael Fleisher Michael Fleisher	Director	March 9, 2023
/s/ Liza Landsman Liza Landsman	Director	March 9, 2023
/s/ Anton Levy Anton Levy	Director	March 9, 2023
/s/ Jonathan Klein Jonathan Klein	Director	March 9, 2023
/s/ Neela Montgomery Neela Montgomery	Director	March 9, 2023

Exhibit 21.1

LIST OF SUBSIDIARIES

Direct and Indirect Subsidiaries of Squarespace, Inc.

Name of Entity	Jurisdiction of Incorporation or Organization
Squarespace Ireland Limited	Ireland
Squarespace Domains LLC	Delaware
Unfold Creative, LLC	Delaware
Tock LLC	Delaware
Squarespace UK Limited	United Kingdom
Squarespace Australia Pty Ltd	Australia
Squarespace Netherlands B.V.	Netherlands
Videolicious Poland Sp. z o.o.	Poland
SQSP Portugal, Unipessoal LDA	Portugal
Squarespace Payments LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-255977) pertaining to the following plans:

a. 2021 Employee Stock Purchase Plan
b. 2021 Equity Incentive Plan
c. Amended 2008 Equity Incentive Plan
d. Amended and Restated 2008 Equity Incentive Plan

of Squarespace, Inc. of our report dated March 9, 2023, with respect to the consolidated financial statements of Squarespace, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2022.

/s/ Ernst & Young LLP

New York, New York
March 9, 2023

Exhibit 31.1

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Anthony Casalena, certify that:

1. I have reviewed this Annual Report on Form 10-K of Squarespace, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

Date: March 9, 2023

/s/ Anthony Casalena

Anthony Casalena
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Nathan Gooden, certify that:

1. I have reviewed this Annual Report on Form 10-K of Squarespace, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

Date: March 9, 2023

/s/ Nathan Gooden

Nathan Gooden
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certifications Of Principal Executive Officer And Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002

In connection with the Annual Report of Squarespace, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 9, 2023	By:	/s/ *Anthony Casalena*
		Anthony Casalena
		Chief Executive Officer
		(Principal Executive Officer)

In connection with the Annual Report of Squarespace, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 9, 2023	By:	*/s/ Nathan Gooden*
		Nathan Gooden
		Chief Financial Officer
		(Principal Financial Officer)