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, 2021

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

For transition period from to

Commission File Number 001-39156

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

Delaware	**27-2404165**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

131 South Dearborn St., Suite 700
Chicago, Illinois
60603
(Address of principal executive offices and zip code)

(866) 878-3231
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value per share	SPT	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	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 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 August 2, 2021, there were 45,075,300 shares and 8,773,622 shares of the registrant's Class A and Class B common stock, respectively, $0.0001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q ("Quarterly Report") not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements about Sprout Social, Inc.'s ("Sprout Social") plans, objectives, strategies, financial performance and outlook, trends, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "believe," "may," "will," "estimate," "continue," "anticipate," "outlook," "intend," "expect," "predict," "plan," "strategy," "potential" and similar expressions, or the negative of these terms and similar expressions, as they relate to Sprout Social, our business and our management. Forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Sprout Social and our management based on their knowledge and understanding of the business and industry, are inherently uncertain. These forward-looking statements should not be read as a guarantee of future performance or results, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth under "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our most recent Annual Report on Form 10-K under Part I—Item IA, "Risk Factors" and the risks and uncertainties related to the following:

- our ability to attract, retain and grow customers to use our platform and products;
- our future financial performance, including our revenue, cost of revenue, gross profit, operating expenses, ability to generate positive cash flow, and ability to achieve and maintain profitability;
- the effects of increased competition from our market competitors or new entrants to the market;
- the evolution of the social media industry, including adapting to new regulations and use cases;
- our ability to access third-party application programming interfaces, or APIs, and data on favorable terms;
- our ability to innovate and provide a superior customer experience;
- our ability to securely maintain customer and other third-party data;
- our ability to comply with modified or new laws and regulations applying to our business, including privacy and data security regulations;
- our ability to successfully enter new markets, manage our international expansion and comply with any applicable laws and regulations;
- our ability to maintain and enhance our brand;
- our estimates of the size of our market opportunities;
- the attraction and retention of qualified employees and key personnel;
- our ability to effectively manage our growth and future expenses;

- the sufficiency of our cash to meet our liquidity needs and our ability to raise additional capital on favorable terms or at all;
- our ability to maintain, protect and enhance our intellectual property;
- worldwide economic conditions, including the macroeconomic impacts of the COVID-19 pandemic, and their impact on information technology spending; and
- the other factors set forth in our most recent Annual Report on Form 10-K under Part I—Item IA, “Risk Factors,” which risks may be heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic.

These factors are not necessarily all of the important factors that could cause our actual financial results, performance, achievements or prospects to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes laws or in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Sprout Social, Inc.

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 108,257	$ 114,515
Marketable securities	63,224	49,364
Accounts receivable, net of allowances of $978 and $1,428 at June 30, 2021 and December 31, 2020, respectively	16,133	17,178
Deferred commissions	10,650	8,622
Prepaid expenses and other assets	6,846	9,651
Total current assets	205,110	199,330
Property and equipment, net	13,912	14,925
Deferred commissions, net of current portion	10,822	8,757
Operating lease, right-of-use assets	9,790	10,132
Goodwill	2,299	2,299
Intangible assets, net	3,567	4,088
Other assets, net	125	138
Total assets	$ 245,625	$ 239,669
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 549	$ 1,543
Deferred revenue	54,373	43,407
Operating lease liabilities	2,572	2,155
Accrued wages and payroll related benefits	7,839	9,885
Accrued expenses and other	7,640	6,587
Total current liabilities	72,973	63,577
Deferred revenue, net of current portion	171	355
Operating lease liabilities, net of current portion	22,319	23,638
Total liabilities	95,463	87,570
Commitments and contingencies (Note 6)		

Sprout Social, Inc.
Condensed Consolidated Balance Sheets (Unaudited) (cont'd)
(in thousands, except share and per share data)

	June 30, 2021	December 31, 2020
Stockholders' equity		
Class A common stock, par value $0.0001 per share; 1,000,000,000 shares authorized; 47,764,447 and 44,948,652 shares issued and outstanding at June 30, 2021, respectively; 46,698,354 and 43,898,850 shares issued and outstanding at December 31, 2020, respectively	4	4
Class B common stock, par value $0.0001 per share; 25,000,000 shares authorized; 9,062,566 and 8,855,622 shares issued and outstanding at June 30, 2021, respectively; 9,574,566 and 9,367,622 shares issued and outstanding at December 31, 2020, respectively	1	1
Additional paid-in capital	339,389	328,343
Treasury stock, at cost	(30,380)	(29,206)
Accumulated deficit	(158,852)	(147,043)
Total stockholders' equity	150,162	152,099
Total liabilities and stockholders' equity	$ 245,625	$ 239,669

See Notes to Condensed Consolidated Financial Statements.

Sprout Social, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue				
Subscription	$ 44,180	$ 31,190	$ 84,535	$ 61,519
Professional services and other	505	212	968	418
Total revenue	44,685	31,402	85,503	61,937
Cost of revenue				
Subscription	10,930	8,178	20,635	16,264
Professional services and other	225	142	517	264
Total cost of revenue	11,155	8,320	21,152	16,528
Gross profit	33,530	23,082	64,351	45,409
Operating expenses				
Research and development	9,008	7,712	17,280	14,993
Sales and marketing	19,822	14,184	37,975	28,078
General and administrative	10,012	9,528	20,627	21,624
Total operating expenses	38,842	31,424	75,882	64,695
Loss from operations	(5,312)	(8,342)	(11,531)	(19,286)
Interest expense	(77)	(96)	(149)	(191)
Interest income	65	53	117	513
Other (expense) income, net	(55)	101	(174)	203
Loss before income taxes	(5,379)	(8,284)	(11,737)	(18,761)
Income tax expense	63	18	72	21
Net loss and comprehensive loss	$ (5,442)	$ (8,302)	$ (11,809)	$ (18,782)
Net loss per share attributable to common shareholders, basic and diluted	$ (0.10)	$ (0.16)	$ (0.22)	$ (0.37)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	53,684,325	50,527,432	53,557,340	50,263,061

See Notes to Condensed Consolidated Financial Statements.

Sprout Social, Inc.

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(in thousands, except share data)

	Voting Common Stock (Class A and B)		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balances at March 31, 2021	53,543,383	$ 5	$ 333,939	3,019,078	$ (30,125)	$ (153,410)	$ 150,409
Exercise of stock options	20,000	—	6				6
Stock-based compensation expense			5,444				5,444
Issuance of common stock from equity award settlement	240,891	—					—
Taxes paid related to net share settlement of equity awards				3,661	(255)		(255)
Net loss						(5,442)	(5,442)
Balances at June 30, 2021	53,804,274	$ 5	$ 339,389	3,022,739	$ (30,380)	$ (158,852)	$ 150,162

	Voting Common Stock (Class A and B)		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balances at March 31, 2020	50,349,964	$ 5	$ 277,485	2,841,959	$ (23,652)	$ (125,868)	$ 127,970
Exercise of stock options	364,404	—	138				138
Stock-based compensation expense			2,481				2,481
Issuance of common stock from equity award settlement	175,189	—					—
Taxes paid related to net share settlement of equity awards				110,923	(3,253)		(3,253)
Net loss						(8,302)	(8,302)
Balances at June 30, 2020	50,889,557	$ 5	$ 280,104	2,952,882	$ (26,905)	$ (134,170)	$ 119,034

Sprout Social, Inc.

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(in thousands, except share data)

	Voting Common Stock (Class A and B)		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balances at December 31, 2020	53,266,472	$ 5	$ 328,343	3,006,448	$ (29,206)	$ (147,043)	$ 152,099
Exercise of stock options	55,500	—	29				29
Stock-based compensation expense			9,353				9,353
Issuance of common stock from equity award settlement	482,302	—					—
Taxes paid related to net share settlement of equity awards				16,291	(1,174)		(1,174)
Proceeds from disgorgement of stockholder short-swing profits			1,664				1,664
Net loss						(11,809)	(11,809)
Balances at June 30, 2021	53,804,274	$ 5	$ 339,389	3,022,739	$ (30,380)	$ (158,852)	$ 150,162

	Voting Common Stock (Class A and B)		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balances at December 31, 2019	48,844,998	$ 5	$ 263,943	2,673,805	$ (20,430)	$ (115,388)	$ 128,130
Exercise of stock options	708,086	—	280				280
Stock-based compensation expense			6,003				6,003
Issuance of common stock from equity award settlement	679,910	—					—
Taxes paid related to net share settlement of equity awards				270,732	(6,335)		(6,335)
Issuance of common stock in connection with underwriters' purchase of over-allotment shares, related to initial public offering, net of underwriters' discounts, commissions and offering costs	629,603	—	9,738				9,738
Exercise of warrants	26,960	—	140	8,345	(140)		—
Net loss						(18,782)	(18,782)
Balances at June 30, 2020	50,889,557	$ 5	$ 280,104	2,952,882	$ (26,905)	$ (134,170)	$ 119,034

See Notes to Condensed Consolidated Financial Statements.

Sprout Social, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities		
Net loss	$ (11,809)	$ (18,782)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation of property and equipment	1,476	1,434
Amortization of line of credit issuance costs	93	118
Amortization of premium on marketable securities	303	51
Amortization of acquired intangible assets	521	713
Amortization of deferred commissions	5,439	3,414
Amortization of right-of-use operating lease asset	342	687
Stock-based compensation expense	9,353	6,003
Provision for accounts receivable allowances	87	1,340
Changes in operating assets and liabilities		
Accounts receivable	958	(4,330)
Prepaid expenses and other current assets	2,850	807
Deferred commissions	(9,531)	(5,417)
Accounts payable and accrued expenses	(1,987)	942
Deferred revenue	10,782	5,690
Lease liabilities	(902)	(1,215)
Net cash provided by (used in) operating activities	7,975	(8,545)
Cash flows from investing activities		
Purchases of property and equipment	(466)	(808)
Purchases of marketable securities	(63,172)	(49,722)
Proceeds from maturity of marketable securities	49,010	—
Net cash (used in) investing activities	(14,628)	(50,530)
Cash flows from financing activities		
Proceeds from underwriters' purchase of over-allotment shares, related to the Company's initial public offering, net of underwriters' discounts and commissions	—	9,954
Payments for line of credit issuance costs	(124)	(126)
Proceeds from exercise of stock options	29	280
Proceeds from disgorgement of stockholders short-swing profits	1,664	—
Employee taxes paid related to the net share settlement of stock-based awards	(1,174)	(6,335)
Payments of deferred offering costs	—	(216)
Net cash provided by financing activities	395	3,557
Net (decrease) in cash and cash equivalents	(6,258)	(55,518)
Cash and cash equivalents		
Beginning of period	114,515	135,310
End of period	$ 108,257	$ 79,792
Supplemental noncash disclosures		
Operating lease liability arising from operating ROU asset obtained	$ —	$ 5,417
Property and equipment acquired under lease incentives	$ —	$ 101
Noncash exercise of stock warrants	$ —	$ 140
Balance of property and equipment in accounts payable	$ —	$ 551

See Notes to Condensed Consolidated Financial Statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Sprout Social, Inc. (“Sprout Social” or the “Company”), a Delaware corporation, began operating on April 21, 2010 to design, develop and operate a web-based comprehensive social media management tool enabling companies to manage and measure their online presence. Customers access their accounts online via a web-based interface or a mobile application. Some customers also purchase the Company’s professional services, which primarily consist of consulting and training services. The Company’s fiscal year end is December 31. The Company’s customers are primarily located throughout the United States, and a portion of customers are located in foreign countries. The Company is headquartered in Chicago, Illinois.

Principles of Consolidation and Basis of Presentation

The unaudited condensed consolidated financial statements and accompanying notes were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the applicable regulations of the United States Securities and Exchange Commission (“SEC”) regarding interim financial reporting. The Company has prepared the unaudited condensed consolidated financial statements on a basis substantially consistent with the audited consolidated financial statements of the Company as of and for the year ended December 31, 2020, and these unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of the results of the interim periods presented but are not necessarily indicative of the results of operations to be anticipated for the full year or any future period. The consolidated balance sheet as of December 31, 2020 included herein was derived from the audited consolidated financial statements as of that date but does not include all disclosures including certain disclosures required by GAAP on an annual basis. The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company bases its estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances, including but not limited to the potential impacts arising from the COVID-19 pandemic. As the extent and duration of the impact of the COVID-19 pandemic remains uncertain, the Company’s estimates and judgments may evolve as conditions change. The Company is not aware of any events or circumstances that would require an update to its estimates and judgments or a revision of the carrying value of its assets or liabilities as of August 4, 2021, the date of issuance of this Quarterly Report on Form 10-Q. Actual results could differ from those estimates.

The Company’s most significant estimates and judgments are those related to the estimated period of benefit for incremental costs of obtaining a contract with a customer, the incremental borrowing

rate for operating leases, calculation of allowance for credit losses, useful lives of long-lived assets, stock-based compensation, income taxes, commitments and contingencies and litigation, among others.

Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 1, "Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements as of and for the year ended December 31, 2020 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021. There have been no significant changes to these policies during the six months ended June 30, 2021.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which simplifies certain aspects of accounting for income taxes. The guidance is effective for interim and annual reporting periods beginning after December 15, 2020, and early adoption is permitted. The Company adopted the ASU as of January 1, 2021, and the adoption did not have a material impact on the Company's condensed consolidated financial statements.

2. Revenue Recognition

Disaggregation of Revenue

The Company provides disaggregation of revenue based on geographic region in Note 7 and based on the subscription versus professional services and other classification on the condensed consolidated statements of operations and comprehensive loss, as it believes these best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Deferred Revenue

Deferred revenue is recorded upon establishment of unconditional right to payment under non-cancelable contracts and is recognized as the revenue recognition criteria are met. The Company generally invoices customers in advance in monthly, quarterly, semi-annual and annual installments. The deferred revenue balance is influenced by several factors, including the compounding effects of renewals, invoice duration, timing and size. The amount of revenue recognized during the three months ended June 30, 2021 and 2020 that was included in deferred revenue at the beginning of each period was $24.0 million and $16.4 million, respectively. The amount of revenue recognized during the six months ended June 30, 2021 and 2020 that was included in deferred revenue at the beginning of each period was $31.9 million and $22.3 million, respectively.

As of June 30, 2021, including amounts already invoiced and amounts contracted but not yet invoiced, $81.2 million of revenue is expected to be recognized from remaining performance obligations, of which 84% is expected to be recognized in the next 12 months, with the remainder thereafter.

3. Operating Leases

The Company has operating lease agreements for offices in Chicago, Illinois, and Seattle, Washington. The Chicago lease expires in January 2028 and the Seattle lease expired in July 2020. In January 2020, the Company entered a new lease agreement for an office in Seattle and this lease commenced in September 2020 and expires in January 2031. The Company's existing operating leases require escalating monthly rental payments ranging from $72,000 to $280,000. Under the terms of the lease agreements, the Company is also responsible for its proportionate share of taxes and operating costs, which are treated as variable lease costs. The Company's operating leases typically contain

options to extend or terminate the term of the lease. The Company currently does not include any options to extend leases in its lease terms as it is not reasonably certain to exercise them. As such, it has recorded lease obligations only through the initial optional termination dates above.

The following table provides a summary of operating lease assets and liabilities as of June 30, 2021 (in thousands):

Assets	
Operating lease right-of-use assets	$ 9,790
Liabilities	
Operating lease liabilities	2,572
Operating lease liabilities, non-current	22,319
Total operating lease liabilities	$ 24,891

The following table provides information about leases on the condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease expense	$ 503	$ 733	$ 1,002	$ 1,407
Variable lease expense	839	806	1,678	1,582
Sublease income	—	102	—	203

Within the condensed consolidated statements of operations and comprehensive loss, operating and variable lease expense are recorded in General and administrative expenses and sublease income is recorded in Other (expense) income, net. Cash payments related to operating leases were $3.2 million for each of the six months ended June 30, 2021 and June 30, 2020. As of June 30, 2021, the weighted-average remaining lease term is 7.5 years and the weighted-average discount rate is 5.6%.

Remaining maturities of operating lease liabilities as of June 30, 2021 are as follows (in thousands):

Years ending December 31,	
2021	$ 1,927
2022	3,930
2023	4,021
2024	4,112
2025	4,205
Thereafter	12,294
Total future minimum lease payments	$ 30,489
Less: imputed interest	(5,598)
Total operating lease liabilities	$ 24,891

4. Income Taxes

The provision for income taxes for interim periods is generally determined using an estimate of the Company's annual effective tax rate, excluding jurisdictions for which no tax benefit can be recognized due to valuation allowances. The Company's effective tax rate generally differs from the U.S. federal statutory rate primarily due to a valuation allowance related to the Company's federal and state deferred tax assets.

The Company accounts for Global Intangible Low–Taxed Income ("GILTI") as a current-period expense when incurred. Therefore, the Company has not recorded deferred taxes for basis differences expected to reverse in the future periods.

There has historically been no federal or state provision for income taxes because the Company has historically incurred operating losses and maintains a full valuation allowance against its net deferred tax assets. For the six months ended June 30, 2021, the Company recognized an immaterial provision related to foreign income taxes.

5. Incentive Stock Plan

Stock-based compensation expense is included in the unaudited condensed consolidated statements of operations and comprehensive loss as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Cost of revenue	$ 234	$ 169	$ 418	$ 464
Research and development	937	450	1,654	934
Sales and marketing	2,725	697	4,477	1,166
General and administrative	1,548	1,165	2,804	3,439
Total stock-based compensation	$ 5,444	$ 2,481	$ 9,353	$ 6,003

6. Commitments and Contingencies

Contractual Obligations

The Company has non-cancellable minimum guaranteed purchase commitments for data and services. Contractual commitments as of June 30, 2021 are as follows (in thousands):

Years ending December 31,		
2021	$	10,243
2022		27,495
2023		15,222
2024		—
2025		—
Thereafter		—
Total contract commitments	$	52,960

Legal Matters

From time to time in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings. There were no material such matters as of and for the period ended June 30, 2021.

Indemnification

In the ordinary course of business, the Company often includes standard indemnification provisions in its arrangements with third parties, including vendors, customers, investors and the Company's directors and officers. Pursuant to these provisions, the Company may be obligated to indemnify such parties for losses or claims suffered or incurred. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. There were no material obligations under such indemnification agreements as of and for the period ended June 30, 2021.

7. Segment and Geographic Data

The Company operates as one operating segment. The Company's chief operating decision maker ("CODM") is its chief executive officer, who reviews financial information for purposes of making operating decisions, assessing financial performance and allocating resources. The Company's CODM evaluates financial information on a consolidated basis. As the Company operates as one operating segment, all required segment financial information is found in the condensed consolidated financial statements.

Long-lived assets by geographical region are based on the location of the legal entity that owns the assets. As of June 30, 2021 and December 31, 2020, there were no significant long-lived assets held by entities outside of the United States.

Revenue by geographical region is determined by location of the Company's customers. Revenue from customers outside of the United States was approximately 29% and 28% for the six

months ended June 30, 2021 and 2020, respectively. Revenue by geographical region is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Americas	$ 35,032	$ 24,592	$ 67,110	$ 48,392
EMEA	7,355	5,048	13,955	10,059
Asia Pacific	2,298	1,762	4,438	3,486
Total	$ 44,685	$ 31,402	$ 85,503	$ 61,937

8. Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of outstanding shares of common stock each period. Diluted net loss per share is calculated by giving effect to all potential dilutive common stock equivalents, which includes stock options, restricted stock units, and restricted stock awards. Because the Company incurred net losses each period, the basic and diluted calculations are the same. Basic and diluted net loss per share are the same for each class of common stock, as both Class A and Class B stockholders are entitled to the same liquidation and dividend rights.

The following table presents the calculation for basic and diluted net loss per share (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss attributable to common shareholders	$ (5,442)	$ (8,302)	$ (11,809)	$ (18,782)
Weighted average common shares outstanding	53,684,325	50,527,432	53,557,340	50,263,061
Net loss per share, basic and diluted	$ (0.10)	$ (0.16)	$ (0.22)	$ (0.37)

The following outstanding shares of common stock equivalents were excluded from the calculation of diluted net loss per share for each period, as the impact of including them would have been anti-dilutive.

	June 30,	
	2021	2020
Stock options outstanding	105,510	416,081
RSUs	1,992,113	2,155,006
Total potentially dilutive shares	2,097,623	2,571,087

9. Fair Value Measurements

The Company measures certain financial assets at fair value. Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most

advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The following tables present information about the Company's financial assets that are measured at fair value and indicate the fair value hierarchy of the valuation inputs used (in thousands):

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Marketable Securities:				
Corporate bonds	$ —	$ 27,246	$ —	$ 27,246
Commercial paper	—	35,978	—	35,978
U.S. Treasury securities	—	—	—	—
Total assets	$ —	$ 63,224	$ —	$ 63,224

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Marketable Securities:				
Corporate bonds	$ —	$ 22,810	$ —	$ 22,810
Commercial paper	—	16,477	—	16,477
U.S. Treasury securities	—	10,077	—	10,077
Total assets	$ —	$ 49,364	$ —	$ 49,364

Marketable securities are classified within Level 2 because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market.

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

As of June 30, 2021 and December 31, 2020, the Company held investment-grade marketable securities that had maturities within one year and were accounted for as available-for-sale securities. There was not a significant difference between the amortized cost and fair value of these securities. The gross unrealized gains and losses associated with these securities were immaterial for the periods presented.

10. Related Party Transactions

During the quarter ended March 31, 2021, the Company received $1.7 million in cash for the disgorgement of stockholder short-swing profits under Section 16(b) of the Exchange Act. The amount was recorded as an increase to additional paid-in capital on the condensed consolidated balance sheet.

11. Subsequent Events

The Company has evaluated subsequent events after the balance sheet date through August 4, 2021, the date the financial statements were issued. Management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report. This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties, including the potential impact of the COVID-19 pandemic on our business. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in Part I—Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, and in other parts of this Quarterly Report.

Overview

Sprout Social is a powerful, centralized platform that provides the critical business layer to unlock the massive commercial value of social media. We have made it increasingly easy to standardize on Sprout Social as the centralized system of record for social and to help customers maximize the value of this mission critical channel. Currently, more than 29,000 customers across more than 100 countries rely on our platform.

Introduced in 2011, our cloud software brings together social messaging, data and workflows in a unified system of record, intelligence and action. Operating across major networks, including Twitter, Facebook, Instagram, Pinterest, LinkedIn, Google, Reddit, Glassdoor, YouTube, and commerce platforms Facebook Shops and Shopify, we provide organizations with a centralized platform to manage their social media efforts across stakeholders and business functions. Virtually every aspect of business has been impacted by social media, from marketing, sales and public relations to customer service, product and strategy, and commerce, creating a need for an entirely new category of software. We offer our customers a centralized, secure and powerful platform to manage this broad, complex channel effectively across their organization.

We generate revenue primarily from subscriptions to our social media management platform under a software-as-a-service model. Our subscriptions can range from monthly to one-year or multi-year arrangements and are generally non-cancellable during the contractual subscription term. Subscription revenue is recognized ratably over the contract terms beginning on the date the product is made available to customers, which typically begins on the commencement date of each contract. We also generate revenue from professional services related to our platform provided to certain customers, which is recognized at the time these services are provided to the customer. This revenue has historically represented less than 1% of our revenue and is expected to be immaterial for the foreseeable future.

Our tiered subscription-based model allows our customers to choose among three core plans to meet their needs. Each plan is licensed on a per user per month basis at prices dependent on the level of features offered. Additional product modules, which offer increased functionality depending on a customer's needs, can be purchased by the customer on a per user per month basis.

We generated revenue of $44.7 million and $31.4 million during the three months ended June 30, 2021 and 2020, respectively, representing growth of 42%. We generated revenue of $85.5 million and $61.9 million during the six months ended June 30, 2021 and 2020, respectively, representing growth of 38%. In the six months ended June 30, 2021, software subscriptions contributed 99% of our revenue.

We generated net losses of $5.4 million and $8.3 million during the three months ended June 30, 2021 and 2020, respectively, which included stock-based compensation expense of $5.4 million and $2.5 million, respectively. We generated net losses of $11.8 million and $18.8 million during the six months ended June 30, 2021 and 2020, respectively, which included stock-based compensation expense of $9.4 million and $6.0 million, respectively. We expect to continue investing in the growth of our business and, as a result, generate net losses for the foreseeable future.

COVID-19

In December 2019, a novel coronavirus disease (“COVID-19”) was identified. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The extent of the impact of COVID-19 on our operational and financial performance and financial position will depend on certain developments, including the duration and spread of the outbreak and the governmental responses to address the pandemic and any re-emergence of COVID-19, impact on our customers and sales cycles and impact on our employees, all of which are uncertain and cannot be predicted.

Given the importance of our technology platform and heightened market awareness of social media as a strategic communications channel, our operational and financial performance were not materially impacted by COVID-19 during the six months ended June 30, 2021 and 2020. Our IPO in December 2019 and over-allotment in January 2020 resulted in total net proceeds of $144.3 million, which strengthened our liquidity position prior to the pandemic. The $42.1 million in net proceeds from our equity follow-on offering in August 2020 further strengthened our liquidity position.

We believe that over the long-term, we will continue to see strong demand for our technology platform; however, the duration and spread of the pandemic could impact our customers’ marketing or social media budgets or ability to pay for existing subscriptions, particularly in the industries most impacted by COVID-19. We will continue to monitor the potential impact of COVID-19; however, at this time, the extent to which the pandemic may impact our financial condition or results of operations is uncertain.

Key Factors Affecting Our Performance

Acquiring new customers

We are focused on continuing to organically grow our customer base by increasing demand for our platform and penetrating our addressable market. We have invested, and expect to continue to invest, heavily in expanding our sales force and marketing efforts to acquire new customers. Currently, we have more than 29,000 customers.

Expanding within our current customer base

We believe that there is a substantial and largely untapped opportunity for organic growth within our existing customer base. Customers often begin by purchasing a small number of user subscriptions and then expand over time, increasing the number of users or social profiles, as well as purchasing additional product modules. Customers may then expand use-cases between various departments to drive collaboration across their organizations. Our sales and customer success efforts include encouraging organizations to expand use-cases to more fully realize the value from the broader adoption of our platform throughout an organization. We will continue to invest in enhancing awareness of our brand, creating additional uses for our products and developing more products, features and functionality of existing products, which we believe are vital to achieving increased adoption of our platform. We have a history of attracting new customers and we have increased our focus on expanding their use of our platform over time.

Sustaining product and technology innovation

Our success is dependent on our ability to sustain product and technology innovation and maintain the competitive advantage of our proprietary technology. We continue to invest resources to enhance the capabilities of our platform by introducing new products, features and functionality of existing products.

International expansion

We see international expansion as a meaningful opportunity to grow our platform. Revenue generated from non-U.S. customers during the six months ended June 30, 2021 was approximately 29% of our total revenue. We have built local teams in Ireland, Canada, the United Kingdom, Singapore, India, Australia and the Philippines to support our growth internationally. We believe global demand for our platform and offerings will continue to increase as awareness of our platform in international markets grows. We plan to continue adding to our local sales, customer support and customer success teams in select international markets over time.

Key Business Metrics

We review the following key business metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions.

Number of customers

We define a customer as a unique account, multiple accounts containing a common non-personal email domain, or multiple accounts governed by a single agreement. Number of customers excludes customers exclusively using legacy products obtained through the acquisition of Simply Measured. We believe that the number of customers using our platform is an indicator not only of our market penetration, but also of our potential for future growth as our customers often expand their adoption of our platform over time based on an increased awareness of the value of our platform and products.

	As of June 30,	
	2021	2020
Number of customers	29,612	24,356

ARR

We define ARR as the annualized revenue run-rate of subscription agreements from all customers as of the last date of the specified period. ARR includes the impact of recurring revenue generated from legacy Simply Measured products, which a small number of legacy Simply Measured customers have continued to access. These customers may continue to do so for a limited period in the future as we continue to transition those customers to other Sprout products. We believe ARR is an indicator of the scale of our entire platform while mitigating fluctuations due to seasonality and contract term.

	As of June 30,	
	2021	2020
	(in thousands)	
ARR	$ 189,109	$ 130,785

Number of customers contributing more than $10,000 in ARR

We view the number of customers that contribute more than $10,000 in ARR as a measure of our ability to scale with our customers and attract larger organizations. We believe this represents potential for future growth, including expanding within our current customer base. Over time, larger customers have constituted a greater share of our revenue.

We define customers contributing more than $10,000 in ARR as those on a paid subscription plan that had more than $10,000 in ARR as of a period end.

	As of June 30,	
	2021	2020
Number of customers contributing more than $10,000 in ARR	3,936	2,544

Components of our Results of Operations

Revenue

Subscription

We generate revenue primarily from subscriptions to our social media management platform under a software-as-a-service model. Our subscriptions can range from monthly to one-year or multi-year arrangements and are generally non-cancellable during the contractual subscription term. Subscription revenue is recognized ratably over the contract terms beginning on the date our product is made available to customers, which typically begins on the commencement date of each contract. Our customers do not have the right to take possession of the online software solution. We also generate a small portion of our subscription revenue from third-party resellers.

Professional Services

We sell professional services consisting of, but not limited to, implementation fees, specialized training, one-time reporting services and recurring periodic reporting services. Professional services revenue is recognized at the time these services are provided to the customer. This revenue has historically represented less than 1% of our revenue and is expected to be immaterial for the foreseeable future.

Cost of Revenue

Subscription

Cost of revenue primarily consists of expenses related to hosting our platform and providing support to our customers. These expenses are comprised of fees paid to data providers, hosted data center costs and personnel costs directly associated with cloud infrastructure, customer success and customer support, including salaries, benefits, bonuses and allocated overhead. These costs also include depreciation expense and amortization expense related to acquired developed technologies. Overhead associated with facilities and information technology is allocated to cost of revenue and operating expenses based on headcount. Although we expect our cost of revenue to increase in absolute dollars as our business and revenue grows, we expect our cost of revenue to decrease as a percentage of our revenue over time.

Professional Services and Other

Cost of professional services primarily consists of expenses related to our professional services organization and are comprised of personnel costs, including salaries, benefits, bonuses and allocated overhead.

Gross Profit and Gross Margin

Gross margin is calculated as gross profit as a percentage of total revenue. Our gross margin may fluctuate from period to period based on revenue earned, the timing and amount of investments made to expand our hosting capacity, our customer support and professional services teams and in hiring

additional personnel, and the impact of acquisitions. We expect our gross profit and gross margin to increase as our business grows over time.

Operating Expenses

Research and Development

Research and development expenses primarily consist of personnel costs, including salaries, benefits and allocated overhead. Research and development expenses also include depreciation expense and other expenses associated with product development. We plan to increase the dollar amount of our investment in research and development for the foreseeable future as we focus on developing new features and enhancements to our plan offerings. However, we expect our research and development expenses to decrease as a percentage of our revenue over time.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel costs directly associated with our sales and marketing department, online advertising expenses, as well as allocated overhead, including depreciation expense and amortization related to acquired developed technologies. Sales force commissions and bonuses are considered incremental costs of obtaining a contract with a customer. Sales commissions are earned and recorded at contract commencement for both new customer contracts and expansion of contracts with existing customers. Sales commissions are deferred and amortized on a straight-line basis over a period of benefit of three years. We plan to increase the dollar amount of our investment in sales and marketing for the foreseeable future, primarily for increased headcount for our sales department.

General and Administrative

General and administrative expenses primarily consist of personnel expenses associated with our finance, legal, human resources and other administrative employees. Our general and administrative expenses also include professional fees for external legal, accounting and other consulting services, depreciation and amortization expense, as well as allocated overhead. We expect to increase the size of our general and administrative functions to support the growth of our business. We also recognized certain non-recurring professional fees and other expenses as part of our transition to becoming a public company and expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with rules and regulations applicable to companies listed on a U.S. securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, investor relations and professional services. We expect the dollar amount of our general and administrative expenses to increase for the foreseeable future. However, we expect our general and administrative expenses to decrease as a percentage of revenue over time.

Interest Income (Expense), Net

Interest income (expense), net consists primarily of interest expense on outstanding line of credit balances and is offset by interest income earned on our cash and investment balances.

Other (Expense) Income, Net

Other (expense) income, net consists of sublease rental income from our Seattle, Washington office and foreign currency transaction gains and losses.

Income Tax Provision

The income tax provision consists of current and deferred taxes for our foreign jurisdictions. We have historically reported a taxable loss in our most significant jurisdiction, the U.S., and have a full

valuation allowance against our deferred tax assets. We expect this trend to continue for the foreseeable future.

Results of Operations

The following tables set forth information comparing the components of our results of operations in dollars and as a percentage of total revenue for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Revenue				
Subscription	$ 44,180	$ 31,190	$ 84,535	$ 61,519
Professional services and other	505	212	968	418
Total revenue	44,685	31,402	85,503	61,937
Cost of revenue[1]				
Subscription	10,930	8,178	20,635	16,264
Professional services and other	225	142	517	264
Total cost of revenue	11,155	8,320	21,152	16,528
Gross profit	33,530	23,082	64,351	45,409
Operating expenses				
Research and development[1]	9,008	7,712	17,280	14,993
Sales and marketing[1]	19,822	14,184	37,975	28,078
General and administrative[1]	10,012	9,528	20,627	21,624
Total operating expenses	38,842	31,424	75,882	64,695
Loss from operations	(5,312)	(8,342)	(11,531)	(19,286)
Interest expense	(77)	(96)	(149)	(191)
Interest income	65	53	117	513
Other (expense) income, net	(55)	101	(174)	203
Loss before income taxes	(5,379)	(8,284)	(11,737)	(18,761)
Income tax expense	63	18	72	21
Net loss and comprehensive loss	$ (5,442)	$ (8,302)	$ (11,809)	$ (18,782)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Cost of revenue	$ 234	$ 169	$ 418	$ 464
Research and development	937	450	1,654	934
Sales and marketing	2,725	697	4,477	1,166
General and administrative	1,548	1,165	2,804	3,439
Total stock-based compensation	$ 5,444	$ 2,481	$ 9,353	$ 6,003

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(as a percentage of total revenue)			
Revenue				
Subscription	99 %	99 %	99 %	99 %
Professional services and other	1 %	1 %	1 %	1 %
Total revenue	100 %	100 %	100 %	100 %
Cost of revenue				
Subscription	24 %	26 %	24 %	26 %
Professional services and other	1 %	— %	1 %	— %
Total cost of revenue	25 %	26 %	25 %	26 %
Gross profit	75 %	74 %	75 %	74 %
Operating expenses				
Research and development	20 %	25 %	20 %	24 %
Sales and marketing	44 %	45 %	44 %	45 %
General and administrative	22 %	30 %	24 %	35 %
Total operating expenses	87 %	100 %	89 %	104 %
Loss from operations	(12)%	(26)%	(13)%	(30)%
Interest expense	— %	— %	— %	— %
Interest income	— %	— %	— %	1 %
Other (expense) income, net	— %	— %	— %	— %
Loss before income taxes	(12)%	(26)%	(14)%	(29)%
Income tax expense	— %	— %	— %	— %
Net loss and comprehensive loss	(12)%	(26)%	(14)%	(29)%

Note: Certain amounts may not sum due to rounding

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Revenue

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Revenue				
Subscription	$ 44,180	$ 31,190	$ 12,990	42 %
Professional services and other	505	212	293	138 %
Total revenue	$ 44,685	$ 31,402	$ 13,283	42 %
Percentage of Total Revenue				
Subscription	99 %	99 %		
Professional services and other	1 %	1 %		

The increase in subscription revenue was primarily driven by revenue from new customers and expansion within existing customers. The total number of customers grew from 24,356 as of June 30, 2020 to 29,612 as of June 30, 2021. The increase in new customers was primarily driven by our growing sales force capacity to meet market demand. Expansion within existing customers was driven by our ability to increase the number of users, social profiles and products purchased by customers. This is in part attributable to the expansion of use-cases across various functions within our existing customers' organizations.

Cost of Revenue and Gross Margin

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Cost of revenue				
Subscription	$ 10,930	$ 8,178	$ 2,752	34 %
Professional services and other	225	142	83	58 %
Total cost of revenue	11,155	8,320	2,835	34 %
Gross profit	$ 33,530	$ 23,082	$ 10,448	45 %
Gross margin				
Total gross margin	75 %	74 %		

The increase in cost of subscription revenue for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Data provider fees	$ 2,413
Stock-based compensation expense	65
Other	274
Subscription cost of revenue	$ 2,752

Fees paid to our data providers increased due to revenue growth.

Operating Expenses

Research and Development

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Research and development	$ 9,008	$ 7,712	$ 1,296	17 %
Percentage of total revenue	20 %	25 %		

The increase in research and development expense for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Personnel costs	$ 774
Stock-based compensation expense	487
Other	35
Research and development	$ 1,296

Personnel costs increased primarily as a result of a 4% increase in headcount to grow our research and development teams to drive our technology innovation through the development of new products and features. The increase in stock-based compensation expense was due to the increased headcount.

Sales and Marketing

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Sales and marketing	$ 19,822	$ 14,184	$ 5,638	40 %
Percentage of total revenue	44 %	45 %		

The increase in sales and marketing expense for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Personnel costs	$ 2,863
Stock-based compensation expense	2,028
Other	747
Sales and marketing	$ 5,638

Personnel costs increased primarily as a result of a 12% increase in headcount as we continue to expand our sales teams to grow our customer base, as well as additional sales commission expense due to the year over year sales growth, which increased the amortization of contract acquisition costs. The increase in stock-based compensation expense was due to the increased headcount and awards granted to our President in connection with his promotion at the end of 2020.

General and Administrative

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
		(*dollars in thousands*)		
General and administrative	$ 10,012	$ 9,528	$ 484	5 %
Percentage of total revenue	22 %	30 %		

The increase in general and administrative expense for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Personnel costs	$ 1,032
Stock-based compensation expense	383
Credit losses on accounts receivable	(487)
Other	(444)
General and administrative	$ 484

The increase in personnel costs was primarily the result of a 22% increase in headcount as we continue to grow our business and operate as a publicly traded company. The increase in stock-based compensation was due to the increased headcount. Credit losses on accounts receivable decreased due to improved collections in 2021 and a reserve taken in the prior year related to the potential impact of COVID-19 on our customers' ability to pay.

Interest Income (Expense), Net

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Interest income (expense), net	$ (12)	$ (43)	$ 31	(72)%
Percentage of total revenue	— %	— %		

The decrease in net interest expense was primarily driven by higher fees in prior year associated with our revolving line of credit.

Other (Expense) Income, Net

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Other (expense) income, net	$ (55)	$ 101	$ (156)	n/m[1]
Percentage of total revenue	— %	— %		

(1) Calculated metric is not meaningful.

The decrease in other (expense) income, net is due to sublease rental income as our Seattle, Washington lease expired in July 2020 as well as foreign exchange transaction losses.

Income Tax Expense

	Three Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Income tax expense	$ 63	$ 18	$ 45	250 %
Percentage of total revenue	— %	— %		

The increase in income tax expense is due to the provision related to foreign income taxes.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Revenue

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Revenue				
Subscription	$ 84,535	$ 61,519	$ 23,016	37 %
Professional services and other	968	418	550	132 %
Total revenue	$ 85,503	$ 61,937	$ 23,566	38 %
Percentage of Total Revenue				
Subscription	99 %	99 %		
Professional services and other	1 %	1 %		

The increase in subscription revenue was primarily driven by revenue from new customers and expansion within existing customers. The total number of customers grew from 24,356 as of June 30, 2020 to 29,612 as of June 30, 2021. The increase in new customers was primarily driven by our growing sales force capacity to meet market demand. Expansion within existing customers was driven by our ability to increase the number of users, social profiles and products purchased by customers. This is in part attributable to the expansion of use-cases across various functions within our existing customers' organizations.

Cost of Revenue and Gross Margin

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Cost of revenue				
Subscription	$ 20,635	$ 16,264	$ 4,371	27 %
Professional services and other	517	264	253	96 %
Total cost of revenue	21,152	16,528	4,624	28 %
Gross profit	$ 64,351	$ 45,409	$ 18,942	42 %
Gross margin				
Total gross margin	75 %	74 %		

The increase in cost of subscription revenue for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Data provider fees	$ 4,561
Stock-based compensation expense	(46)
Other	(144)
Subscription cost of revenue	$ 4,371

Fees paid to our data providers increased due to revenue growth.

Operating Expenses

Research and Development

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Research and development	$ 17,280	$ 14,993	$ 2,287	15 %
Percentage of total revenue	20 %	24 %		

The increase in research and development expense for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Personnel costs	$ 1,522
Stock-based compensation expense	720
Other	45
Research and development	$ 2,287

Personnel costs increased primarily as a result of a 4% increase in headcount to grow our research and development teams to drive our technology innovation through the development of new products and features. The increase in stock-based compensation expense was due to the increased headcount.

Sales and Marketing

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Sales and marketing	$ 37,975	$ 28,078	$ 9,897	35 %
Percentage of total revenue	44 %	45 %		

The increase in sales and marketing expense for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Personnel costs	$ 5,592
Stock-based compensation expense	3,311
Other	994
Sales and marketing	$ 9,897

Personnel costs increased primarily as a result of a 12% increase in headcount as we continue to expand our sales teams to grow our customer base, as well as additional sales commission expense due to the year over year sales growth, which increased the amortization of contract acquisition costs. The increase in stock-based compensation expense was due to the increased headcount and awards granted to our President in connection with his promotion at the end of 2020.

General and Administrative

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
		(*dollars in thousands*)		
General and administrative	$ 20,627	$ 21,624	$ (997)	(5)%
Percentage of total revenue	24 %	35 %		

The decrease in general and administrative expense for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to the following:

	Change
	(*in thousands*)
Credit losses on accounts receivable	$ (1,253)
Stock-based compensation expense	(635)
Personnel costs	1,818
Other	(927)
General and administrative	$ (997)

Credit losses on accounts receivable decreased due to improved collections in 2021 and a reserve taken in the prior year related to the potential impact of COVID-19 on our customers' ability to pay. The decrease in stock-based compensation was due to expense recognized in prior year related to the vesting of a RSU award granted to our Chief Executive Officer in connection with the achievement of a market capitalization threshold that was reached in February 2020. Personnel costs increased primarily as a result of a 22% increase in headcount as we continue to grow our business and operate as a publicly traded company.

Interest Income (Expense), Net

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Interest income (expense), net	$ (32)	$ 322	$ (354)	n/m
Percentage of total revenue	— %	1 %		

The decrease in interest income (expense), net was primarily driven by higher interest rates earned in the prior year on cash deposits related to our IPO proceeds.

Other (Expense) Income, Net

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Other (expense) income, net	$ (174)	$ 203	$ (377)	n/m
Percentage of total revenue	— %	— %		

The decrease in other (expense) income, net is due to sublease rental income as our Seattle, Washington lease expired in July 2020 as well as foreign exchange transaction losses.

Income Tax Expense

	Six Months Ended June 30,		Change	
	2021	2020	Amount	%
	(*dollars in thousands*)			
Income tax expense	$ 72	$ 21	$ 51	243 %
Percentage of total revenue	— %	— %		

The increase in income tax expense is due to the provision related to foreign income taxes.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the below non-GAAP financial information, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, operating results or future outlook.

However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP

financial measures as tools for comparison. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(*dollars in thousands, except per share data*)			
Non-GAAP gross profit	$ 33,764	$ 23,251	$ 64,769	$ 45,873
Non-GAAP operating income (loss)	132	(5,861)	(2,178)	(13,283)
Non-GAAP net income (loss)	2	(5,821)	(2,456)	(12,779)
Non-GAAP net income (loss) per share	—	(0.11)	(0.05)	(0.25)
Free cash flow	$ 4,062	$ (4,537)	$ 7,509	$ (9,353)

Non-GAAP Gross Profit

We define non-GAAP gross profit as GAAP gross profit, excluding stock-based compensation expense. We believe non-GAAP gross profit provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this non-GAAP financial measure eliminates the effect of stock-based compensation, which is often unrelated to overall operating performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of Non-GAAP gross profit	(*dollars in thousands*)			
Gross profit	$ 33,530	$ 23,082	$ 64,351	$ 45,409
Stock-based compensation expense	234	169	418	464
Non-GAAP gross profit	$ 33,764	$ 23,251	$ 64,769	$ 45,873

Non-GAAP Operating Income (Loss)

We define non-GAAP operating income (loss) as GAAP loss from operations, excluding stock-based compensation expense. We believe non-GAAP operating income (loss) provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this non-GAAP financial measure eliminates the effect of stock-based compensation, which is often unrelated to overall operating performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of Non-GAAP operating income (loss)	(*dollars in thousands*)			
Loss from operations	$ (5,312)	$ (8,342)	$ (11,531)	$ (19,286)
Stock-based compensation expense	5,444	2,481	9,353	6,003
Non-GAAP operating income (loss)	$ 132	$ (5,861)	$ (2,178)	$ (13,283)

Non-GAAP Net Income (Loss)

We define non-GAAP net income (loss) as GAAP net loss and comprehensive loss, excluding stock-based compensation expense. We believe non-GAAP net income (loss) provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this non-GAAP financial measure eliminates the effect of stock-based compensation, which is often unrelated to overall operating performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of Non-GAAP net income (loss)	(*dollars in thousands*)			
Net loss and comprehensive loss	$ (5,442)	$ (8,302)	$ (11,809)	$ (18,782)
Stock-based compensation expense	5,444	2,481	9,353	6,003
Non-GAAP net income (loss)	$ 2	$ (5,821)	$ (2,456)	$ (12,779)

Non-GAAP Net Income (Loss) per Share

We define non-GAAP net income (loss) per share as GAAP net loss per share attributable to common shareholders, basic and diluted, excluding stock-based compensation expense. We believe non-GAAP net income (loss) per share provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this non-GAAP financial measure eliminates the effect of stock-based compensation, which is often unrelated to overall operating performance.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of Non-GAAP net income (loss) per share				
Net loss per share attributable to common shareholders, basic and diluted	$ (0.10)	$ (0.16)	$ (0.22)	$ (0.37)
Stock-based compensation expense per share	0.10	0.05	0.17	0.12
Non-GAAP net income (loss) per share[1]	$ —	$ (0.11)	$ (0.05)	$ (0.25)

(1) For the three months ended June 30, 2021, Non-GAAP Basic and Diluted net income per share were both $0.00. Non-GAAP Diluted net income per share for the three months ended June 30, 2021 was calculated using 54,834,301 weighted-average shares of common stock outstanding, which includes the impact of dilutive shares related to options and restricted stock units. All other GAAP and Non-GAAP net loss per share calculations excluded these common stock equivalents as their effect is antidilutive.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that we define as net cash used in operating activities less purchases of property and equipment. We believe that free cash flow is a useful indicator of liquidity that provides information to management and investors about the amount of cash used in our core operations that, after the purchases of property and equipment, is not available to be used for strategic initiatives. For example, if free cash flow is negative, we may need to access cash reserves or other sources of capital to invest in strategic initiatives. One limitation of free cash flow is that it does not reflect our future contractual obligations. Additionally, free cash flow does not represent the total increase or decrease in our cash balance for a given period.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of Free cash flow	(*dollars in thousands*)			
Net cash provided by (used in) operating activities	$ 4,355	$ (4,042)	$ 7,975	$ (8,545)
Purchases of property and equipment	(293)	(495)	(466)	(808)
Free cash flow	$ 4,062	$ (4,537)	$ 7,509	$ (9,353)

Liquidity and Capital Resources

Our liquidity and capital resources were not materially impacted by the COVID-19 pandemic and the governmental responses to address the pandemic and the related economic impact during the six months ended June 30, 2021. For further discussion regarding the future potential impacts of COVID-19 and the related economic impacts on our liquidity and capital resources, see “Risk Factors” in Part I—Item 1A of our Annual Report on Form 10-K.

As of June 30, 2021, our principal sources of liquidity were cash and cash equivalents of $108.3 million, marketable securities of $63.2 million and net accounts receivable of $16.1 million. Historically, we have generated losses from operations and negative cash flows from operations, as evidenced by our accumulated deficit and statement of cash flows. However, for the six months ended June 30, 2021, we generated positive cash flows from operations. We expect to continue to incur operating losses for the foreseeable future due to the investments in our business we intend to make as described above. We may experience greater than anticipated operating losses in the short- and long-term if the COVID-19 pandemic and the governmental responses to address the pandemic and any re-emergence of COVID-19 persist for a prolonged period of time. The impact of the COVID-19 pandemic on our customers and our operations going forward remains uncertain, and we continue to proactively monitor our liquidity position.

Prior to our IPO in December 2019, we financed our operations primarily through private issuance of equity securities and line of credit borrowings. In our IPO, we received net proceeds of $134.3 million after deducting underwriting discounts and commissions of $10.5 million and offering expenses of $5.2 million. We subsequently received an additional $10.0 million of net proceeds after deducting underwriting discounts and commissions in January 2020 as a result of the over-allotment option exercise by the underwriters of our IPO. In August 2020, we received $42.1 million of net proceeds from our equity follow-on offering after deducting underwriting discounts and commissions. Our principal uses of cash in recent periods have been to fund operations and invest in capital expenditures.

We believe our existing cash and cash equivalents will be sufficient to meet our operating and capital needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our subscription growth rate, subscription renewal activity, billing frequency, the impact of the COVID-19 pandemic on our customers and our operations, the timing and extent of spending to support our research and development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product offerings, and the continuing market acceptance of our product. In the future, we may enter into arrangements to acquire or invest in complementary businesses,

products and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations, our business, results of operations and financial condition could be adversely affected.

SVB Credit Facility

In December 2017, we entered into a Loan and Security Agreement with Silicon Valley Bank, or SVB, which comprised a $15.0 million line of credit, or the Revolver, and a $5.0 million incremental revolving line commitment, or the Incremental Revolver, and, together with the Revolver, the SVB Credit Facility.

In November 2019, we amended the SVB Credit Facility to increase the Revolver (including the exercise of the Incremental Revolver, as amended) to $40.0 million and amended, among other terms, levels for the minimum adjusted EBITDA and minimum liquidity covenants, the advance rate and the interest rate. The November 2019 amendment includes a “streamline period”, or Streamline Period, concept, which occurs when we maintain, for every consecutive day in the immediately preceding fiscal quarter, the sum of (i) unrestricted cash at SVB plus (ii) unused availability under the Revolver in an amount equal to or greater than $75.0 million (the Streamline Balance). Any Streamline Period terminates on the earlier of the occurrence of an event of default and failure to maintain the Streamline Balance. The minimum adjusted EBITDA and minimum liquidity covenants do not apply during any Streamline Period. As of June 30, 2021, we did not have any outstanding principal balance under the SVB Credit Facility.

In connection with the November 2019 amendment, the Revolver now has a floating interest rate equal to the greater of (i) 4.75% and (ii) (x) at any time when the Streamline Period is not in effect, one and one-half of one percent (1.50%) above the prime rate and (y) at any time when the Streamline Period is in effect, the prime rate, which interest is payable monthly. The SVB Credit Facility matures on January 31, 2022.

The SVB Credit Facility contains customary negative covenants that limit our ability to, or require mandatory prepayment in the event that we, among other things, incur additional indebtedness or liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, add new offices or business locations, make certain investments, pay dividends, transfer or dispose of certain assets, liquidate or dissolve and enter into various specified transactions. The SVB Credit Facility also contains affirmative covenants, including certain financial covenants such as minimum adjusted EBITDA and minimum liquidity covenants and financial reporting requirements. With limited exceptions, our obligations under the SVB Credit Facility are secured by all of our property other than intellectual property (which is subject to a negative pledge). As of June 30, 2021, we were in compliance with the covenants in the SVB Credit Facility.

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Net cash provided by (used in) operating activities	$ 7,975	$ (8,545)
Net cash (used in) investing activities	(14,628)	(50,530)
Net cash provided by financing activities	395	3,557
Net (decrease) in cash	$ (6,258)	$ (55,518)

Operating Activities

Our largest source of operating cash is cash collections from our customers for subscription services. Our primary uses of cash from operating activities are for personnel costs across the sales and marketing and research and development departments and hosting costs. Historically, we have generated negative cash flows from operating activities. However, for the six months ended June 30, 2021, we generated positive cash flows from operating activities.

Net cash provided by operating activities during the six months ended June 30, 2021 was $8.0 million, which resulted from a net loss of $11.8 million adjusted for non-cash charges of $17.6 million and net cash inflow of $2.2 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $9.4 million of stock-based compensation expense, $2.0 million of depreciation and intangible asset amortization expense, $5.4 million for amortization of deferred contract acquisition costs, which were primarily commissions, and $0.3 million of amortization of right-of-use, or ROU, operating lease assets. The net cash inflow from changes in operating assets and liabilities was primarily the result of a $10.8 million increase in deferred revenue, a $1.0 million decrease in gross accounts receivable, and a $2.9 million decrease in prepaid expenses. These inflows were primarily offset by a $9.5 million increase in deferred commissions due to the addition of new customers and expansion of the business, a $2.0 million decrease in accounts payable and other accrued liabilities, and a $0.9 million decrease in operating lease liabilities.

Net cash used in operating activities during the six months ended June 30, 2020 was $8.5 million, which resulted from a net loss of $18.8 million adjusted for non-cash charges of $13.8 million and net cash outflow of $3.5 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $6.0 million of stock-based compensation expense, $2.1 million of depreciation and intangible asset amortization expense, $3.4 million for amortization of deferred contract acquisition costs, which were primarily commissions, $1.3 million for bad debt expense and $0.7 million of amortization of right-of-use, or ROU, operating lease assets. The net cash outflow from changes in operating assets and liabilities was primarily the result of a $5.4 million increase in deferred commissions due to the addition of new customers and expansion of the business, a $4.3 million increase in gross accounts receivable, and a $1.2 million decrease in operating lease liabilities. These outflows were primarily offset by a $5.7 million increase in deferred revenue and a $0.9 million increase in accounts payable and other accrued liabilities.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 was $14.6 million, which was primarily due to $63.2 million in purchases of marketable securities, partially offset by $49.0 million in proceeds from maturities of marketable securities.

Net cash used in investing activities for the six months ended June 30, 2020 was $50.5 million, which was primarily due to the purchase of $49.7 million of marketable securities in June 2020.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2021 was $0.4 million, which was primarily the result of $1.7 million from the disgorgement of stockholder short-swing profits under Section 16(b) of the Exchange Act, offset by $1.2 million in payments related to the employee withholding taxes as a result of the net settlement of stock-based awards.

Net cash provided by financing activities for the six months ended June 30, 2020 was $3.6 million, which was primarily the result of $10.0 million of net proceeds from our sale of over-allotment shares to the underwriters of our IPO, offset by $6.3 million in payments related to the employee withholding taxes as a result of the net settlement of stock-based awards.

Contractual Obligations

The following table summarizes our non-cancellable contractual obligations as of June 30, 2021.

	Payments Due by Period				
	Total	Less Than One Year	1-3 Years	3-5 Years	More Than Five Years
			(*in thousands*)		
Operating lease obligations	$ 30,489	$ 3,885	$ 8,042	$ 8,410	$ 10,152
Other purchase obligations[1]	52,960	23,991	28,969	—	—
Total	$ 83,449	$ 27,876	$ 37,011	$ 8,410	$ 10,152

(1) Consists of minimum guaranteed purchase commitments for data and services.

Off-Balance Sheet Arrangements

As of June 30, 2021, we did not have any relationships with any entities or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Recent Accounting Pronouncements

Refer to section titled “Recently Adopted Accounting Pronouncements” in Note 1 of the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report for more information.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates.

Our significant accounting policies are discussed in Note 1, “Nature of Operations and Summary of Significant Accounting Policies” in the Notes to Consolidated Financial Statements as of and for the year ended December 31, 2020 included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021. There have been no significant changes to these policies during the six months ended June 30, 2021.

JOBS Act Accounting Election

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 apply to private companies. We have elected to use this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that have not made this election. While we have elected to use this extended transition period, to date we have not delayed the adoption of any applicable accounting standards.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

Interest Rate Risk

We had cash and cash equivalents totaling $108.3 million as of June 30, 2021, the majority of which was invested in money market accounts and money market funds. We also had marketable securities of $63.2 million which were invested in investment-grade corporate bonds and commercial paper. Such interest-earning instruments carry a degree of interest rate risk with respect to the interest income generated. Additionally, certain of these cash investments are maintained at balances beyond Federal Deposit Insurance Corporation, or FDIC, coverage limits or are not insured by the FDIC. Accordingly, there may be a risk that we will not recover the full principal of our cash investments and marketable securities. To date, fluctuations in interest income have not been significant. Because these accounts are highly liquid, we do not have material exposure to market risk. Our cash is held for working capital purposes. We do not enter into investments for trading or speculative purposes.

We did not have any outstanding debt under our $40.0 million revolving credit line as of June 30, 2021. The line of credit carries a variable interest rate equal to the greater of (i) 4.75% and (ii) (x) at any time when the Streamline Period is not in effect, one and one-half of one percent (1.50%) above the prime rate and (y) at any time when the Streamline Period is in effect, the prime rate and is available through January 31, 2022. See “Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—SVB Credit Facility.”

We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Foreign Currency Exchange Risk

We are not currently subject to significant foreign currency exchange risk as our U.S. and international sales are predominantly denominated in U.S. dollars. However, we have some foreign currency risk related to a small amount of sales denominated in Canadian dollars. Sales denominated in Canadian dollars reflect the prevailing U.S. dollar exchange rate on the date of invoice for such sales. Decreases in the relative value of the U.S. dollar to the Canadian dollar may negatively affect revenue and other operating results as expressed in U.S. dollars. We do not believe that an immediate ten percent increase or decrease in the relative value of the U.S. dollar to the Canadian dollars would have a material effect on operating results.

We have not engaged in the hedging of foreign currency transactions to date. However, as our international operations expand, our foreign currency exchange risk may increase. If our foreign currency exchange risk increases in the future, we may evaluate the costs and benefits of initiating a foreign currency hedge program in connection with non-U.S. dollar denominated transactions.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of June 30, 2021. Based on such evaluation, our CEO and CFO have concluded that as of June 30, 2021, our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal controls

There have been no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business. We are not currently a party to any material pending legal proceedings.

INDEX TO EXHIBITS

31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements
104	The cover page from the Quarterly Report on Form 10-Q, formatted as Inline XBRL.

* Furnished, not filed.

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SIGNATURE

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.

August 4, 2021

Sprout Social, Inc.

By: /s/ Joe Del Preto

Joe Del Preto

Chief Financial Officer and Treasurer (Principal Financial and Principal Accounting Officer)

CERTIFICATION

I, Justyn Howard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sprout Social, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

SPROUT SOCIAL, INC.

By:	/s/ Justyn Howard
Name:	Justyn Howard
Title:	Chairman of the Board of Directors and Chief Executive Officer

Date: August 4, 2021

CERTIFICATION

I, Joe Del Preto, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sprout Social, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

SPROUT SOCIAL, INC.

By:	/s/ Joe Del Preto
Name:	Joe Del Preto
Title:	Chief Financial Officer and Treasurer

Date: August 4, 2021

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sprout Social, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Justyn Howard, Chairman of the Board of Directors and Chief Executive Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

SPROUT SOCIAL, INC.

By:	/s/ Justyn Howard
Name:	Justyn Howard
Title:	Chairman of the Board of Directors and Chief Executive Officer

Date: August 4, 2021

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sprout Social, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe Del Preto, Chief Financial Officer and Treasurer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

SPROUT SOCIAL, INC.

By:	/s/ Joe Del Preto
Name:	Joe Del Preto
Title:	Chief Financial Officer and Treasurer

Date: August 4, 2021