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

FORM 10-Q

[Mark One]

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-40393

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

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 Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2022, the registrant had 91,246,588 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.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q and the documents that we reference herein and have filed as exhibits to the Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SQUARESPACE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 215,092	$ 203,247
Restricted cash	39,706	30,433
Investment in marketable securities	32,163	31,456
Accounts receivable, net	8,638	7,969
Due from vendors	2,872	1,828
Prepaid expenses and other current assets	50,528	67,099
Total current assets	348,999	342,032
Property and equipment, net	52,690	52,839
Operating lease right-of-use assets	96,354	—
Goodwill	435,601	435,601
Intangible assets, net	51,122	60,138
Other assets	9,537	8,939
Total assets	$ 994,303	$ 899,549
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 23,230	$ 26,533
Accrued liabilities	65,370	60,861
Deferred revenue	258,099	233,999
Funds payable to customers	39,593	30,137
Debt, current portion	26,280	13,586
Deferred rent and lease incentives, current portion	—	2,095
Operating lease liabilities, current portion	10,975	—
Total current liabilities	423,547	367,211
Debt, non-current portion	494,000	513,047
Deferred rent and lease incentives, non-current portion	—	32,348
Operating lease liabilities, non-current portion	118,485	—
Other liabilities	357	422
Total liabilities	1,036,389	913,028
Commitments and contingencies (see Note 11)		
Redeemable convertible preferred stock, par value of $0.0001; zero shares authorized as of June 30, 2022 and December 31, 2021, respectively; zero shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Preferred stock, par value of $0.0001; 100,000,000 authorized as of June 30, 2022 and December 31, 2021, respectively; zero shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Stockholders' deficit:		
Class A common stock, par value of $0.0001; 1,000,000,000 shares authorized as of June 30, 2022 and December 31, 2021, respectively; 91,246,588 and 90,826,625 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	9	9
Class B common stock, par value of $0.0001; 100,000,000 shares authorized as of June 30, 2022 and December 31, 2021, respectively; 47,844,755 and 48,344,755 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	5	5
Class C common stock (authorized March 15, 2021), par value of $0.0001; zero shares authorized as of June 30, 2022 and December 31, 2021, respectively; zero shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Class C common stock (authorized May 10, 2021), par value of $0.0001; 1,000,000,000 shares authorized as of June 30, 2022 and December 31, 2021, respectively; zero shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Additional paid in capital	914,420	911,570
Accumulated other comprehensive loss	(3,301)	(208)
Accumulated deficit	(953,219)	(924,855)
Total stockholders' deficit	(42,086)	(13,479)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 994,303	$ 899,549

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

SQUARESPACE, INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue	$ 212,702	$ 196,010	$ 420,464	$ 375,656
Cost of revenue	36,993	32,501	73,642	59,909
Gross profit	175,709	163,509	346,822	315,747
Operating expenses:				
Research and product development	58,829	48,912	116,157	90,923
Marketing and sales	68,743	70,784	181,649	168,756
General and administrative	39,190	284,730	75,171	304,246
Total operating expenses	166,762	404,426	372,977	563,925
Operating income/(loss)	8,947	(240,917)	(26,155)	(248,178)
Interest expense	(3,319)	(2,827)	(5,768)	(6,087)
Other income/(loss), net	6,217	(1,201)	7,728	2,392
Income/(loss) before benefit from/(provision for) income taxes	11,845	(244,945)	(24,195)	(251,873)
Benefit from/(provision for) income taxes	52,651	10,413	(4,169)	16,195
Net income/(loss)	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)
Net income/(loss) attributable to Class A, Class B and Class C common stockholders, basic and dilutive	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)
Net income/(loss) per share attributable to Class A, Class B, and Class C common stockholders, basic	$ 0.46	$ (3.22)	$ (0.20)	$ (4.54)
Net income/(loss) per share attributable to Class A, Class B, and Class C common stockholders, dilutive	$ 0.45	$ (3.22)	$ (0.20)	$ (4.54)
Weighted-average shares used in computing net income/(loss) per share attributable to Class A, Class B, and Class C stockholders, basic	140,082,038	72,900,951	139,754,453	51,879,264
Weighted-average shares used in computing net income/(loss) per share attributable to Class A, Class B, and Class C stockholders, dilutive	142,133,303	72,900,951	139,754,453	51,879,264

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income/(loss)	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)
Other comprehensive income/(loss):				
Foreign currency translation adjustment	(2,037)	788	(2,838)	(494)
Unrealized loss on marketable securities, net of income taxes	(77)	(46)	(255)	(91)
Total other comprehensive (loss)/income	(2,114)	742	(3,093)	(585)
Total comprehensive income/(loss)	$ 62,382	$ (233,790)	$ (31,457)	$ (236,263)

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands, except share and per share data)
(unaudited)

Three and Six Months Ended June 30, 2022

	Redeemable Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	—	$ —	90,826,625	$ 9	48,344,755	$ 5	—	$ —	$ 911,570	$ (208)	$ (924,855)	$ (13,479)
Stock-based compensation	—	—	—	—	—	—	—	—	24,160	—	—	24,160
Stock option exercises	—	—	343,687	—	—	—	—	—	1,141	—	—	1,141
Vested RSUs converted to common shares	—	—	680,134	—	—	—	—	—	—	—	—	—
Repurchase and retirement of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(287,455)	—	—	—	—	—	(7,672)	—	—	(7,672)
Net loss	—	—	—	—	—	—	—	—	—	—	(92,860)	(92,860)
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	(979)	—	(979)
Balance at March 31, 2022	—	$ —	91,562,991	$ 9	48,344,755	$ 5	—	$ —	$ 929,199	$ (1,187)	$ (1,017,715)	$ (89,689)
Stock-based compensation	—	—	—	—	—	—	—	—	27,056	—	—	27,056
Stock option exercises	—	—	269,064	—	—	—	—	—	969	—	—	969
Vested RSUs converted to common shares	—	—	827,149	—	—	—	—	—	—	—	—	—
Repurchase and retirement of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(350,156)	—	—	—	—	—	(7,602)	—	—	(7,602)
Repurchase and retirement of Class A common stock	—	—	(1,562,460)	—	—	—	—	—	(35,202)	—	—	(35,202)
Conversion of Class B common stock to Class A common stock	—	—	500,000	—	(500,000)	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	—	—	64,496	64,496
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	(2,114)	—	(2,114)
Balance at June 30, 2022	—	$ —	91,246,588	$ 9	47,844,755	$ 5	—	$ —	$ 914,420	$ (3,301)	$ (953,219)	$ (42,086)

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands, except share and per share data)
(unaudited)

Three and Six Months Ended June 30, 2021

	Redeemable Convertible Preferred Stock		Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
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	—	—	—	—	—	—	—	—	9,873	—	—	9,873
Stock option exercises	—	—	—	—	900,476	—	—	—	707	—	—	707
Vested RSUs converted to common shares	—	—	525,920	—	—	—	—	—	—	—	—	—
Repurchase and retirement of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(270,089)	—	—	—	—	—	(13,416)	—	—	(13,416)
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	—	—	—	—	—	—	—	—	—	—	(1,146)	(1,146)
Total other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	(1,327)	—	(1,327)
Balance at March 31, 2021	104,446,332	$ 132,359	9,159,601	$ 1	15,269,008	$ 1	7,202,353	$ 1	$ 497,825	$ 1,128	$ (676,852)	$ (177,896)
Stock-based compensation	—	—	—	—	—	—	—	—	250,534	—	—	250,534
Stock option exercises	—	—	1,201,066	—	874,695	—	—	—	2,962	—	—	2,962
Vested RSUs converted to common shares	—	—	588,786	—	—	—	—	—	—	—	—	—
Repurchase and retirement of Class A common stock for tax withholdings upon vesting of RSUs	—	—	(247,120)	—	—	—	—	—	(12,319)	—	—	(12,319)
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)	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(234,532)	(234,532)
Total other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	—	742	—	742
Balance at June 30, 2021	—	$ —	90,149,966	$ 9	48,344,755	$ 5	—	$ —	$ 871,350	$ 1,870	$ (911,384)	$ (38,150)

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

SQUARESPACE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2022	**2021**
OPERATING ACTIVITIES:		
Net loss	$ (28,364)	$ (235,678)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	15,869	16,232
Stock-based compensation	50,957	260,365
Deferred income taxes	—	(16,981)
Non-cash lease expense	638	—
Other	502	565
Changes in operating assets and liabilities:		
Accounts receivable and due from vendors	(1,701)	(105)
Prepaid expenses and other current assets	(3,021)	(10,786)
Accounts payable and accrued liabilities	9,260	4,260
Deferred revenue	30,294	30,766
Funds payable to customers	9,456	10,097
Other operating assets and liabilities	(207)	88
Net cash provided by operating activities	83,683	58,823
INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of marketable securities	15,940	14,805
Purchases of marketable securities	(17,016)	(14,181)
Purchase of property and equipment	(5,735)	(2,415)
Cash paid for acquisitions, net of acquired cash	—	(202,515)
Net cash used in investing activities	(6,811)	(204,306)
FINANCING ACTIVITIES:		
Principal payments on debt	(6,793)	(6,793)
Payments for repurchase and retirement of Class A common stock	(35,202)	—
Taxes paid related to net share settlement of equity awards	(15,269)	(25,735)
Proceeds from exercise of stock options	2,110	3,566
Proceeds from issuance of Class C (authorized on March 15, 2021) common stock, net of issuance costs	—	304,409
Dividends paid	—	(367)
Net cash (used in)/provided by financing activities	(55,154)	275,080
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(600)	(38)
Net increase in cash, cash equivalents, and restricted cash	21,118	129,559
Cash, cash equivalents, and restricted cash at the beginning of the period	233,680	57,891
Cash, cash equivalents, and restricted cash at the end of the period	$ 254,798	$ 187,450
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 215,092	$ 160,142
Restricted cash	39,706	27,308
Cash, cash equivalents, and restricted cash at the end of the period	$ 254,798	$ 187,450
SUPPLEMENTAL DISCLOSURE OF CASH FLOW		
Cash paid during the year for interest	$ 5,247	$ 5,628
Cash paid during the year for income taxes	$ 5,968	$ 1,080
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCE ACTIVITIES		
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 1,582	$ 1,090
Non-cash leasehold improvements	$ 5,679	$ —
Capitalized stock-based compensation	$ 259	$ 42
Issuance of Class C (authorized on March 15, 2021) common stock for acquisition	$ —	$ 188,179
Receivables for exercise of stock options included in prepaid expenses and other current assets	$ —	$ 103

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

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 an 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 in Portland, OR, Chicago, IL, and Dublin, Ireland.

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 condensed 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 $1,070,000, (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 New York Stock Exchange ("NYSE").

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Company's condensed 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. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission. The condensed balance sheet data as of December 31, 2021 was derived from the Company's audited financial statements but does not include all disclosures required by U.S. GAAP. Therefore, these unaudited, condensed, consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2022. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company's financial information.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the condensed 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 grant date fair value of stock-based awards; and (iv) the recognition, measurement and valuation of current and deferred income taxes. The Company evaluates its assumptions and estimates on an ongoing basis and adjusts prospectively, if necessary.

COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") a pandemic. The COVID-19 pandemic has created, and may continue to create, significant uncertainty in macroeconomic conditions. The countries in which the Company operates have begun easing initial measures to control the spread of COVID-19. However, the Company is not able to estimate the impact that COVID-19 will continue to have on worldwide economic activity or the Company's results of operations, financial condition, or liquidity. As of June 30, 2022, the Company has not experienced a materially adverse impact from COVID-19. The Company continues to assess the potential impacts of COVID-19 and the measures taken by governments, businesses and other organizations in response to COVID-19 as information becomes available.

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 June 30, 2022 and December 31, 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 three and six months ended June 30, 2022 and 2021.

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 obligations to hold such cash as restricted, the diner prepayments and associated sales tax are included in restricted cash in the condensed consolidated balance sheet as of June 30, 2022 and December 31, 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 condensed consolidated balance sheets as of June 30, 2022 and December 31, 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 condensed consolidated balance sheets as of June 30, 2022 and December 31, 2021.

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

	June 30, 2022	December 31, 2021
Restricted cash	$ 39,706	$ 30,433
Due from vendors	2,872	1,828
Total payment processing assets	42,578	32,261
Funds payable to customers	(39,593)	(30,137)
Sales tax payable	(2,985)	(2,124)
Total payment processing liabilities	(42,578)	(32,261)
Total payment processing transactions, net	$ —	$ —

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

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.

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 condensed 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 fair value requires considerable judgment and is sensitive to changes in the underlying assumptions. The Company’s estimates are preliminary and subject to adjustment, which may result in material changes to the final valuation. 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 the preliminary estimates will be recorded as adjustments to the respective assets and liabilities, with any residual amounts allocated to goodwill. Any 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 single reporting unit. 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.

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.

Leases

ASC Topic 842, Leases

The Company adopted ASC Topic 842, Leases, 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 June 30, 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 condensed consolidated statements of operations based on departmental employee headcount. Variable lease costs are recognized as incurred and allocated within the condensed 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 condensed 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 condensed 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 condensed consolidated statements of cash flows.

ASC Topic 840, Leases

The Company categorized leases at their inception as either operating or capital 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 condensed consolidated balance sheets. The Company recognized any sublease rental income on a straight-line basis as an offset to rent expense.

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

The Company calculates net income/(loss) 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 income/(loss) available to Class A, Class B and Class C common stockholders.

Distributed and undistributed earnings allocated to participating securities are subtracted from net income/(loss) in determining net income/(loss) attributable to Class A, Class B and Class C common stockholders. Basic net income/(loss) per share is computed by dividing net income/(loss) 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 income/(loss) per share attributable to Class A, Class B and Class C common stockholders is computed by giving effect to all dilutive securities. Diluted net income/(loss) per share attributable to Class A, Class B and Class C common stockholders is computed by dividing the resulting net income/(loss) 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 condensed consolidated balance sheets. 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 condensed 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 condensed consolidated statements of operations. See "Note 12. 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 adopted this standard as of January 1, 2022. The adoption of this standard did not have a material impact on the Company's condensed 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* ("ASU 2017-04"), 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 condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard simplifies 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 condensed consolidated financial statements.

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, 2023 for nonpublic entities with early adoption permitted. The Company is currently evaluating the timing of its adoption of this standard and the impact in its condensed consolidated financial statements.

3. Revenue

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 our customers' sites.

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. The Company disaggregates revenue by product type as follows:

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 gross merchandise value ("GMV") processed through Business plan sites and certain hospitality offerings. Commerce revenue also includes payment processing fees received in exchange for use of the Company's hospitality services.

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:

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022		
	Presence	Commerce	Total	Presence	Commerce	Total
Subscription revenue						
Transferred over time	$ 142,603	$ 48,867	$ 191,470	$ 282,379	$ 95,922	$ 378,301
Transferred at a point in time	3,391	—	3,391	7,049	—	7,049
Non-subscription revenue						
Transferred over time	442	905	1,347	840	1,751	2,591
Transferred at a point in time	95	16,399	16,494	208	32,315	32,523
Total revenue	$ 146,531	$ 66,171	$ 212,702	$ 290,476	$ 129,988	$ 420,464

	Three Months Ended June 30, 2021			Six Months Ended June 30, 2021		
	Presence	Commerce	Total	Presence	Commerce	Total
Subscription revenue						
Transferred over time	$ 133,687	$ 42,302	$ 175,989	$ 262,818	$ 79,556	$ 342,374
Transferred at a point in time	2,849	—	2,849	5,700	—	5,700
Non-subscription revenue						
Transferred over time	546	72	618	1,121	144	1,265
Transferred at a point in time	195	16,359	16,554	509	25,808	26,317
Total revenue	$ 137,277	$ 58,733	$ 196,010	$ 270,148	$ 105,508	$ 375,656

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
United States	$ 152,354	$ 141,517	$ 299,174	$ 268,560
International	60,348	54,493	121,290	107,096
Total revenue	$ 212,702	$ 196,010	$ 420,464	$ 375,656

During the three months ended September 30, 2021, the Company identified certain revenues which should have been classified as international revenues during the first and second quarter. Accordingly, in the third quarter of 2021, the Company reclassified approximately $4,101 and $5,132 related to the first and second quarter out of United States and into international revenue. Using the updated classification, the international revenue for the three and six months ended June 30, 2021 would have been $59,625 and $116,329, respectively. Further, the United States revenue for the three and six months ended June 30, 2021 would have been $136,385 and $259,327, respectively. No amounts were reclassified related to 2022.

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

Deferred Revenue

The deferred revenue balance as of June 30, 2022 and December 31, 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 $69,507 and $178,129 of revenues recognized during the three and six months ended June 30, 2022, respectively, and $62,500 and $159,155 during the three and six months ended June 30, 2021, respectively.

Capitalized Contract Costs

Assets capitalized related to contract costs consisted of the following:

	June 30, 2022	December 31, 2021
Capitalized referral fees, current	$ 5,301	$ 4,813
Capitalized referral fees, non-current	7,200	7,713
Capitalized app fees, current	989	1,202
Sales commissions, current	398	221
Sales commissions, non-current	169	131
Total capitalized contract costs	$ 14,057	$ 14,080

Amortization of capitalized contract costs were $2,607 and $5,236 for the three and six months ended June 30, 2022, respectively, and $2,050 and $3,952 for the three and six months ended June 30, 2021, respectively, and were included in marketing and sales in the condensed consolidated statements of operations.

There were no impairment charges recognized related to capitalized contract costs for the three and six months ended June 30, 2022 and 2021.

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 June 30, 2022 and December 31, 2021, obligations for refunds were $358 and $506, respectively, and are included in accrued liabilities in the condensed consolidated balance sheets.

4. Acquisitions

The Company did not acquire any businesses during the three and six months ended June 30, 2022.

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 has 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)
Add: Working capital to be paid to Squarespace, Inc. as of June 30, 2021	345
Cash paid for acquisitions, net of acquired cash	$ 202,515

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:

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
Corporate bonds and commercial paper	$ 16,403	$ —	$ (109)	$ 16,294
Asset backed securities	6,113	—	(25)	6,088
U.S. treasuries	9,940	—	(159)	9,781
Total investment in marketable securities	$ 32,456	$ —	$ (293)	$ 32,163

	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 did not have any AFS marketable securities that were in an unrealized loss position for more than 12 months as of June 30, 2022 and December 31, 2021.

The Company recognized unrealized losses of $77 and $255 with respect to its AFS securities during the three and six months ended June 30, 2022, respectively, and $46 and $91 during the three and six months ended June 30, 2021, respectively. 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 condensed consolidated balance sheets as of June 30, 2022 and December 31, 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:

	June 30, 2022	December 31, 2021
Due within 1 year	$ 23,267	$ 19,248
Due in 1 year through 5 years	8,896	12,208
Total investment in marketable securities	$ 32,163	$ 31,456

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:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market funds	$ 80,762	$ —	$ —	$ 80,762
Available-for-sale debt securities				
Corporate bonds and commercial paper	—	16,294	—	16,294
Asset backed securities	—	6,088	—	6,088
U.S. treasuries	9,781	—	—	9,781
Total	$ 90,543	$ 22,382	$ —	$ 112,925

	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 recorded amounts of the Company's debt obligations 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:

	June 30, 2022	December 31, 2021
Prepaid advertising expenses	$ 2,193	$ 16,236
Prepaid income taxes	23,798	22,032
Prepaid operational expenses	17,033	12,301
Receivables for leasehold improvements	—	5,186
Prepaid referrals, current	5,301	4,813
Other current assets	2,203	6,531
Total prepaid expenses and other current assets	$ 50,528	$ 67,099

8. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2022	December 31, 2021
Accrued marketing expenses	$ 18,361	$ 23,042
Accrued indirect taxes	24,478	19,565
Accrued leasehold improvement expenditures	90	1,228
Accrued product expenses	4,362	1,359
Accrued payroll expense	5,957	2,900
Other accrued expenses	12,122	12,767
Total accrued liabilities	$ 65,370	$ 60,861

9. Debt

Debt outstanding as of June 30, 2022 and December 31, 2021 was as follows:

	June 30, 2022	December 31, 2021
Term Loan	$ 523,058	$ 529,852
Less: unamortized original issue discount	(2,274)	(2,635)
Less: unamortized deferred financing costs	(504)	(584)
Less: debt, current	(26,280)	(13,586)
Total debt, non-current	$ 494,000	$ 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”).

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”).

Borrowings under the Credit Facility are subject to an interest rate equal to LIBOR plus the applicable margin based on our Consolidated Total Debt to Consolidated EBITDA ratio. The applicable margin was 1.50% as of June 30, 2022. The effective interest rate as of June 30, 2022 was 3.19%.

As of June 30, 2022, $9,643 was outstanding under the Revolving Credit Facility in the form of outstanding letters of credit and $15,357 remained available for borrowing by the Company. The letters of credit issued as of June 30, 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. 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 ended 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 June 30, 2022, the Company was in compliance with all applicable covenants, including the Financial Covenant.

Consolidated EBITDA is defined in the Credit Agreement as net income/(loss) adjusted to exclude interest expense, other income/(loss), net, benefit from/(provision for) 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.

Scheduled Principal Payments

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

Year Ending December 31,	Amount
Remainder of 2022	$ 6,792
2023	40,758
2024	40,758
2025	434,750
Total	$ 523,058

10. Income Taxes

For interim periods, the Company has historically utilized the estimated annual effective tax rate method under which the Company determined its provision for income taxes based on the current estimate of its annual effective tax rate. For the three and six months ended June 30, 2022, the Company utilized the discrete effective tax rate method, as allowed under ASC Topic 740, Income Taxes - Interim Reporting, when the application of the estimated annual tax rate method is impractical and does not provide a reliable estimate of the annual effective tax rate. The discrete method treats the year-to-date period as if it were the annual period and determines the interim income taxes on that basis. The Company determined that since small changes in estimated annual pre-tax income/(loss) would result in significant changes in the estimated annual effective tax rate and significant variations in the customary relationship between the benefit from/(provision for) income taxes and pre-tax accounting income/(loss), the historical method would not provide a reliable estimate of the effective tax rate for the three and six months ended June 30, 2022. The Company will reevaluate the use of this method each quarter until the Company believes a return to the estimated annual effective tax rate method is deemed appropriate.

For the three months ended June 30, 2022 and 2021, the Company recorded an income tax benefit of $52,651 and an income tax benefit of $10,413 respectively, which resulted in an effective tax rate of 444.5% and (4.3)%, respectively. For the six months ended June 30, 2022 and 2021, the Company recorded an income tax expense of $4,169 and an income tax benefit of $16,195 respectively, which resulted in an effective tax rate of 17.2% and (6.4)%, respectively.

The Company’s effective income tax rate for the three and six months ended June 30, 2022 differed from the statutory rate of 21% primarily due to the change in the valuation allowance for deferred tax assets related primarily to the capitalization of research and development expenditures, nondeductible executive compensation, global intangible low-taxes income, unrecognized tax benefits, and the effect from foreign operations, partially offset by research and development tax credits, windfall on stock-based compensation, and deduction from foreign-derived intangible income. The provision for income taxes for the three and six months ended June 30, 2022 also reflects a provision of the Tax Cuts and Jobs Act of 2017 becoming effective as of January 1, 2022 that requires companies to capitalize and amortize research and development expenditures rather than deduct the costs as incurred. Unless the law is changed or repealed, the Company expects its effective tax rate and cash tax payments to change significantly as compared to fiscal 2021.

The Company’s estimated annual effective income tax rate for the three and six months ended June 30, 2021 differed from the statutory rate of 21% primarily due to nondeductible executive compensation, nondeductible transaction expenses, minimum taxes, partially offset by windfall on stock-based compensation and research and development tax credits.

As of June 30, 2022, the Company had unrecognized tax benefits of $9,665, all of which would not affect the effective tax rate due to the Company's full valuation allowance against all federal, state and foreign deferred tax assets that the Company believes will not be realizable on a more-likely-than-not basis. As of June 30, 2021, the Company had unrecognized tax benefits of $5,302, all of which would affect the effective tax rate if recognized. The increase was primarily due to tax positions taken during the current and prior periods. The Company is unable to reasonably estimate the timing of long-term payments or the amount by which the liability will increase or decrease. The Company’s policy is to classify accrued interest and penalties related to unrecognized tax benefits in the benefit from/(provision for) income taxes

in the condensed consolidated statement of operations. There were no accrued interest and penalties as of June 30, 2022. Accrued interest and penalties were $311 as of June 30, 2021.

The Company's corporate federal income tax returns for the years ended December 31, 2012 through December 31, 2021 remain subject to examination by the Internal Revenue Service. The Company's corporate income tax returns for the years ended December 31, 2017 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.

11. 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 that could apply to a platform like the Company's. 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 $24,478 and $19,565 as of June 30, 2022 and December 31, 2021, respectively, which is included in accrued liabilities in the condensed 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.

12. 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 three and six months ended June 30, 2022, the Company recorded sublease income of $125 related to the sublease Chicago, IL office space.

On March 31, 2022, the Company remeasured the useful life of its operating lease right-of-use asset related to its 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 six months ended June 30, 2022.

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

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Operating lease costs		
Operating lease costs	3,571	7,424
Variable lease costs	523	869
Short-term lease costs	32	48
Operating lease income		
Sublease income	215	$ 310
Total operating lease expense, net	$ 3,911	$ 8,031

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

	Six Months Ended June 30, 2022
Cash paid for amounts included in the measurement of operating lease liabilities, net of cash received for lease incentives	$ 6,756

The Company did not record any material operating lease right-of-use assets in exchange for new operating lease liabilities during the three and six months ended June 30, 2022.

As of June 30, 2022, the weighted-average lease term and discount rate related to operating leases were as follows:

	June 30, 2022
Weighted-average remaining lease term (in years)	8.83
Weighted-average discount rate use in measuring operating lease liabilities	3.69 %

As of June 30, 2022, maturities of operating lease liabilities were as follows:

Year Ending December 31,	Amount
Remainder of 2022	$ 7,345
2023	15,772
2024	16,386
2025	16,772
2026	17,496
Thereafter	79,194
Total operating lease payments	152,965
Less: imputed interest	(23,505)
Total operating lease liabilities	$ 129,460

13. 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 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 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 redemption value of the redeemable convertible preferred stock immediately prior to the conversion into common stock was as follows:

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

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.

14. 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 three months ended June 30, 2022, the Company repurchased 1,562,460 shares for a total cash consideration of $35,202, including commissions of $34, under the Stock Repurchase Plan through open market purchases at a weighted-average price per share of $20.73. As of June 30, 2022, approximately $164,798 remained available for stock repurchase pursuant to the Stock Repurchase Program.

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 our 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 June 30, 2022, the Company has not issued any shares of the new Class C common stock.

Dividends

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 three and six months ended June 30, 2022, the Company did not declare or pay any dividends. During the three and six months ended June 30, 2021, the Company did not declare any dividends.

15. Accumulated Other Comprehensive Income/(Loss)

Accumulated other comprehensive income/(loss) activity for the three and six months ended June 30, 2022 and 2021 was as follows:

	Foreign Currency Translation Adjustments	Net Unrealized Losses on Marketable Securities	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2021	$ (170)	$ (38)	$ (208)
Other comprehensive loss before reclassifications	(801)	(178)	(979)
Other comprehensive loss	(801)	(178)	(979)
Balance at March 31, 2022	$ (971)	$ (216)	$ (1,187)
Other comprehensive loss before reclassifications	(2,037)	(77)	(2,114)
Other comprehensive loss	(2,037)	(77)	(2,114)
Balance at June 30, 2022	$ (3,008)	$ (293)	$ (3,301)

	Foreign Currency Translation Adjustments	Net Unrealized Gains/(Losses) on Marketable Securities	Total Accumulated Other Comprehensive Income/(Loss)
Balance at December 31, 2020	$ 2,341	$ 114	$ 2,455
Other comprehensive loss before reclassifications	(1,282)	(45)	(1,327)
Other comprehensive loss	(1,282)	(45)	(1,327)
Balance at March 31, 2021	$ 1,059	$ 69	$ 1,128
Other comprehensive income/(loss) before reclassifications	788	(46)	742
Other comprehensive income/(loss)	788	(46)	742
Balance at June 30, 2021	$ 1,847	$ 23	$ 1,870

Amounts reclassified out of accumulated other comprehensive income/(loss), net of taxes, during the three and six months ended June 30, 2022 and 2021 were not material.

16. 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. After November 17, 2017, there were no additional grants from the 2008 Plan.

Stock options in common stock exercised were 269,064 and 612,751 during the three and six months ended June 30, 2022, respectively, and 2,075,761 and 2,976,237 during the three and six months ended June 30, 2021, respectively. Cash consideration for stock options exercised were $969 and $2,110 during the three and six months ended June 30, 2022, respectively, and $2,858 and $3,566 during the three and six months ended June 30, 2021, respectively.

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. During the three and six months ended June 30, 2022, there were 733,488 and 1,413,622 shares that vested under the 2017 plan of which 324,080 and 611,535 shares were reacquired in order to satisfy employee tax obligations, respectively. After April 15, 2021, there were no additional grants 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. During the three and six months ended June 30, 2022, the Company granted 673,715 and 5,192,191 shares of Class A common stock in the form of RSUs under the 2021 Plan, respectively. RSUs generally vest over four years and subsequent to the Direct Listing, are measured based on the closing price of our Class A common stock as reported on the date of grant. During the three and six months ended June 30, 2022, there were 93,661 shares that vested under the 2021 plan of which 26,076 shares were reacquired in order to satisfy employee tax obligations.

Additional Shareholder RSUs

During the six months ended June 30, 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.

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 CEO Stock Grant Agreement. As a result, the Company recorded stock-based compensation expense of $229,288 in general and administrative expenses in the consolidated statements 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.

During the three and six months ended June 30, 2022, the Company recorded compensation expense of $7,731 and $15,377, respectively, related to the Casalena Performance Award in general and administrative expenses in the condensed consolidated statements of operations.

Stock-based Compensation

The classification of stock-based compensation by line item in the condensed consolidated statements of operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of revenue	$ 846	$ 380	$ 1,470	$ 655
Research and product development	11,508	8,245	21,676	15,038
Marketing and sales	2,395	1,569	3,994	2,741
General and administrative	12,111	240,319	23,817	241,931
Total stock-based compensation	$ 26,860	$ 250,513	$ 50,957	$ 260,365

The amount above excludes $196 and $259 of stock compensation capitalized as property and equipment, net, for the three and six months ended June 30, 2022, respectively, and $21 and $42 for the three and six months ended June 30, 2021, respectively.

During the three months ended June 30, 2022, certain RSUs were modified to allow for accelerated vesting. As a result of these modifications, the Company recorded $2,175 during the three months ended June 30, 2022 and will record lower stock-based compensation expense of $18,247 through fiscal 2026.

17. Related Party Transactions

The Company's Chief Financial Officer 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 three and six months ended June 30, 2022.

Certain members of Tock's senior management have an ownership in several of the Company's restaurant customers. For the three and six months ended June 30, 2022, these restaurant customers contributed revenue of $303 and $565. As of June 30, 2022, the Company had a liability of $3,212 due to these restaurant customers, which primarily represents diner prepayments and sales tax, and is included in funds due to customers in the condensed 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 three and six months ended June 30, 2022.

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

The Company computes net income/(loss) 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 income/(loss). Each share of Class C common stock was automatically converted into a share of Class A common stock immediately prior to the registration statement in connection with the Direct Listing being declared effective.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income/(loss)	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)
Net income/(loss) attributable to Class A, Class B and Class C common stockholders, basic and dilutive	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)
Denominator:				
Weighted-average shares used in computing net income/(loss) per share attributable to Class A, Class B, and Class C stockholders, basic	140,082,038	72,900,951	139,754,453	51,879,264
Effect of dilutive securities	2,051,265	—	—	—
Weighted-average shares used in computing net income/(loss) per share attributable to Class A, Class B, and Class C stockholders, dilutive	142,133,303	72,900,951	139,754,453	51,879,264
Net income/(loss) per share attributable to Class A, Class B, and Class C common stockholders, basic	$ 0.46	$ (3.22)	$ (0.20)	$ (4.54)
Net income/(loss) per share attributable to Class A, Class B, and Class C common stockholders, dilutive	$ 0.45	$ (3.22)	$ (0.20)	$ (4.54)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Outstanding stock options	—	2,251,021	1,229,291	2,251,021
Restricted stock units	6,498,455	5,737,243	8,058,013	5,737,243
Total	6,498,455	7,988,264	9,287,304	7,988,264

Item 2. 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 unaudited condensed consolidated financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2021 included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 7, 2022. 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 Quarterly Report on Form 10-Q, particularly under "Part 2. Item 1A. Risk Factors." Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Squarespace is an all-in-one platform with everything to sell anything, providing customers in over 200 countries and territories with all the tools they need to sell physical products, digital content, classes, appointments, reservations and more. Powered by best-in-class design for a consistent brand experience across all touchpoints, our suite of fully integrated products enables anyone to manage their projects and businesses through websites, domains, e-commerce, marketing tools, and scheduling, along with tools for managing a social media presence with Unfold and hospitality services via Tock.

We primarily derive revenue from monthly and annual subscriptions to our presence and commerce solutions. Subscription revenue accounted for 91.6% of our total revenue for the three and six months ended June 30, 2022, and 91.2% and 92.7% of our total revenue for the three and six months ended June 30, 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 $212.7 million and $420.5 million for the three and six months ended June 30, 2022, respectively, and net income of $64.5 million and net loss of $28.4 million for the three and six months ended June 30, 2022, respectively. We generated revenue of $196.0 million and $375.7 million for the three and six months ended June 30, 2021, respectively, and net loss of $234.5 million and $235.7 million for the three and six months ended June 30, 2021, respectively. We believe we have a stable and predictable business model driven by customer acquisition and the adoption by our customers over time of higher value offerings and add-on subscriptions. Our platform serves all types of customers, from small and medium-sized businesses ("SMBs") and independent creators, such as restaurants, photographers, wedding planners, artists, musicians and bloggers, to iconic brands. No individual unique subscription accounted for more than 1% of our total bookings for the three and six months ended June 30, 2022 and 2021.

Key Factors Affecting Our Performance

Acquisition of new and retention of existing unique subscriptions

The growth of unique subscriptions to our platform is the primary driver of our revenue growth. The number of unique subscriptions to our platform has grown sequentially across 26 consecutive quarters, rising to 4.2 million unique subscriptions as of June 30, 2022, representing an increase of 6.2% relative to June 30, 2021. In order to continue to grow the number of unique subscriptions, we intend to continue to invest in our marketing efforts, develop new points of entry to our platform and expand internationally. We increased our marketing and sales spend 7.6% during the six months ended June 30, 2022 relative to the same period in 2021. We view this increased 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 three and six months ended June 30, 2022, our platform processed approximately $1,517.3 million and $3,091.8 million of gross merchandise value ("GMV"), respectively, representing an increase of 5.3% and 16.0% from the same period in 2021, respectively. 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 and innovate our commerce offerings to enable customers to build the most impactful online stores, deepen our functionality in physical commerce and establish leadership in commerce services and hospitality

services. Our commerce revenue was $66.2 million and $130.0 million for the three and six months ended June 30, 2022, representing 12.7% and 23.2% growth from the same period in 2021, respectively. 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 $58.8 million and $116.2 million for the three and six months ended June 30, 2022, representing 20.3% and 27.8% growth over the same period in 2021.

Foreign currency fluctuations

As of June 30, 2022, we had customers in over 200 countries and territories and our international customers represented approximately 30% of our total 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 70% and 30% 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 received 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 advanced 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 disaggregate 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. 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.

Interest expense

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

Other income/(loss), net

Other income/(loss), net is primarily comprised of net investment income and realized and unrealized foreign currency gains and losses. See “Item 3. Quantitative and Qualitative Disclosures About Market Risk, Foreign Currency Exchange Risk.”

Benefit from/(provision for) income taxes

We are subject to income taxation and file U.S. federal income tax returns as well as income tax returns in the various U.S. states and foreign jurisdictions in which we conduct business. For interim periods, we historically utilized the estimated annual effective tax rate method under which we determined our benefit from/(provision for) income taxes based on the current estimate of our annual effective tax rate. For the three and six months ended June 30, 2022, we utilized the discrete effective tax rate method, as allowed under ASC 740, Income Taxes - Interim Reporting, when the application of the estimated annual tax rate method is impractical and does not provide a reasonable estimate of the annual effective tax rate. The discrete method treats the year-to-date period as if it were the annual period and determines the interim income taxes on that basis. We determined that since small changes in estimated annual pre-tax income/(loss) would result in significant changes in the estimated annual effective tax rate and significant variations in the customary relationship between the benefit from/(provision for) income taxes and pre-tax accounting income/(loss), the historical method would not provide a reliable estimate of our effective tax rate for the three and six months ended June 30, 2022. We will reevaluate the use of this method each quarter until we believe a return to the estimated annual effective rate method is deemed appropriate.

Results of operations

The following table sets forth our condensed consolidated statements of operations information for the three and six months ended June 30, 2022 and 2021.

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	$ 212,702	$ 196,010	$ 420,464	$ 375,656
Cost of revenue(1)	36,993	32,501	73,642	59,909
Gross profit	175,709	163,509	346,822	315,747
Operating expenses:				
Research and product development(1)	58,829	48,912	116,157	90,923
Marketing and sales(1)	68,743	70,784	181,649	168,756
General and administrative(1)	39,190	284,730	75,171	304,246
Total operating expenses	166,762	404,426	372,977	563,925
Operating income/(loss)	8,947	(240,917)	(26,155)	(248,178)
Interest expense	(3,319)	(2,827)	(5,768)	(6,087)
Other income/(loss), net	6,217	(1,201)	7,728	2,392
Income/(loss) before benefit from/(provision for) income taxes	11,845	(244,945)	(24,195)	(251,873)
Benefit from/(provision for) income taxes	52,651	10,413	(4,169)	16,195
Net income/(loss)	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)

(1) Includes stock-based compensation as follows:

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of revenue	$ 846	$ 380	$ 1,470	$ 655
Research and product development	11,508	8,245	21,676	15,038
Marketing and sales	2,395	1,569	3,994	2,741
General and administrative	12,111	240,319	23,817	241,931
Total stock-based compensation	$ 26,860	$ 250,513	$ 50,957	$ 260,365

The following table sets forth our condensed consolidated statements of operations information as a percentage of total revenue for the three and six months ended June 30, 2022 and 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	17.4 %	16.6 %	17.5 %	15.9 %
Gross profit	82.6 %	83.4 %	82.5 %	84.1 %
Operating expenses:				
Research and product development	27.7 %	25.0 %	27.6 %	24.2 %
Marketing and sales	32.3 %	36.1 %	43.2 %	44.9 %
General and administrative	18.4 %	145.3 %	17.9 %	81.0 %
Total operating expenses	78.4 %	206.4 %	88.7 %	150.1 %
Operating income/(loss)	4.2 %	(123.0)%	(6.2)%	(66.0)%
Interest expense	(1.6)%	(1.4)%	(1.4)%	(1.6)%
Other income/(loss), net	2.9 %	(0.6)%	1.8 %	0.6 %
Income/(loss) before benefit from/(provision for) income taxes	5.5 %	(125.0)%	(5.8)%	(67.0)%
Benefit from/(provision for) income taxes	24.8 %	5.3 %	(1.0)%	4.3 %
Net income/(loss)	30.3 %	(119.7)%	(6.8)%	(62.7)%

The following table sets forth our condensed consolidated revenue by geographic location and our condensed consolidated revenue by geographic location as a percentage of total revenue for the three and six months ended June 30, 2022 and 2021.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
($ in thousands, except percentages)	2022	2021	Amount	%	2022	2021	Amount	%
	(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)		
United States	$ 152,354	$ 141,517	$ 10,837	7.7 %	$ 299,174	$ 268,560	$ 30,614	11.4 %
International	60,348	54,493	5,855	10.7 %	121,290	107,096	14,194	13.3 %
Total revenue	$ 212,702	$ 196,010	$ 16,692	8.5 %	$ 420,464	$ 375,656	$ 44,808	11.9 %
Percentage of total revenue:								
United States	71.6 %	72.2 %			71.2 %	71.5 %		
International	28.4 %	27.8 %			28.8 %	28.5 %		
Total revenue	100 %	100 %			100 %	100 %		

During the three months ended September 30, 2021, we identified certain revenues which should have been classified as international revenues during the first and second quarter. Accordingly, in the third quarter of 2021, we reclassified approximately $4.1 million and $5.1 million related to the first and second quarter out of United States and into international revenue. Using the updated classification, the year-over-year growth for the three and six months ended June 30, 2022 would have been 1.3% and 4.3% for international, respectively, and 11.7% and 15.4% for the United States, respectively. In addition, for the three and six months ended June 30, 2021 the international percentage of total revenue would have been 30.4% and 31.0%, respectively, and the United States percentage of total revenue would have been 69.6% and 69.0%, respectively. No amounts were reclassified related to fiscal 2022.

Comparison of the Three Months Ended June 30, 2022 and 2021

Revenue

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Presence	$ 146,531	$ 137,277	$ 9,254	6.7 %
Commerce	66,171	58,733	7,438	12.7 %
Total revenue	$ 212,702	$ 196,010	$ 16,692	8.5 %
Percentage of total revenue:				
Presence	68.9 %	70.0 %		
Commerce	31.1 %	30.0 %		
Total revenue	100 %	100 %		

Presence revenue

Presence revenue increased $9.3 million, or 6.7%, for the three months ended June 30, 2022 compared to the same period in 2021. This increase was primarily the result of our growing unique subscriptions, driven by strong retention of existing subscriptions and continued acquisition of new subscriptions.

Commerce revenue

Commerce revenue increased $7.4 million, or 12.7%, for the three months ended June 30, 2022 compared to the same period in 2021. This increase was primarily a result of our growing unique subscriptions across our commerce offerings.

Cost of revenue and gross profit

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Cost of revenue	$ 36,993	$ 32,501	$ 4,492	13.8 %
Gross profit	$ 175,709	$ 163,509	$ 12,200	7.5 %
Percentage of total revenue:				
Cost of revenue	17.4 %	16.6 %		
Gross profit	82.6 %	83.4 %		

Cost of revenue

Cost of revenue increased $4.5 million, or 13.8%, for the three months ended June 30, 2022 compared to the same period in 2021. The increase was primarily driven by increased payment processing fees and hosting costs 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 $12.2 million, or 7.5%, for the three months ended June 30, 2022 compared to the same period in 2021. As a percentage of total revenue, gross profit was 82.6% and 83.4% for the three months ended June 30, 2022 and 2021, respectively.

Operating expenses:

Research and product development

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Research and product development	$ 58,829	$ 48,912	$ 9,917	20.3 %
Percentage of total revenue	27.7 %	25.0 %		

Research and product development expenses increased $9.9 million, or 20.3%, for the three months ended June 30, 2022 compared to the same period in 2021. The increase is primarily due to payroll and associated benefit expenses related to increased headcount in support of our product development roadmap.

Marketing and sales

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Marketing and sales	$ 68,743	$ 70,784	$ (2,041)	(2.9)%
Percentage of total revenue	32.3 %	36.1 %		

Marketing and sales expenses decreased $2.0 million, or 2.9%, for the three months ended June 30, 2022 compared to the same period in 2021, primarily due to reduction in our brand spend channels partially offset by increased expenses related to our direct response channels and increased headcount in support of our expanded marketing operations.

General and administrative

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
General and administrative	$ 39,190	$ 284,730	$ (245,540)	(86.2)%
Percentage of total revenue	18.4 %	145.3 %		

General and administrative expenses decreased $245.5 million, or 86.2%, for the three months ended June 30, 2022 compared to the same period in 2021, primarily due to expenses incurred in connection with our Direct Listing during 2021, including $229.3 million of stock-based compensation expense associated with the vesting conditions of a grant to our Chief Executive Officer ("CEO") of shares of Class B common stock upon consummation of the listing, as well as professional fees of $25.3 million.

Interest expense

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Interest expense	$ (3,319)	$ (2,827)	$ 492	17.4 %
Percentage of total revenue	(1.6)%	(1.4)%		

Interest expense increased $0.5 million, or 17.4%, for the three months ended June 30, 2022 compared to the same period in 2021 due to higher interest rates on our total debt outstanding related to our amended credit agreement.

Other income/(loss), net

($ in thousands, except percentages)	Three Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Other income/(loss), net	$ 6,217	$ (1,201)	$ 7,418	(617.7)%
Percentage of total revenue	2.9 %	(0.6)%		

Other income/(loss), net was in a net income position of $6.2 million for the three months ended June 30, 2022 compared to a net loss position of $1.2 million during the same period in 2021. The increase is primarily due to favorable foreign exchange rates for the three months ended June 30, 2022 compared to the same period in 2021.

Benefit from/(provision for) income taxes

For the three months ended June 30, 2022 and 2021, we recorded an income tax benefit of $52.7 million and an income tax benefit of $10.4 million, respectively, which resulted in an effective tax rate of 444.5% and (4.3)%, respectively.

Our effective income tax rate for the three months ended June 30, 2022 differed from the statutory rate of 21% primarily due to the change in the valuation allowance for deferred tax assets related primarily to the capitalization of research and development expenditures, nondeductible executive compensation, unrecognized tax benefits, and the effect

from foreign operations, partially offset by research and development tax credits, windfall on stock-based compensation, and deduction from foreign-derived intangible income. The provision for income taxes for the three months ended June 30, 2022 also reflects a provision of the Tax Cuts and Jobs Act of 2017 becoming effective as of January 1, 2022 that requires companies to capitalize and amortize research and development expenditures rather than deduct the costs as incurred. Unless the law is changed or repealed, we expect our effective tax rate and cash payments to change significantly as compared to fiscal 2021.

Our estimated annual effective income tax rate for the three months ended June 30, 2021 differed from the statutory rate of 21% primarily due to nondeductible executive compensation, nondeductible transaction expenses, minimum taxes, partially offset by windfall on stock-based compensation and research and development tax credits.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue

($ in thousands, except percentages)	Six Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Presence	$ 290,476	$ 270,148	$ 20,328	7.5 %
Commerce	129,988	105,508	24,480	23.2 %
Total revenue	$ 420,464	$ 375,656	$ 44,808	11.9 %
Percentage of total revenue:				
Presence	69.1 %	71.9 %		
Commerce	30.9 %	28.1 %		
Total revenue	100 %	100 %		

Presence revenue

Presence revenue increased $20.3 million, or 7.5%, for the six months ended June 30, 2022 compared to the same period in 2021. This increase was primarily the result of our growing unique subscriptions, driven by strong retention of existing subscriptions and continued acquisition of new subscriptions.

Commerce revenue

Commerce revenue increased $24.5 million, or 23.2%, for the six months ended June 30, 2022 compared to the same period in 2021. This increase was primarily a result of our growing unique subscriptions across our commerce offerings, as well as the addition and subsequent growth in hospitality services.

Cost of revenue and gross profit

($ in thousands, except percentages)	Six Months Ended June 30,		Change	
	2022	2021	Amount	%
	(Unaudited)	(Unaudited)		
Cost of revenue	$ 73,642	$ 59,909	$ 13,733	22.9 %
Gross profit	$ 346,822	$ 315,747	$ 31,075	9.8 %
Percentage of total revenue:				
Cost of revenue	17.5 %	15.9 %		
Gross profit	82.5 %	84.1 %		

Cost of revenue

Cost of revenue increased $13.7 million, or 22.9%, for the six months ended June 30, 2022 compared to the same period in 2021. The increase was primarily driven by increased payment processing fees and hosting costs 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 $31.1 million, or 9.8%, for the six months ended June 30, 2022 compared to the same period in 2021. As a percentage of total revenue, gross profit was 82.5% and 84.1% for the six months ended June 30, 2022 and 2021, respectively.

Operating expenses:

Research and product development

($ in thousands, except percentages)	Six Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2021 (Unaudited)	Change Amount	Change %
Research and product development	$ 116,157	$ 90,923	$ 25,234	27.8 %
Percentage of total revenue	27.6 %	24.2 %		

Research and product development expenses increased $25.2 million, or 27.8%, for the six months ended June 30, 2022 compared to the same period in 2021. The increase is primarily due to payroll and associated benefit expenses related to increased headcount in support of our product development roadmap and the addition of hospitality services.

Marketing and sales

($ in thousands, except percentages)	Six Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2021 (Unaudited)	Change Amount	Change %
Marketing and sales	$ 181,649	$ 168,756	$ 12,893	7.6 %
Percentage of total revenue	43.2 %	44.9 %		

Marketing and sales expenses increased $12.9 million, or 7.6%, for the six months ended June 30, 2022 compared to the same period in 2021, primarily due to payroll and associated benefits related to increased headcount in support of our expanded marketing operations including hospitality services. The remainder of the increase was due to spend in multiple direct response and associated production channels both domestically and internationally.

General and administrative

($ in thousands, except percentages)	Six Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2021 (Unaudited)	Change Amount	Change %
General and administrative	$ 75,171	$ 304,246	$ (229,075)	(75.3)%
Percentage of total revenue	17.9 %	81.0 %		

General and administrative expenses decreased $229.1 million, or 75.3%, for the six months ended June 30, 2022 compared to the same period in 2021, primarily due to one-time expense related to our Direct Listing in May 2021, including 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, as well as professional fees of $25.3 million.

Interest expense

($ in thousands, except percentages)	Six Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2021 (Unaudited)	Change Amount	Change %
Interest expense	$ (5,768)	$ (6,087)	$ (319)	(5.2)%
Percentage of total revenue	(1.4)%	(1.6)%		

Interest expense decreased $0.3 million, or 5.2%, for the six months ended June 30, 2022 compared to the same period in 2021 due to lower total debt outstanding partially offset by higher interest rates.

Other income/(loss), net

($ in thousands, except percentages)	Six Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2021 (Unaudited)	Change Amount	Change %
Other income/(loss), net	$ 7,728	$ 2,392	$ 5,336	223.1 %
Percentage of total revenue	1.8 %	0.6 %		

Other income/(loss), net was in a net income position of $7.7 million for the six months ended June 30, 2022 compared to a net income position of $2.4 million during the same period in 2021. The increase is primarily due to favorable foreign exchange rates for the six months ended June 30, 2022 compared to the same period in 2021.

Benefit from/(provision for) income taxes

For the six months ended June 30, 2022 and 2021, we recorded an income tax expense of $4.2 million and an income tax benefit of $16.2 million, respectively, which resulted in an effective tax rate of 17.2% and (6.4)%, respectively.

Our effective income tax rate for the six months ended June 30, 2022 differed from the statutory rate of 21% primarily due to the change in the valuation allowance for deferred tax assets related primarily to the capitalization of research and development expenditures, nondeductible executive compensation, global intangible low-taxed income, unrecognized tax benefits, and the effect from foreign operations, partially offset by research and development tax credits, windfall on stock-based compensation, and deduction from foreign-derived intangible income. The provision for income taxes for the six months ended June 30, 2022 also reflects a provision of the Tax Cuts and Jobs Act of 2017 becoming effective as of January 1, 2022 that requires companies to capitalize and amortize research and development expenditures rather than deduct the costs as incurred. Unless the law is changed or repealed, we expect our effective tax rate and cash payments to change significantly as compared to fiscal 2021.

Our estimated annual effective income tax rate for the six months ended June 30, 2021 differed from the statutory rate of 21% primarily due to nondeductible executive compensation, nondeductible transaction expenses, minimum taxes, partially offset by windfall on stock-based compensation and research and development tax credits.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for each of the eight fiscal quarters ended June 30, 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 condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. These quarterly results are not necessarily indicative of our results of operations to be expected for any future period.

	Three Months Ended (Unaudited)							
($ in thousands)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenue	$ 212,702	$ 207,762	$ 207,420	$ 200,962	$ 196,010	$ 179,646	$ 172,300	$ 162,335
Cost of revenue(1)	36,993	36,649	33,854	32,868	32,501	27,408	26,171	24,550
Gross profit	175,709	171,113	173,566	168,094	163,509	152,238	146,129	137,785
Operating expenses:								
Research and product development(1)	58,829	57,328	50,679	48,769	48,912	42,011	57,409	38,379
Marketing and sales(1)	68,743	112,906	90,960	80,249	70,784	97,972	73,549	59,656
General and administrative(1)	39,190	35,981	31,608	32,091	284,730	19,516	17,077	11,961
Total operating expenses	166,762	206,215	173,247	161,109	404,426	159,499	148,035	109,996
Operating income/(loss)	8,947	(35,102)	319	6,985	(240,917)	(7,261)	(1,906)	27,789
Interest expense	(3,319)	(2,449)	(2,503)	(2,491)	(2,827)	(3,260)	(1,997)	(2,460)
Other income/(loss), net	6,217	1,511	2,138	2,101	(1,201)	3,593	(4,076)	(3,488)
Income/(loss) before benefit from/(provision for) income taxes	11,845	(36,040)	(46)	6,595	(244,945)	(6,928)	(7,979)	21,841
Benefit from/(provision for) income taxes	52,651	(56,820)	(16,264)	(3,756)	10,413	5,782	12,236	(3,917)
Net income/(loss)	$ 64,496	$ (92,860)	$ (16,310)	$ 2,839	$ (234,532)	$ (1,146)	$ 4,257	$ 17,924
Net income/(loss) attributable to Class A, Class B and Class C common stockholders, basic(2)	$ 64,496	$ (92,860)	$ (16,310)	$ 2,839	$ (234,532)	$ (2,115)	$ (275,439)	$ 2,963
Net income/(loss) attributable to Class A, Class B and Class C common stockholders, dilutive(2)	$ 64,496	$ (92,860)	$ (16,310)	$ 2,839	$ (234,532)	$ (2,115)	$ (275,439)	$ 3,841
Net income/(loss) per share attributable to Class A, Class B, and Class C common stockholders, basic	$ 0.46	$ (0.67)	$ (0.12)	$ 0.02	$ (3.22)	$ (0.11)	$ (14.98)	$ 0.13
Net income/(loss) per share attributable to Class A, Class B, and Class C common stockholders, dilutive	$ 0.45	$ (0.67)	$ (0.12)	$ 0.02	$ (3.22)	$ (0.11)	$ (14.98)	$ 0.12
Weighted-average shares used in computing net income/(loss) per share attributable to Class A, Class B, and Class C stockholders, basic	140,082,038	139,423,228	138,970,923	138,625,579	72,900,951	19,012,323	18,383,523	22,535,791
Weighted-average shares used in computing net income/(loss) per share attributable to Class A, Class B, and Class C stockholders, dilutive	142,133,303	139,423,228	138,970,923	143,251,717	72,900,951	19,012,323	18,383,523	31,201,743

(1) Includes stock-based compensation as follows:

	Three Months Ended (Unaudited)							
($ in thousands)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Cost of revenue	$ 846	$ 624	$ 450	$ 440	$ 380	$ 275	$ 212	$ 202
Research and product development	11,508	10,168	9,210	8,782	8,245	6,793	6,151	5,522
Marketing and sales	2,395	1,599	1,472	1,716	1,569	1,172	839	882
General and administrative(a)	12,111	11,706	12,693	12,796	240,319	1,612	1,229	1,047
Total stock-based compensation	$ 26,860	$ 24,097	$ 23,825	$ 23,734	$ 250,513	$ 9,852	$ 8,431	$ 7,653

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, 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.

(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)							
($ in thousands)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue(1)	17.4 %	17.6 %	16.3 %	16.4 %	16.6 %	15.3 %	15.2 %	15.1 %
Gross profit	82.6 %	82.4 %	83.7 %	83.6 %	83.4 %	84.7 %	84.8 %	84.9 %
Operating expenses:								
Research and product development(1)	27.7 %	27.6 %	24.4 %	24.3 %	25.0 %	23.4 %	33.3 %	23.6 %
Marketing and sales(1)	32.3 %	54.3 %	43.9 %	39.9 %	36.1 %	54.5 %	42.7 %	36.7 %
General and administrative(1)	18.4 %	17.3 %	15.2 %	16.0 %	145.3 %	10.9 %	9.9 %	7.4 %
Total operating expenses	78.4 %	99.2 %	83.5 %	80.2 %	206.4 %	88.8 %	85.9 %	67.7 %
Operating income/(loss)	4.2 %	(16.8)%	0.2 %	3.4 %	(123.0)%	(4.1)%	(1.1)%	17.2 %
Interest expense	(1.6)%	(1.2)%	(1.2)%	(1.2)%	(1.4)%	(1.8)%	(1.2)%	(1.5)%
Other income/(loss), net	2.9 %	0.7 %	1.0 %	1.0 %	(0.6)%	2.0 %	(2.4)%	(2.1)%
Income/(loss) before benefit from/(provision for) income taxes	5.5 %	(17.3)%	— %	3.2 %	(125.0)%	(3.9)%	(4.7)%	13.6 %
Benefit from/(provision for) income taxes	24.8 %	(27.3)%	(7.8)%	(1.9)%	5.3 %	3.2 %	7.1 %	(2.4)%
Net income/(loss)	30.3 %	(44.6)%	(7.8)%	1.3 %	(119.7)%	(0.7)%	2.4 %	11.2 %

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 June 30, 2022, we had cash and cash equivalents and investment in marketable securities of $247.3 million and $15.4 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 a new operating lease in Chicago, IL which reduced the amount available under our Revolving Credit Facility from $17.9 million to $15.4 million; see "Item 1. Financial Information, Item 1. Financial Statements, Note 9. 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. 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 do not expect to receive these refunds until later in 2022. Our principal commitments consist of payments for our Credit Facility, operating leases and purchase commitments related to cloud-computing services. In addition, as of June 30, 2022, we had accrued $9.7 million of unrecognized tax benefits related to uncertain tax positions. 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 three months ended June 30, 2022, the Company repurchased 1.6 million shares for a total cash consideration of $35.2 million, including commissions of $0.03 million, through open market purchases at an average price per share of $20.73. As of June 30, 2022, approximately $164.8 million remained available for stock repurchase. 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. 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. Although we currently are not a party to any agreement and do not have any understanding with any third-parties with respect to future investments in, or acquisitions of, businesses or technologies, we may enter into these types of arrangements following the filing of this Quarterly Report on Form 10-Q, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all, including as a result of disruptions in the credit markets. See "Part 2. Item 1A. Risk Factors."

The following table summarizes our operating, investing and financing activities for the six months ended June 30, 2022 and 2021.

($ in thousands)	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net cash provided by/(used in):		
Operating activities	$ 83,683	$ 58,823
Investing activities	$ (6,811)	$ (204,306)
Financing activities	$ (55,154)	$ 275,080

Net cash provided by operating activities

Net cash provided by operating activities in the six months ended June 30, 2022 was $83.7 million, which reflected our net loss of $28.4 million, which was increased by non-cash items such as $51.0 million of stock-based compensation, $15.9 million of depreciation and amortization, and $0.6 million of non-cash lease expense. Cash provided by operating activities included $30.3 million in deferred revenue, $(3.0) million in prepaid expenses and other current assets, $9.5 million in funds payable to customers, $9.3 million of accounts payable and accrued liabilities, which was offset by $1.7 million in accounts receivables and due from vendors.

Net cash provided by operating activities in the six months ended June 30, 2021 was $58.8 million, which reflected our net loss of $235.7 million, which was increased by certain non-cash items primarily consisting of $260.4 million of stock-based compensation and $16.2 million of depreciation and amortization, partially offset by $17.0 million of deferred income taxes. Cash provided by operating activities included $4.3 million in accounts payable and accrued liabilities, $30.8 million in deferred revenue and $10.1 million in funds payable to customers, which was primarily offset by $10.8 million in prepaid expenses and other current assets.

Net cash used in investing activities

Net cash used in investing activities in the six months ended June 30, 2022 was $6.8 million, which reflected $5.7 million spent in connection with the purchase of property and equipment, and $17.0 million used to purchase marketable securities, offset by $15.9 million in proceeds from the sale and maturities of marketable securities.

Net cash used in investing activities in the six months ended June 30, 2021 was $204.3 million, which reflected $202.5 million, net of acquired cash, used to pay for the acquisition of Tock and $14.2 million used to purchase marketable securities, which was partially offset by $14.8 million in proceeds from the sale and maturities of marketable securities. We additionally spent $2.4 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 the six months ended June 30, 2022 was $55.2 million, which reflects $35.2 million cash spent on proceeds from repurchase and retirement of Class A common stock, $15.3 million on stock purchases related to equity incentive plans, and $6.8 million in principal payments on our Term Loan, partially offset by $2.1 million in proceeds from the exercise of stock options.

Net cash provided by financing activities in the six months ended June 30, 2021 was $275.1 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. These proceeds were partially offset by $25.7 million in stock purchases related to equity incentive plans and $6.8 million in principal payments on our Term Loan.

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, in an aggregate amount equal to 0.20% 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 Quarterly Report on Form 10-Q since the Credit Agreement allows for additional adjustments to net income/(loss) 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 June 30, 2022, $523.1 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 10.00% 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, incurrences of indebtedness and sale leasebacks.

As of June 30, 2022, $9.6 million was outstanding under the Revolving Credit Facility in the form of outstanding letters of credit and $15.4 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 ended December 31, 2020, we are 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 June 30, 2022, we were 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 $3.3 million and $5.8 million for the three and six months ended June 30, 2022, respectively, and $2.8 million and $6.1 million for the three and six months ended June 30, 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 from similar key performance indicators and non-GAAP financial measures, respectively, used by other companies.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Unique subscriptions (in thousands)	4,182	3,937	4,182	3,937
Total bookings (in thousands)	$ 219,912	$ 206,645	$ 448,451	$ 405,592
ARRR (in thousands)	$ 837,759	$ 777,940	$ 837,759	$ 777,940
ARPUS	$ 204.17	$ 193.03	$ 204.17	$ 193.03
Adjusted EBITDA (in thousands)	$ 43,618	$ 42,640	$ 40,671	$ 53,737
Unlevered free cash flow (in thousands)	$ 36,377	$ 10,254	$ 81,912	$ 62,036
GMV (in thousands)	$ 1,517,286	$ 1,440,442	$ 3,091,826	$ 2,666,430

Unique subscriptions. Unique subscriptions represent the number of unique sites, standalone scheduling subscriptions, Unfold (social) 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 0.2 million, or 6.2%, as of June 30, 2022 compared to the same period in 2021. These increases were primarily a result of the continued acquisition of new subscriptions and the retention of existing customers.

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 13.3 million, or 6.4%, for the three months ended June 30, 2022 compared to the same period in 2021 and increased 42.9 million, or 10.6%, for the six months ended June 30, 2022. These increases were primarily a result of an increase in unique subscriptions and the addition of 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 $59.8 million, or 7.7%, as of June 30, 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. 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 and add-on subscriptions.

ARPUS increased $11.1, or 5.8%, as of June 30, 2022 compared to the same period in 2021. The increase was primarily due to a shift in revenue mix toward commerce and 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 income/(loss) excluding interest expense, other income, 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 income/(loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2022	2021	2022	2021
Net income/(loss)	$ 64,496	$ (234,532)	$ (28,364)	$ (235,678)
Interest expense	3,319	2,827	5,768	6,087
(Benefit from)/provision for income taxes	(52,651)	(10,413)	4,169	(16,195)
Depreciation and amortization	7,811	7,726	15,869	16,232
Stock-based compensation expense	26,860	250,513	50,957	260,365
Other income/(loss), net	(6,217)	1,201	(7,728)	(2,392)
Direct listing costs	—	25,318	—	25,318
Adjusted EBITDA	43,618	42,640	40,671	53,737

Adjusted EBITDA increased $1.0 million, or 2.3% for the three months ended June 30, 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 development and indirect tax expenses. Adjusted EBITDA decreased $13.1 million, or 24.3% for the six months ended June 30, 2022 compared to the same period in 2021. The decrease is primarily due to increased marketing and sales expenses, an increase in cash-based payroll and benefit related expenses related to increases in headcount in research and 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2022	2021	2022	2021
Cash flows from operating activities	$ 36,413	$ 8,692	$ 83,683	$ 58,823
Cash paid of capital expenditures	(2,376)	(1,758)	(5,735)	(2,415)
Free cash flow	34,037	6,934	77,948	56,408
Cash paid for interest, net of the associated tax benefit	2,340	3,320	3,964	5,628
Unlevered free cash flow	$ 36,377	$ 10,254	$ 81,912	$ 62,036

Unlevered free cash flow increased $26.1 million, or 254.8%, for the three months ended June 30, 2022 compared to the same period in 2021. The increase was primarily driven by a reduction in spend related to the costs associated with the Direct Listing partially offset by the timing of diner prepayments related to our hospitality services. Unlevered free cash flow increased $19.9 million, or 32.0%, for the six months ended June 30, 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, partially offset by increased spend in research and development and marketing and sales expenses.

Gross Merchandise Value. GMV represents the value of merchandise, 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 $76.8 million, or 5.3%, for the three months ended June 30, 2022 compared to the same period in 2021 and increased $425.4 million, or 16.0%, for the six months ended June 30, 2022 compared to the same period in 2021.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the condensed 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.

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021. Our critical accounting policies have not significantly changed during the six months ended June 30, 2022. See "Part 1. Financial Information, Item 1. Financial Statements, Note 2. Summary of Significant Accounting Policies" elsewhere in this Quarterly Report on Form 10-Q for more information.

Recently Issued Accounting Standards

A discussion of recent accounting pronouncements is included in Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 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 on Form S-1 filed with the SEC on May 19, 2021 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 “Part II. 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 3. 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 three and six months ended June 30, 2022, 71.6% and 71.2% of our revenue was denominated in U.S. dollars, respectively, and 72.2% and 71.5% for the same periods in 2021, respectively. For the three and six months ended June 30, 2022, 28.4% and 28.8% of our revenue was denominated in Euros, respectively, and 27.8% and 28.5% for the same periods in 2021, respectively. During the three months ended September 30, 2021, we identified certain revenues which should have been classified as international revenues during the first and second quarter. Accordingly, in the third quarter of 2021, we reclassified approximately $4.1 million and $5.1 million related to the first and second quarter out of United States and into international revenue. Using the updated classification, the revenue denominated as U.S. dollars would have been 69.6% and 69.0% during the three and six months ended June 30, 2021, respectively, and 30.4% and 31.0% as Euro during the same period. 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 the subsidiary 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 three and six months ended June 30, 2022 were $6.0 million and $7.5 million, respectively, and for the three and six months ended June 30, 2021 were $(1.3) million and $2.2 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 $112.9 million as of June 30, 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 June 30, 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures”, as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, 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 June 30, 2022, the end of the period covered by the Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with U.S. GAAP.

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 Quarterly Report on Form 10-Q 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.

Part II - Other Information

Item 1. 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 1A. Risk Factors

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 Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed 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 Quarterly Report on Form 10-Q to enhance the readability and accessibility of our risk factor disclosures. We encourage you to carefully review the full risk factors contained in this Quarterly Report on Form 10-Q 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 each 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. For example, as commerce transacted over mobile devices continues to grow more rapidly than desktop transactions, continued effective mobile functionality becomes increasingly integral to our long-term development and growth strategy. 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 highly fragmented 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 and scheduling 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 have taken a number of actions that have impacted and 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. 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. Limiting travel and 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 could also cause delays or disruptions in services provided by key service providers. Our management team has spent, and will likely continue to spend, significant time, attention and resources monitoring the COVID-19 pandemic and associated global economic uncertainty and seeking to manage its effects on our business and workforce.

The degree to which COVID-19 and related vaccines will affect our business and results of operations will depend on future developments that are highly uncertain and cannot currently be predicted. 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 print 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, including as a result of a negative economic impact from the COVID-19 pandemic or future adverse public health developments. 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 recent results, 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 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 employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified 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 its relationship with us or become unable to continue processing payments on our behalf, we could 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. 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 in the future 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, the use of voice recognition technology such as Alexa, Google Assistant, Cortana or Siri may drive traffic away from search engines, potentially resulting 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 and 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 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 and intellectual property assignment or ownership 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/or time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States or in non-judicial dispute resolution venues where legal procedures and process may be limited, and in each case 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, in whole or in part, 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, or register domain names using our brand and 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 or other enforcement proceedings brought to protect and enforce our intellectual property rights can be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. As a result, we may be aware of infringement by competitors but may choose not to bring litigation or other enforcement proceedings to enforce our intellectual property rights due to the cost, time and distraction of bringing such litigation. Furthermore, even if we decide to bring litigation or other enforcement proceedings, 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 enforce, 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 purchase intellectual property assets for the purpose of making claims of infringement and attempting 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 disclose publicly 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 proprietary software could also make it easier for cyber attackers and other third parties to discover 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 and other vulnerabilities and architecture instabilities, or are otherwise subject to security attacks due to their wide availability, and 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 payment card industry data security standards ("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 provider 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. In this regard, the U.S. government reported that U.S. sanctions against Russia in response to the war in Ukraine could lead to an increased threat of cyberattacks against U.S. companies. 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 Federal Trade Commission ("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 current and prospective employees and from 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 have also recently passed comprehensive privacy laws. 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 current and prospective employees and our European and United Kingdom customers and their users, the E.U.-U.S. 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 expected 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, subject to limited exceptions, 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 directly by the publisher or website owner that the consumer intends to interact with) or third-party cookies (placed by parties that do not have a direct relationship with the consumer), 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, harassing, abusive, harmful, obscene, 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, harassing, abusive, harmful, obscene, 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 ("OFAC"). 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 U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), the U.K. Bribery Act 2010 ("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 have recently proposed numerous regulations on various aspects of internet activity. 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 or immunities, 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 doctrines 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, trademark infringement or misappropriation, unfair competition, injuries arising from product failures and other types of online or offline 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 or change existing obligations in areas affecting our business. 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, and/or liability, including liability for copyright and trademark infringement and other online harm. 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 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 ("DNS") 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 and continue to offer our existing solutions and introduce new ones.

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 June 30, 2022, we have outstanding $523 million aggregate principal amount of borrowings under the Term Loan and $9.6 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 is likely to 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 above) 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 June 30, 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, access to online payment methods, 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.

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 condensed consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

We are expanding our international operations and personnel to support our business in international markets. 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 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, such as the United Kingdom and France, have recently 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 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.

In the United States, President Biden's administration released several corporate income tax proposals, including an increase to the U.S. corporate income tax rate and changes in taxation of non-U.S. income.

In addition, the Organization for Economic Co-Operation and Development announced in October 2021 that over 130 countries had reached an agreement to address global tax challenges including a proposal for a global minimum effective tax rate of 15% which would apply to companies with global annual revenue above €750 million. Although it is difficult at this stage to determine with precision the impact the proposals would have on our results of operations and financial condition, their implementation could materially increase our effective tax rate.

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, 2021, 69.4% of our revenue was denominated in U.S. dollars and 30.6% of our revenue was denominated in Euros and for the six months ended June 30, 2022, 71.2% of our revenue was denominated in U.S. dollars and 28.8% 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 may make it difficult for us to predict our results of operations.

As a public company, we will be obligated to maintain an effective system of disclosure controls and internal controls over financial reporting that is compliant with Section 404 of the Sarbanes-Oxley Act. Our current internal control systems and procedures may not prove to be adequate to support our rapid growth. Any failure of our internal systems, controls and procedures could have an adverse effect on our business, financial condition and results of operations.

Pursuant to Section 404 of the Sarbanes-Oxley Act ("Section 404") and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, our management will be required to report on the effectiveness of our disclosure controls and internal control over financial reporting starting with our second Quarterly Report on Form 10-Q. Because we are not currently required to comply with Section 404, we are not required to make a formal assessment of the effectiveness of our internal controls, or to deliver a report that assesses the effectiveness of our internal control over financial reporting. We have not yet determined whether our existing internal controls over financial reporting are compliant with Section 404. This process will require the investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management. In addition, we cannot predict the outcome of this determination and whether we will need to implement remedial actions. Management's assessment of our internal control systems and procedures may identify weaknesses and conditions that need to be addressed or other matters that may raise concerns for investors, including confidence in the accuracy and completeness of our financial reports. The determination and any remedial actions required could result in us incurring additional costs that we did not anticipate. In addition, we could become subject to investigations by the SEC or other regulatory authorities. Additionally, any actual or perceived weakness or condition that needs to be addressed in our internal control systems may have an adverse impact on our business, financial condition and results of operations.

Irrespective of compliance with Section 404, 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 $1.07 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 June 30, 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 June 30, 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 cannot guarantee that any share repurchase program will be fully consummated or will enhance long-term stockholder value, and share repurchases could increase the volatility of our stock prices and could diminish our cash reserves.

We engage in share repurchases of our Class A common stock from time to time in accordance with authorizations from the Company's board of directors. Our repurchase program does not have an expiration date and does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. Further, our share repurchases could affect our share trading prices, increase their volatility, reduce our cash reserves and may be suspended or terminated at any time, which may result in a decrease in the trading prices of our stock.

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 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 June 30, 2022.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Share 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)
April 1 - 30	—	$ —	—	$ —
May 1 - 30	—	—	—	—
June 1 - 30	(1,562,460)	20.73	(1,562,460)	164,798
Total	(1,562,460)	$ 20.73	(1,562,460)	$ 164,798

(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 million, 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 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Exhibit Title	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
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.				
101.1 NS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document.				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

* Filed herewith.

The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Squarespace, Inc.

Date: July 28, 2022

By: /s/ Anthony Casalena

Anthony Casalena
Chief Executive Officer
(Principal Executive Officer)

Date: July 28, 2022

By: /s/ Marcela Martin

Marcela Martin
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

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

I, Anthony Casalena, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: July 28, 2022

/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, Marcela Martin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: July 28, 2022

/s/ Marcela Martin

Marcela Martin
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 Quarterly Report of Squarespace, Inc. (the "Company") on Form 10-Q for the period ended June 30, 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: July 28, 2022 By: /s/ *Anthony Casalena*

Anthony Casalena
Chief Executive Officer
(Principal Executive Officer)

In connection with the Quarterly Report of Squarespace, Inc. (the "Company") on Form 10-Q for the period ended June 30, 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: July 28, 2022 By: /s/ *Marcela Martin*

Marcela Martin
Chief Financial Officer
(Principal Financial Officer)