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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from to

Commission File Number: 001-38897

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

Delaware	**27-5411834**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

475 Brannan Street, Suite 300
San Francisco, CA 94107
(Address of principal executive offices) (Zip code)

(844) 432-7859
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, or former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.00002 par value	FSLY	The New York Stock Exchange

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

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

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

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

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

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

As of July 29, 2022, 122.0 million shares of the registrants' Class A common stock were outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as "anticipate," "believe," "continue," "could," "design," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "project," "should," "will," "would," or the negative of these terms or other similar expressions.

Forward-looking statements are based on our management's beliefs and assumptions and on information currently available. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, regarding, among other things:

- defects, interruptions, outages, delays in performance, or similar problems with our platform, including the impact of our global platform outage on June 8, 2021;
- our ability to attract new enterprise customers and to have existing enterprise customers continue and increase their use of our platform;
- our ability to forecast our revenue accurately and manage our expenditures;
- the potential loss or significant reduction in usage by one or more of our major customers;
- component delays, shortages, and price increases;
- our limited operating history and history of operating losses;
- our ability to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing customer needs, requirements, or preferences;
- our ability to effectively develop and expand our marketing and sales capabilities;
- our ability to compete effectively with existing competitors and new market entrants;
- our ability to maintain and enhance our brand;
- our ability to identify and integrate acquisitions, strategic investments, partnerships, or alliances;
- security measures, or those maintained on our behalf, are compromised, or the security, confidentiality, integrity or availability of our information technology, software, services, networks, communications or data is compromised, limited or fails;
- our ability to attract and retain qualified employees and key personnel;
- our potential involvement in class-action lawsuits and other litigation matters;
- the impact of the ongoing COVID-19 pandemic on our business, operations, and the markets and communities in which we, our partners, and our customers operate;
- our ability to remediate material weaknesses and maintain effective internal control over financial reporting; and
- our stock price may be volatile, and the value of our Class A common stock may decline.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

Other sections of this Quarterly Report on Form 10-Q may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Investors and others should note that we may announce material business and financial information to our investors using our investor relations website (www.investors.fastly.com), our filings with the Securities and Exchange Commission, webcasts, press releases, and conference calls. We use these mediums, including our website, to communicate with investors and the general public about us, our products, and other issues. It is possible that the information that we make available on our website may be deemed to be material information. We therefore encourage investors and others interested in us to review the information that we make available on our website.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FASTLY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	As of June 30, 2022	As of December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,510	$ 166,068
Marketable securities, current	419,905	361,795
Accounts receivable, net of allowance for credit losses of $3,696 and $3,311 as of June 30, 2022 and December 31, 2021, respectively	68,218	64,625
Prepaid expenses and other current assets	29,037	32,160
Total current assets	579,670	624,648
Property and equipment, net	173,950	166,961
Operating lease right-of-use assets, net	69,861	69,631
Goodwill	670,186	636,805
Intangible assets, net	93,978	102,596
Marketable securities, non-current	284,951	528,911
Other assets	60,199	29,468
Total assets	$ 1,932,795	$ 2,159,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,011	$ 9,257
Accrued expenses	49,943	36,112
Finance lease liabilities, current	28,088	21,125
Operating lease liabilities, current	19,243	20,271
Other current liabilities	33,705	45,107
Total current liabilities	140,990	131,872
Long-term debt	703,375	933,205
Finance lease liabilities, noncurrent	26,479	22,293
Operating lease liabilities, noncurrent	60,657	55,114
Other long-term liabilities	7,556	2,583
Total liabilities	939,057	1,145,067
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Class A common stock	2	2
Additional paid-in capital	1,597,869	1,527,468
Accumulated other comprehensive loss	(12,542)	(2,627)
Accumulated deficit	(591,591)	(510,890)
Total stockholders' equity	993,738	1,013,953
Total liabilities and stockholders' equity	$ 1,932,795	$ 2,159,020

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

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

	Three months ended June 30,		Six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue	$ 102,518	$ 85,026	$ 204,900	$ 169,878
Cost of revenue	56,466	40,320	110,381	77,814
Gross profit	46,052	44,706	94,519	92,064
Operating expenses:				
Research and development	38,717	30,346	79,154	59,334
Sales and marketing	46,760	36,334	88,240	71,206
General and administrative	29,543	35,494	59,097	68,955
Total operating expenses	115,020	102,174	226,491	199,495
Loss from operations	(68,968)	(57,468)	(131,972)	(107,431)
Net gain on extinguishment of debt	54,391	—	54,391	—
Interest income	1,502	276	2,183	450
Interest expense	(1,530)	(1,436)	(3,152)	(2,097)
Other income (expense)	(1,673)	178	(1,952)	114
Loss before income taxes	(16,278)	(58,450)	(80,502)	(108,964)
Income tax expense (benefit)	159	(155)	199	14
Net loss	$ (16,437)	$ (58,295)	$ (80,701)	$ (108,978)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.14)	$ (0.51)	$ (0.67)	$ (0.95)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	121,242	115,326	120,295	114,733

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

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

	Three months ended June 30,		Six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Net loss	$ (16,437)	$ (58,295)	$ (80,701)	$ (108,978)
Other comprehensive loss:				
Foreign currency translation loss	17	23	(170)	(42)
Loss on investments in available-for-sale-securities	(3,063)	(147)	(9,745)	(225)
Total other comprehensive loss	$ (3,046)	$ (124)	$ (9,915)	$ (267)
Comprehensive loss	$ (19,483)	$ (58,419)	$ (90,616)	$ (109,245)

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

FASTLY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands; unaudited)

Three months ended June 30, 2022

	Common Stock—Class A		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2022	120,777	$ 2	$ 1,561,371	$ (9,496)	$ (575,154)	$ 976,723
Exercise of vested stock options	273	—	1,721	—	—	1,721
Vesting of restricted stock units	506	—	—	—	—	—
Vesting of restricted stock awards	37	—	—	—	—	—
Shares issued under ESPP	292	—	2,962	—	—	2,962
Stock-based compensation	—	—	31,815	—	—	31,815
Net loss	—	—	—	—	(16,437)	(16,437)
Other comprehensive loss	—	—	—	(3,046)	—	(3,046)
Balance at June 30, 2022	121,885	$ 2	$ 1,597,869	$ (12,542)	$ (591,591)	$ 993,738

Three months ended June 30, 2021

	Common Stock—Class A		Common Stock—Class B		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of March 31, 2021	104,950	$ 1	9,891	$ 1	$ 1,384,045	$ (137)	$ (338,876)	$ 1,045,034
Exercise of vested stock options	428	—	—	—	2,886	—	—	2,886
Vesting of early exercised stock options	—	—	14	—	64	—	—	64
Vesting of restricted stock units	419	—	—	—	—	—	—	—
Vesting of restricted stock awards	112	—	—	—	—	—	—	—
Shares issued under ESPP	153	—	—	—	5,719	—	—	5,719
Stock-based compensation	—	—	—	—	33,806	—	—	33,806
Conversion of Class B to Class A Stock	197	—	(197)	—	—	—	—	—
Net loss	—	—	—	—	—	—	(58,295)	(58,295)
Other comprehensive loss	—	—	—	—	—	(124)	—	(124)
Balance as of June 30, 2021	106,259	$ 1	9,708	$ 1	$ 1,426,520	$ (261)	$ (397,171)	$ 1,029,090

	Six months ended June 30, 2022					
	Common Stock—Class A		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	118,811	$ 2	$ 1,527,468	$ (2,627)	$ (510,890)	$ 1,013,953
Exercise of vested stock options	1,624	—	4,769	—	—	4,769
Vesting of restricted stock units	1,083	—	—	—	—	—
Vesting of restricted stock awards	75	—	—	—	—	—
Shares issued under ESPP	292	—	2,962	—	—	2,962
Stock-based compensation	—	—	62,670	—	—	62,670
Net loss	—	—	—	—	(80,701)	(80,701)
Other comprehensive loss	—	—	—	(9,915)	—	(9,915)
Balance at June 30, 2022	121,885	$ 2	$ 1,597,869	$ (12,542)	$ (591,591)	$ 993,738

	Six months ended June 30, 2021							
	Common Stock—Class A		Common Stock—Class B		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	103,394	$ 1	10,229	$ 1	$ 1,350,050	$ 6	$ (288,193)	$ 1,061,865
Exercise of vested stock options	1,029	—	—	—	5,605	—	—	5,605
Vesting of early exercised stock options	—	—	29	—	128	—	—	128
Vesting of restricted stock units	909	—	—	—	—	—	—	—
Vesting of restricted stock awards	224				—			—
Shares issued under ESPP	154	—	—	—	5,719	—	—	5,719
Stock-based compensation	—	—	—	—	65,018	—	—	65,018
Conversion of Class B to Class A Stock	549	—	(549)	—	—	—	—	—
Net loss	—	—	—	—	—	—	(108,978)	(108,978)
Other comprehensive income	—	—	—	—	—	(267)	—	(267)
Balance as of June 30, 2021	106,259	$ 1	9,708	$ 1	$ 1,426,520	$ (261)	$ (397,171)	$ 1,029,090

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

FASTLY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands; unaudited)

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities:		
Net loss	$ (80,701)	$ (108,978)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	20,586	13,346
Amortization of intangible assets	10,618	10,620
Amortization of right-of-use assets and other	13,378	12,660
Amortization of debt discount and issuance costs	1,739	1,269
Amortization of deferred contract costs	3,989	2,946
Stock-based compensation	75,000	64,264
Provision for credit losses	529	(195)
Interest on finance lease	(1,240)	(735)
Loss on disposals of property and equipment	854	27
Amortization and accretion of discounts and premiums on investments	1,851	—
Net gain on extinguishment of debt	(54,391)	—
Other adjustments	61	813
Changes in operating assets and liabilities:		
Accounts receivable	(4,122)	(5,612)
Prepaid expenses and other current assets	(4,812)	(5,494)
Other assets	(6,399)	(5,089)
Accounts payable	844	162
Accrued expenses	1,162	(3,835)
Operating lease liabilities	(12,837)	(12,856)
Other liabilities	4,021	8,804
Net cash used in operating activities	(29,870)	(27,883)
Cash flows from investing activities:		
Purchases of marketable securities	(355,479)	(333,868)
Sales of marketable securities	161,853	12,497
Maturities of marketable securities	367,880	57,253
Business acquisitions, net of cash acquired and other related payments	(25,999)	—
Advance payment for purchase of property and equipment	(29,310)	—
Purchases of property and equipment	(8,815)	(11,013)
Proceeds from sale of property and equipment	241	—
Capitalized internal-use software	(8,736)	(2,680)
Purchase of intangible assets	—	(2,093)
Net cash provided by (used in) investing activities	101,635	(279,904)
Cash flows from financing activities:		
Issuance of convertible note, net of issuance costs	—	930,775
Payments of other debt issuance costs	—	(1,351)
Net cash paid for debt extinguishment	(177,082)	—
Repayments of finance lease liabilities	(11,029)	(6,579)
Cash received for restricted stock sold in advance of vesting conditions	10,655	—
Cash paid for early sale of restricted shares	(7,037)	—
Proceeds from exercise of vested stock options	4,769	5,605
Proceeds from employee stock purchase plan	3,977	4,564
Net cash provided by (used in) financing activities	(175,747)	933,014
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	(319)	(141)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(104,301)	625,086
Cash, cash equivalents, and restricted cash at beginning of period	166,961	63,880
Cash, cash equivalents, and restricted cash at end of period	$ 62,660	$ 688,966

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

FASTLY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—Continued
(in thousands)
(unaudited)

	Six months ended June 30,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,304	$ 759
Cash paid for income taxes, net of refunds received	$ 180	$ 175
Property and equipment additions not yet paid in cash	$ 3,636	$ 1,814
Stock-based compensation capitalized to internal-use software	$ 3,522	$ 754
Assets obtained in exchange for operating lease obligations	$ 15,676	$ 13,481
Assets obtained in exchange for finance lease obligations	$ 22,178	$ 15,538
Net non-cash change in operating lease assets and liabilities associated with modifications and terminations	$ 2,960	$ —
Purchase consideration associated with business combination, accrued but not paid	$ 8,126	$ —
Costs associated with business combination, accrued but not paid	$ 1,873	$ —
Reconciliation of cash, cash equivalents, and restricted cash as shown in the statements of cash flows:		
Cash and cash equivalents	$ 62,510	$ 687,986
Restricted cash, current	150	87
Restricted cash, non-current	—	893
Total cash, cash equivalents, and restricted cash	$ 62,660	$ 688,966

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

1. Nature of Business

Fastly, Inc. has built an edge cloud platform that can process, serve, and secure its customer's applications as close to their end users as possible. As of June 30, 2022, the Company's edge network spans across 78 markets around the world. The Company was incorporated in Delaware in 2011 and is headquartered in San Francisco, California.

As used herein, "Fastly," "we," "our," "the Company," and similar terms include Fastly, Inc. and its subsidiaries, unless the context indicates otherwise.

Conversion of dual class common stock structure

On July 12, 2021, all outstanding shares of Class B common stock automatically converted into the same number of shares of Class A common stock (the "Conversion") pursuant to the terms of the Company's amended and restated certificate of incorporation (the "Certificate"). Upon the Conversion, outstanding options denominated in shares of Class B common stock issued under any of the Company's equity incentive plans remained unchanged, except that such options now represent the right to receive shares of Class A common stock on exercise. In accordance with the Certificate, the shares of Class B common stock that converted to Class A common stock were retired and will not be reissued by the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), consistent in all material respects with those applied in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission ("SEC") on March 1, 2022. The Company's condensed consolidated financial statements include its accounts and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company's condensed consolidated financial statements are unaudited but include all adjustments of a normal recurring nature necessary for a fair presentation of its quarterly results. The Company's condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Certain changes to presentation have been made to conform the prior period presentation to the current period reporting. Such reclassifications did not affect the condensed consolidated balance sheets, total revenues, operating income, or net income.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and also on assumptions that it believes are reasonable.

Due to the Coronavirus ("COVID-19") pandemic there has been uncertainty and disruption in the global economy and financial markets. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of June 30, 2022. These estimates may change, as new events occur and additional information is obtained, as well as other factors related to COVID-19 that could result in material impacts to the Company's consolidated financial statements in future reporting periods.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies as compared to those described in "Note 2 – Summary of Significant Accounting Policies" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Recently Adopted and Issued Accounting Pronouncements

The Company has not adopted any new accounting pronouncements in the three and six months ended June 30, 2022. Other recently issued accounting pronouncements are not expected to have a material impact on its condensed consolidated financial statements.

Concentrations of Credit Risk

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

The Company's cash, cash equivalents, and marketable securities primarily consisted of bank deposits, money market funds, investment-grade commercial paper, corporate notes and bonds, U.S. treasury securities, municipal securities, foreign government and supranational securities and asset-backed securities held at major financial institutions. The primary focus of its investment strategy is to preserve capital and meet liquidity requirements. The Company's investment policy limits the amount of credit exposure with any one financial institution or commercial issuer.

Concentrations of credit risk with respect to accounts receivable are primarily limited to certain customers to which the Company makes substantial sales. The Company's customer base consists of a large number of geographically dispersed customers diversified across several industries. In the three and six months ended June 30, 2022 and June 30, 2021, no customer accounted for more than 10% of revenue. As of June 30, 2022 and December 31, 2021, no customer accounted for more than 10% of the total accounts receivable balance.

3. Revenue

Revenue by geography is based on the billing address of the customer. Aside from the United States, no other single country accounted for more than 10% of revenue for both the three and six months ended June 30, 2022 and June 30, 2021. The following table presents the Company's net revenue by geographic region:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
United States	$ 76,052	$ 59,674	$ 151,666	$ 122,408
Asia Pacific	12,869	9,077	24,589	18,231
Europe	9,242	8,232	18,595	17,872
All other	4,355	8,043	10,050	11,367
Total revenue	$ 102,518	$ 85,026	$ 204,900	$ 169,878

The majority of the Company's revenue is derived from enterprise customers, which are defined as customers with revenue in excess of $100,000 over the previous 12-month period. The following table presents the Company's net revenue for enterprise and non-enterprise customers:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Enterprise customers	$ 91,253	$ 74,372	$ 182,354	$ 149,837
Non-enterprise customers	11,265	10,654	22,546	20,041
Total revenue	$ 102,518	$ 85,026	$ 204,900	$ 169,878

Contract balances

The following table presents the Company's contract assets and contract liabilities as of June 30, 2022 and as of December 31, 2021:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Contract assets	$ 33	$ 89
Contract liabilities	$ 29,052	$ 28,907

The Company's payment terms and conditions vary by contract type. Payment terms on invoiced amounts are at a weighted average of 40 days.

The following table presents the revenue recognized during the three and six months ended June 30, 2022 and 2021 from amounts included in the contract liability at the beginning of the period:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Revenue recognized in the period from amounts included in contract liability at the beginning of the period	$ 10,674	$ 6,840	$ 19,164	$ 11,136

Remaining performance obligations

As of June 30, 2022, the Company had $173.2 million of remaining performance obligations, which includes deferred revenue and amounts that will be invoiced and recognized in future periods, respectively. As of June 30, 2022, the Company expects to recognize approximately 85% of this balance over the next 12 months in the Company's condensed consolidated statement of operations and comprehensive loss. The typical contract term with the Company's customers is one year, although terms may vary by contract.

Costs to obtain a contract

As of June 30, 2022 and December 31, 2021, the Company's costs to obtain contracts were as follows:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Deferred contract costs, net	$ 26,595	$ 23,830

During the three months ended June 30, 2022 and 2021, the Company recognized $2.1 million and $1.5 million of amortization related to deferred contract costs, respectively. During the six months ended June 30, 2022 and 2021, the Company recognized $4.0 million and $2.9 million of amortization related to deferred contract costs, respectively. These costs are recorded within sales and marketing expenses on the accompanying Condensed Consolidated Statements of Operations.

4. Investments and Fair Value Measurements

The Company's total cash, cash equivalents and marketable securities as of June 30, 2022 and December 31, 2021 consisted of the following:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Cash and cash equivalents:		
Cash	$ 48,864	$ 134,774
Money market funds	9,665	31,294
Commercial paper	3,981	—
Total cash and cash equivalents (1)	$ 62,510	$ 166,068
Marketable securities:		
U.S. Treasury securities	$ 274,449	$ 184,946
Corporate notes and bonds	77,241	11,327
Commercial paper	16,489	124,089
Asset-backed securities	31,840	21,576
Municipal securities	—	2,250
Foreign government and supranational securities	19,886	17,607
Total marketable securities, current (2)	$ 419,905	$ 361,795
U.S. Treasury securities	53,555	239,528
Corporate notes and bonds	173,509	197,298
Asset-backed securities	55,648	77,142
Municipal securities	2,239	2,312
Foreign government and supranational securities	—	12,631
Total marketable securities, non-current (3)	$ 284,951	$ 528,911
Total marketable securities	$ 704,856	$ 890,706
Total cash, cash equivalents and marketable securities	$ 767,366	$ 1,056,774

(1) The Company's cash equivalents include investments with an original maturity date of three months or less.
(2) The Company classifies its marketable securities as current, where it intends to hold the securities for less than 12 months.
(3) The Company classifies its marketable securities are non-current, where it intends to hold the securities for longer than 12 months.

Available-for-Sale Investments

The Company's marketable securities are classified as available-for-sale as of the balance sheet date and are reported at fair value with unrealized gains and losses reported, net of tax, as a separate component of accumulated other comprehensive income (loss) in stockholders' equity.

The following table summarizes adjusted cost, gross unrealized gains and losses, and fair value related to available-for-sale securities classified as marketable securities as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in thousands)			
U.S. Treasury securities	$ 333,938	$ —	$ (5,934)	$ 328,004
Corporate notes and bonds	255,927	—	(5,177)	250,750
Commercial paper	16,489	—	—	16,489
Asset-backed securities	88,020	—	(532)	87,488
Municipal securities	2,325	—	(86)	2,239
Foreign government and supranational securities	20,145	—	(259)	19,886
Total available-for-sale investments	$ 716,844	$ —	$ (11,988)	$ 704,856

	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in thousands)			
U.S. Treasury securities	$ 425,560	$ 1	$ (1,086)	$ 424,475
Corporate notes and bonds	209,550	—	(925)	208,625
Commercial paper	124,098	—	(9)	124,089
Asset-backed securities	98,857	—	(140)	98,717
Municipal securities	4,577	—	(15)	4,562
Foreign government and supranational securities	30,306	—	(68)	30,238
Total available-for-sale investments	$ 892,948	$ 1	$ (2,243)	$ 890,706

There were no material realized gains or losses from sales of marketable securities that were reclassified out of accumulated other comprehensive (loss) income into investment income during the three and six months ended June 30, 2022 and 2021.

There was one security in a continuous loss position for 12 months or longer as of June 30, 2022. No other securities were in a continuous loss position for 12 months or longer as of June 30, 2022. No securities were in a continuous loss position for 12 months or longer as of December 31, 2021. Investments are reviewed periodically to identify possible other-than-temporary impairments. No impairment loss has been recorded on the securities included in either of the periods as the Company believes that the decrease in fair value of these securities is temporary.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash held in banks, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities, and are therefore excluded from the fair value tables below.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There is a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, 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; and

Level 3—Unobservable inputs that are supported by little or no market activity, which require management judgment or estimation.

The Company measures its cash equivalents, marketable securities, and restricted cash at fair value. The Company classifies its cash equivalents, marketable securities and restricted cash within Level 1 or Level 2 because the Company values these investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs. The fair value of the Company's Level 1 financial assets is based on quoted market prices of the identical underlying security. The fair value of the Company's Level 2 financial assets is based on inputs that are directly or indirectly observable in the market, including the readily available pricing sources for the identical underlying security that may not be actively traded.

Financial assets and liabilities measured and recorded at fair value on a recurring basis consisted of the following types of instruments:

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents:				
Money market funds	$ 9,665	$ —	$ —	$ 9,665
Commercial paper	—	3,981	—	3,981
Total cash equivalents	9,665	3,981	—	13,646
Marketable securities:				
Corporate notes and bonds	—	250,750	—	250,750
Commercial paper	—	16,489	—	16,489
U.S. Treasury securities	—	328,004	—	328,004
Municipal securities	—	2,239	—	2,239
Asset-backed securities	—	87,488	—	87,488
Foreign government and supranational securities	—	19,886	—	19,886
Total marketable securities	—	704,856	—	704,856
Restricted cash:				
Restricted cash, current	150	—	—	150
Total restricted cash	150	—	—	150
Total financial assets	$ 9,815	$ 708,837	$ —	$ 718,652

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents:				
Money market funds	$ 31,294	$ —	$ —	$ 31,294
Total cash equivalents	31,294	—	—	31,294
Marketable securities:				
U.S. Treasury securities	—	424,475	—	424,475
Corporate notes and bonds	—	208,625	—	208,625
Commercial paper	—	124,089	—	124,089
Asset-backed securities	—	98,717	—	98,717
Municipal securities	—	4,562	—	4,562
Foreign government and supranational securities	—	30,238	—	30,238
Total marketable securities	—	890,706	—	890,706
Restricted cash:				
Restricted cash, non-current	893	—	—	893
Total restricted cash	893	—	—	893
Total financial assets	$ 32,187	$ 890,706	$ —	$ 922,893

The Company classifies its investments, which are comprised of corporate notes and bonds, commercial paper, U.S. treasury securities, foreign government and supranational securities and asset-backed securities within Level 2 of the fair value hierarchy because the fair value of these securities is priced by using inputs based on non-binding market consensus prices that are primarily corroborated by observable market data or quoted market prices for similar instruments.

Restricted cash was $0.2 million and $0.9 million as of June 30, 2022 and December 31, 2021, respectively. The restricted cash balance consisted of letters of credit related to lease arrangements that were collateralized by restricted cash. The amounts as of June 30, 2022 and December 31, 2021, were classified as current and non-current, respectively, on the Company's Condensed Consolidated Balance Sheets.

There were no transfers of assets and liabilities measured at fair value between Level 1 and Level 2, or between Level 2 and Level 3, during the three and six months ended June 30, 2022 and 2021.

5. Business Combinations

Glitch Inc.

On May 18, 2022, the Company acquired 100% of the voting equity interest of Glitch Inc. ("Glitch"), a software company specializing in developer project management tools, for $34.9 million in cash, of which $8.0 million has been held back as security for indemnification claims under the terms of the merger agreement ("Holdback"). The Holdback will be distributed to the shareholders of Glitch between 12 and 24 months following acquisition closing date. The acquisition is expected to expand the Company's brand awareness within the developer community and bolster the Company's existing product offerings by making it easier to innovate at a layer in the Company's software stack.

The Company accounted for the transaction as a business combination. The purchase price was preliminarily allocated based on the estimated fair value of the identified intangible assets of $2.0 million, cash of $1.6 million and other net assets of $0.6 million, and goodwill of $32.6 million.

The goodwill was primarily attributed to the value of synergies created with the acquisition of Glitch's technology offering. Goodwill is not deductible for income tax purposes. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions and may be subject to change as additional information is received. The provisional measurements of fair value for income taxes payable and deferred taxes may be subject to change as additional information is received and certain tax returns are finalized. The Company expects to finalize the fair value measurements as soon as practicable, but not later than one year from the acquisition date.

Identifiable finite-lived intangible assets were comprised of the following (in thousands):

		Total	Estimated useful life (in years)
Developed Technology	$	630	4
Customer relationships		760	3
Trade name		610	4
Total intangible assets acquired	$	2,000	

For the three and six months ended June 30, 2022, we incurred $2.0 million in acquisition-related expenses. The acquired intangible assets have a total weighted average amortization period of 3.6 years.

From the date of the acquisition, the financial results of Glitch have been included in and are not material to the Company's condensed consolidated financial statements. Pro forma revenue and results of operations have not been presented because the historical results are not material to the condensed consolidated financial statements in any period presented.

6. Balance Sheet Information

Property and equipment, net

Property and equipment, net consisted of the following:

		As of June 30, 2022		As of December 31, 2021
		(in thousands)		
Computer and networking equipment	$	215,730	$	207,575
Leasehold improvements		8,002		4,631
Furniture and fixtures		1,793		1,606
Office equipment		790		654
Internal-use software		52,604		40,345
Property and equipment, gross	$	278,919	$	254,811
Accumulated depreciation and amortization		(104,969)		(87,850)
Property and equipment, net	$	173,950	$	166,961

Depreciation on property and equipment for the three months ended June 30, 2022 and 2021 was approximately $10.7 million and $6.9 million, respectively. Included in these amounts was amortization expense for capitalized internal-use software costs of approximately $2.2 million and $1.0 million for the three months ended June 30, 2022 and 2021, respectively.

Depreciation on property and equipment for the six months ended June 30, 2022 and 2021 was approximately $20.6 million and $13.3 million, respectively. Included in these amounts was amortization expense for capitalized internal-use software costs of approximately $3.7 million and $1.9 million for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and December 31, 2021, the unamortized balance of capitalized internal-use software costs on the Company's Condensed Consolidated Balance Sheets was approximately $35.0 million and $27.9 million, respectively.

The Company leases certain networking equipment from various third parties through equipment finance leases. The Company's networking equipment assets as of June 30, 2022 and December 31, 2021, included a total of $89.3 million and $67.8 million acquired under finance lease agreements, respectively. These leases are capitalized in property and equipment, and the related amortization of assets under finance leases is included in depreciation and amortization expense. The accumulated depreciation of the associated networking equipment assets under finance leases totaled $21.1 million and $14.4 million as of June 30, 2022 and December 31, 2021, respectively.

Other assets

Other assets consisted of the following:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Deferred contract costs, net	$ 26,595	$ 23,830
Advance payment for purchase of property and equipment	29,310	—
Other assets	4,294	5,638
Total other assets	$ 60,199	$ 29,468

Accrued expenses

Accrued expenses consisted of the following:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Accrued compensation and related benefits	$ 19,836	$ 13,543
Accrued colocation and bandwidth costs	8,407	10,205
Sales and use tax liabilities	8,396	8,070
Other accrued liabilities	13,304	4,294
Total accrued expenses	$ 49,943	$ 36,112

Other current liabilities

Other current liabilities consisted of the following:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Deferred revenue, current	$ 25,484	$ 26,421
Accrued computer and networking equipment	3,534	18,081
Holdback payable	4,013	—
Other current liabilities	674	605
Total other current liabilities	$ 33,705	$ 45,107

7. Leases

The Company has operating leases for corporate offices and data centers ("colocation leases"), and finance leases for networking equipment. The Company's leases have remaining lease terms ranging from less than 1 year to 8 years, some of which include options to extend the leases. The Company also subleases a portion of its corporate office spaces. The Company's subleases have an average remaining lease terms of 2.25 years. The Company's sublease income was $0.2 million for both the three months ended June 30, 2022, and 2021. The Company's sublease income was $0.5 million and $0.4 million for the six months ended June 30, 2022 and 2021, respectively.

The Company's components of lease cost were as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
	(in thousands)			
Operating lease cost:				
Operating lease cost	$ 6,631	$ 6,452	$ 13,499	$ 12,804
Variable lease cost	3,463	1,460	6,182	2,818
Total operating lease costs	$ 10,094	$ 7,912	$ 19,681	$ 15,622
Finance lease cost:				
Amortization of assets under finance lease	$ 3,818	$ 1,250	$ 7,080	$ 2,484
Interest	650	405	1,241	735
Total finance lease costs	$ 4,468	$ 1,655	$ 8,321	$ 3,219

Other information related to leases was as follows:

	As of June 30, 2022	As of As of December 31, 2021
Weighted Average Remaining Lease Term (in years):		
Operating leases	4.32	4.41
Finance leases	2.10	2.23
Weighted Average Discount Rate:		
Operating leases	5.21 %	5.20 %
Finance leases	4.75 %	4.86 %

Future minimum lease payments under non-cancellable leases as of June 30, 2022 were as follows:

	Operating Leases	Finance Leases
	(in thousands)	
Remainder of 2022	$ 12,043	$ 16,588
2023	20,660	25,332
2024	16,723	13,973
2025	15,782	1,463
2026	15,373	—
Thereafter	11,696	—
Total future minimum lease payments	$ 92,277	$ 57,356
Less: imputed interest	(11,001)	(2,789)
Total liability	$ 81,276	$ 54,567

As of June 30, 2022, the Company had undiscounted commitments of $1.1 million for operating leases that have not yet commenced, and therefore are not included in the right-of-use asset or operating lease liability. These operating leases will commence in 2022 with lease terms of 3 years.

8. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2022 are as follows:

		Six months ended June 30, 2022
		(in thousands)
Balance as of December 31, 2021	$	636,805
Goodwill acquired from business combinations		33,419
Foreign currency translation and other adjustments		(38)
Balance as of June 30, 2022	$	670,186

The Company did not record an impairment charge on goodwill during either of the three and six months ended June 30, 2022 or 2021.

As of June 30, 2022 and December 31, 2021, the Company's intangible assets consisted of the following:

	As of June 30, 2022						As of December 31, 2021					
		Gross carrying value		Accumulated amortization		Net carrying value		Gross carrying value		Accumulated amortization		Net carrying value
	(in thousands)											
Intangible assets:												
Customer relationships	$	69,860	$	(15,116)	$	54,744	$	69,100	$	(10,797)	$	58,303
Developed technology		50,130		(17,325)		32,805		49,500		(12,375)		37,125
Trade names		3,910		(1,925)		1,985		3,300		(1,375)		1,925
Internet protocol addresses		4,984		(1,222)		3,762		4,984		(973)		4,011
Backlog		2,200		(1,925)		275		2,200		(1,375)		825
In-process research and development ("IPR&D")		368		—		368		368		—		368
Domain name		39		—		39		39		—		39
Total intangible assets	$	131,491	$	(37,513)	$	93,978	$	129,491	$	(26,895)	$	102,596

The Company's customer relationships, developed technology, trade names, internet protocol addresses, backlog and domain name intangible assets are subject to amortization. IPR&D and domain name intangible assets are indefinite-lived that is not subject to amortization. Amortization expense was $5.3 million and $5.3 million for the three months ended June 30, 2022 and 2021, respectively. Amortization expense was $10.6 million for both the six months ended June 30, 2022 and 2021.

During the three and six months ended June 30, 2022, we added $2.0 million of intangible assets from the acquisition of Glitch, which are subject to amortization. The Company purchased $2.1 million of intangible assets for the three and six months ended June 30, 2021. The Company did not record any impairment charges on its intangible assets during both the three and six months ended June 30, 2022 and 2021.

The expected amortization expense of intangible assets subject to amortization as of June 30, 2022 is as follows:

	As of June 30, 2022 (in thousands)
Remainder of 2022	$ 10,694
2023	20,437
2024	19,603
2025	16,977
2026	9,193
Thereafter	16,706
Total	$ 93,610

9. Debt Instruments

Senior Secured Credit Facilities Agreement

On February 16, 2021, the Company entered into a Senior Secured Credit Facilities Agreement ("Credit Agreement") with Silicon Valley Bank ("SVB") for an aggregate commitment amount of $100.0 million with a maturity date of February 16, 2024. The Company recorded $0.6 million of debt issuance costs associated with the Credit Agreement in other assets on the Company's condensed consolidated balance sheet. The Credit Agreement bears interest at a rate per annum equal to the sum of LIBOR for the applicable interest period plus 1.75% - 2.00%, depending on the average daily outstanding balance of all loans and letters of credit under the Credit Agreement. Interest payments on outstanding borrowings are due on the last day of each interest period. The Credit Agreement has a commitment fee on the unused portion of the borrowing commitment, which is payable on the last day of each calendar quarter at a rate per annum of 0.20% - 0.25% depending on the average daily outstanding balance of all loans and letters of credit under the Credit Agreement. In addition, the Company's Credit Agreement contains a financial covenant that requires the Company to maintain a consolidated adjusted quick ratio of at least 1:25 to 1:00 tested on a quarterly basis as well as a springing revenue growth covenant for certain periods if the Company's consolidated adjusted quick ratio falls below 1.75 to 1:00 on the last day of any fiscal quarter. The Credit Agreement requires the Company to comply with these affirmative and negative covenants.

As of June 30, 2022, the Company was in compliance with all of its covenants. During the three and six months ended June 30, 2022 and 2021, no amounts were drawn down on the Company's Credit Agreement. As of June 30, 2022 and December 31, 2021, no amounts were outstanding under the Credit Agreement.

Convertible Senior Notes

On March 5, 2021, the Company issued approximately $948.8 million aggregate principal amount of the Company's 0% convertible senior notes due 2026 (the “Notes”), including the exercise in full by the initial purchasers of their option to purchase up to an additional approximately $123.8 million principal amount of the Notes. The Notes were issued in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The Notes will mature on March 15, 2026, unless earlier converted, redeemed or repurchased. The net proceeds from the issuance of the Notes were approximately $930.0 million after deducting the initial purchasers’ discounts and transaction costs.

The Company may not redeem the Notes prior to March 20, 2024. On or after March 20, 2024, the Company may redeem for cash, all or any portion of the Notes, at the Company's option, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price for the Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. No sinking fund is provided for the Notes.

Holders of the Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding December 15, 2025, only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the "Measurement Period") in which the trading price, as defined in the indenture agreement governing the Note filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 5, 2021, per $1,000 principal amount of notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (iii) if the Company calls such Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the applicable redemption date, but only with respect to the Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after December 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their notes at any time, regardless of the foregoing circumstances.

Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of its Class A common stock or a combination of cash and shares of its Class A common stock, at the Company's election. The initial conversion rate is 9.7272 shares of Class A common stock per $1,000 principal amount of Notes, equivalent to an initial conversion price of approximately $102.80 per share of Class A common stock. The conversion rate is subject to adjustment as described in the indenture governing the Notes but will not be adjusted for any accrued and unpaid special interest. In addition, following certain corporate events that occur prior to the maturity date of the Notes or if the Company delivers a notice of redemption in respect of the Notes, the Company will, in certain circumstances, increase the conversion rate of the Notes for a holder who elects to convert its Notes, in connection with such a corporate event or convert its Notes called (or deemed called) for redemption during the related redemption period, as the case may be.

The indenture includes customary covenants and sets forth certain events of default after which the Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company after which the Notes become automatically due and payable. If the Company undergoes a fundamental change, as defined in the indenture agreement governing the Notes, then subject to certain conditions and except as described in the indenture governing the Notes, holders may require the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any, to, but excluding, the fundamental change repurchase date.

The Company evaluated the terms of its debt and concluded that the instrument does not require separation and that there were no other derivatives that required separation. As such, the Company has combined these features with the host contract and the Company accounts for its convertible debt as a single liability in long-term debt on its condensed consolidated balance sheet. The initial purchasers' discounts and transaction costs of $18.6 million incurred related to the issuance of the Notes were classified as liability and represents the difference between the principal amount of the Notes and the liability component (the "debt discount"), which is amortized to interest expense using the effective interest method over the term of the Notes.

As of June 30, 2022, the conversion conditions had not been met and therefore the Notes were not yet convertible.

On May 25, 2022, the Company entered into separate, privately negotiated transactions with certain holders of the Notes to repurchase (the "Repurchases") approximately $235.0 million aggregate principal amount of the Notes for an aggregate cash repurchase price of approximately $176.4 million. The Repurchases closed on May 31, 2022. The Repurchases were accounted for as a debt extinguishment that resulted in a net gain of $54.4 million, which was recorded as non-operating income on the Company's condensed consolidated statement of operations in the three and six months ended June 30, 2022.

The following table reflects the carrying values of the debt agreements as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022 (in thousands)	As of December 31, 2021 (in thousands)
Convertible Senior notes (effective interest rate of 0.40%)		
Principal amount	$ 713,753	$ 948,750
Less: unamortized debt issuance costs	(10,378)	(15,545)
Less: current portion of long-term debt	—	—
Long-term debt, less current portion	$ 703,375	$ 933,205

For the three months ended June 30, 2022 and 2021, interest expense related to the Company's debt obligations was $0.9 million and $1.0 million, respectively. For the six months ended June 30, 2022 and 2021, interest expense related to the Company's debt obligations was $1.9 million and $1.4 million, respectively.

10. Commitments and Contingencies

Purchase Commitments

As of June 30, 2022, the Company had long-term commitments for cost of revenue related agreements (i.e., bandwidth usage, peering and other managed services with various networks, internet service providers ("ISPs") and other third-party vendors). The Company also has long-term commitments for various non-cancelable software as a service ("SaaS") agreements.

Aside from the Company's finance and operating lease commitments, including its colocation operating commitments, which have been disclosed in Note 7—Leases, the minimum future commitments related to its purchase commitments as of June 30, 2022 were as follows:

	Cost of Revenue Commitments	SaaS Agreements	Total Purchase Commitments
		(in thousands)	
Remainder of 2022	$ 22,445	$ 6,051	$ 28,496
2023	21,601	16,031	37,632
2024	11,524	2,139	13,663
2025	853	393	1,246
2026	166	—	166
Thereafter	89	—	89
Total	$ 56,678	$ 24,614	$ 81,292

In addition to the commitments disclosed above, as of June 30, 2022, the Company has $12.5 million of long-term purchase obligations under contracts for capital expenditures.

Sales and Use Tax Reserve

The Company conducts its operations in many tax jurisdictions throughout the United States. In many of these jurisdictions, non-income-based taxes, such as sales and use and telecommunications taxes are assessed on the Company's operations. The Company is subject to indirect taxes, and may be subject to certain other taxes, in some of these jurisdictions. Historically, the Company has not billed or collected these taxes and, in accordance with U.S. GAAP, the Company has recorded a provision for its tax exposure in these jurisdictions when it is both probable that a liability has been incurred and the amount of the exposure can be reasonably estimated. As a result, the Company has recorded a liability of $8.4 million and $7.5 million as of June 30, 2022 and December 31, 2021, respectively. These estimates are based on several key assumptions, including the taxability of the Company's products, the jurisdictions in which the Company believe it has nexus and the sourcing of revenues to those jurisdictions. In the event these jurisdictions challenge the Company's assumptions and analysis, its actual exposure could differ materially from its current estimates.

Legal Matters

From time to time, the Company has been and may be subject to legal proceedings and claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. The Company accrues for contingencies when it believes that a loss is probable and that the Company can reasonably estimate the amount of any such loss.

The Company is not presently a party to any legal proceedings that, if determined adversely to it, would individually or taken together have a material effect on the Company's business, results of operations, financial condition, or cash flows. As of June 30, 2022, the Company has not recorded any significant accruals for loss contingencies associated with such legal proceedings, determined that an unfavorable outcome is probable or reasonably possible, or determined that the amount or range of any possible loss is reasonably estimable.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company agrees to indemnify, hold harmless, and reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with its provision of its services. Generally, these obligations are limited to claims relating to infringement of a patent, copyright, or other intellectual property right, breach of the Company's security or data protection obligations, or its negligence, willful misconduct, or violation of law. Subject to applicable statutes of limitation, the term of these indemnification agreements is generally for the duration of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company carries insurance that covers certain third-party claims relating to the Company's services and could limit its exposure in that respect.

The Company has agreed to indemnify each of its officers and directors during his or her lifetime for certain events or occurrences that happen by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of the Company. The Company has director and officer insurance policies that may limit its exposure and may enable it to recover a portion of certain future amounts paid.

To date, the Company has not encountered material costs as a result of such indemnification obligations and have not accrued any related liabilities in its financial statements. In assessing whether to establish an accrual, the Company considers such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss.

11. Stockholders' Equity

Equity Incentive Plans

The Company maintains four equity incentive plans: the 2019 Equity Incentive Plan (the "2019 Plan"), 2011 Equity Incentive Plan ("2011 Plan"), Employee Stock Purchase Plan ("ESPP") and the Signal Sciences Corp. 2014 Stock Option and Grant Plan, as amended (the “Signal Plan”). The 2019 Plan became effective in May 2019 and replaced the 2011 Plan. The Company's 2019 Plan provides for the issuance of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock units ("RSUs"), restricted stock awards, performance-based stock awards ("PSUs"), and other forms of equity compensation, which are collectively referred to as stock awards to its employees, directors, and consultants.

As of June 30, 2022 and December 31, 2021, there were 14.9 million and 15.9 million Class A common stock available for issuance under the 2019 Plan, respectively. As of June 30, 2022 and December 31, 2021, 121.9 million and 118.8 million shares of Class A common stock were issued and outstanding, respectively.

Stock Options

Options granted under the 2011 Plan and 2019 Plan are exercisable for Class A common stock and generally expire within 10 years from the date of grant and generally vest over four years, at the rate of 25% on the first anniversary of the date of grant and ratably on a monthly basis over the remaining 36-month period thereafter based on continued service. Due to the Conversion on July 12, 2021, options granted under the 2011 Plan are now exercisable for Class A common stock.

Forfeitures are recognized as they occur.

The following table summarizes stock option activity during the six months ended June 30, 2022:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding at December 31, 2021	4,369	5.07	5.10	$ 132,721
Granted	—	—		
Exercised	(1,624)	2.94		
Cancelled/forfeited	(112)	11.50		
Outstanding at June 30, 2022	2,633	6.12	5.22	$ 15,906
Vested and exercisable at June 30, 2022	2,319	5.52	5.02	$ 15,129

During the three months ended June 30, 2022 and 2021, the Company recorded stock-based compensation expense from stock options of approximately $1.4 million and $4.4 million, respectively.

During the six months ended June 30, 2022 and 2021, the Company recorded stock-based compensation expense from stock options of approximately $3.1 million and $8.2 million, respectively.

During the three and six months ended June 30, 2021, we modified the terms of options awarded to certain employees to allow for the remaining unvested awards to be fully vested upon their change in employment status. As a result, we recorded incremental stock-based compensation expense in relation to these modifications of $1.2 million in both the three and six months ended June 30, 2021. This expense included the incremental fair value resulting from the modifications of the options of $1.1 million. There was no material stock-based compensation expense recognized related to option award modifications during the three and six months ended June 30, 2022.

Restricted Stock Units ("RSUs")

The Company began granting RSUs under the 2019 Plan during the fiscal year ended December 31, 2019. The fair value of RSUs is based on the grant date fair value and is expensed on a straight-line basis over the applicable vesting period. RSUs granted to new hires typically vest over four years, at the rate of 25% on the first anniversary of the vest date and ratably on a quarterly basis over the remaining 36-month period thereafter. RSUs granted to existing employees typically vest in equal quarterly installments over a four-year service period. All vesting is contingent on continued service. Forfeitures are recognized as they occur.

The following table summarizes RSU activity during the six months ended June 30, 2022:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
	(in thousands)	
Unvested RSUs as of December 31, 2021	5,285	$ 42.80
Granted	7,481	17.12
Vested	(1,083)	39.60
Cancelled/forfeited	(811)	37.32
Unvested RSUs as of June 30, 2022	10,872	$ 25.87

During the three months ended June 30, 2022 and 2021, the Company recognized stock-based compensation expense related to RSUs of $23.3 million and $15.8 million, respectively.

During the six months ended June 30, 2022 and 2021, the Company recognized stock-based compensation expense related to RSUs of $45.1 million and $29.0 million, respectively.

Stock Subject to Revest ("Revest Shares")

In conjunction with a prior acquisition in fiscal 2020, a restriction was placed on 896,499 shares belonging to the three co-founders which are subject to revesting on a quarterly basis over a 2 year period.

The following table summarizes the activity related to the revest shares during the six months ended June 30, 2022:

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value Per Share
Unvested revest shares as of December 31, 2021	336	$ 97.84
Granted	—	—
Modification of shares subject to revest	(224)	97.84
Vested	(75)	97.84
Cancelled/forfeited	—	—
Unvested revest shares as of June 30, 2022	37	$ 97.84

For the three months ended June 30, 2022 and 2021, the Company recognized stock-based compensation expense related to revest shares of $7.4 million and $11.0 million, respectively.

For the six months ended June 30, 2022 and 2021, the Company recognized stock-based compensation expense related to revest shares of $14.7 million and $21.9 million, respectively.

On January 24, 2022, the Company entered into an agreement with certain holders of restricted stock, who had sold their awards in advance of its vesting conditions, in order to return the proceeds associated with the remaining 224,124 unvested shares as of December 31, 2021. These stockholders are eligible to continue vesting under the original agreements as long as they have continued service as either an employee or consultant. On January 31, 2022, the Company received $10.7 million from these stockholders related to the settlement of the matter, which the Company classified as unrestricted cash on its condensed consolidated balance sheets. This amount will similarly be returned to the holders in accordance with the vesting under the original agreements. Correspondingly, the Company reclassified the award from equity to liability as the award will now be settled for the fixed monetary amount received, rather than a release of the restrictions on shares.

In February 2022, one of the stockholders had a change in employment status and the Company accelerated the remaining stock based compensation associated with his awards on his last day of service as an employee as his services under the modified arrangement were not substantive. For the three months ended June 30, 2022, the Company did not recognize any stock-based compensation expense associated with the modification of these awards. For the six months ended June 30, 2022, the Company recognized stock-based compensation expense of $5.6 million associated with the modification of these awards.

Performance-Based Restricted Stock Units ("PSUs")

Performance stock awards for executive officers

In February 2021, pursuant to the Company’s 2019 Equity Incentive Plan, the Company granted shares of PSUs to certain employees of the Company, which are to vest based on the level of achievement of certain Company and individual targets related to the Company's operating plan for the fiscal year 2021 ("2021 Operating Plan"). In February, 2022, the Company concluded that the minimum target performance to be eligible for vesting under the 2021 Operating Plan was not attained, and as such, none of the 2021 PSUs were eligible to vest and the awards were cancelled.

In February 2022, pursuant to the Company's 2019 Equity Incentive Plan, the Company granted certain employees shares of PSUs, which are to vest based on the level of achievement of certain Company-wide targets related to the Company's operating plan for the fiscal year 2022. The Company has accounted for these awards as equity-based awards and will recognize stock-based compensation expense over the employees' requisite service period based on the expected attainment of the Company-wide targets as of the end of each reporting period.

For the three and six months ended June 30, 2022, the Company recognized $0.5 million and $1.1 million of stock-based compensation expense associated with these awards, respectively. For the three and six months ended June 30, 2021, the Company recognized $1.7 million and $3.8 million of stock-based compensation expense, respectively.

2022 Bonus Program

On February 11, 2022, the Compensation Committee approved a company-wide bonus program ("2022 Bonus Program"), including performance targets, for the current fiscal year to most of the Company's employees on active payroll in fiscal year 2022. Shares awarded under the program will be in the Company's RSUs ("Payout") and will be based on the final attainment of Company-wide performance targets which are tied to its operating plan for fiscal year 2022. Payout will vary linearly between 50%, 100% and 150% based on the achievement of these targets. Employees are required to be employed through the Payout date to earn the awards.

In addition, certain employees were granted dollar bonus amounts, which are to be paid out RSUs. The number of RSUs released will be determined using the average trading price of the Company's stock in the month prior to the Board's final certification of the Company's performance attainment and awards to be issued to each employee. The Company has accounted for these awards as liability-based awards, since the monetary value of the obligation associated with the award is based predominantly on a fixed monetary amount known at inception, and it has an unconditional obligation that it must or may settle by issuing a variable number of its equity shares. The Company will recognize stock-based compensation expense over the employees requisite service period, based on the expected attainment of the Company-wide targets as of the end of each reporting period.

During the three and six months ended June 30, 2022, the Company had recognized $3.7 million and $7.0 million, respectively, of stock-based compensation expense over expense associated with the 2022 Bonus Program.

Employee Share Purchase Program ("ESPP")

The ESPP allows eligible employees to purchase shares of the Company's common stock through payroll deductions of up to 15% of their eligible compensation. The ESPP provides for six-month offering periods, commencing in May and November of each year. At the end of each offering period employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the date of purchase.

During the three and six months ended June 30, 2022, the Company withheld $1.9 million and $4.3 million in contributions from employees, respectively, and recognized $0.8 million and $1.9 million in stock-based compensation expense related to the ESPP, respectively. During the three and six months ended June 30, 2021, the Company withheld $2.6 million and $6.0 million in contributions from employees, respectively, and recognized $0.9 million and $2.1 million in stock-based compensation expense related to the ESPP, respectively.

During the three and six months ended June 30, 2022, 0.3 million shares of the Company's Class A common stock was purchased under the offering period that commenced on November 21, 2021. During the three and six months ended June 30, 2021, 0.2 million shares of the Company's Class A common stock was purchased under the offering period that commenced on November 21, 2020.

Stock-based Compensation Expense

The following table summarizes the components of total stock-based compensation expense included in the accompanying Condensed Consolidated Statements of Operations:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Cost of revenue	$ 3,188	$ 1,828	$ 6,134	$ 3,014
Research and development	13,889	8,634	32,478	16,592
Sales and marketing	10,184	5,631	20,278	10,639
General and administrative	7,717	17,333	16,110	34,019
Total stock-based compensation expense	$ 34,978	$ 33,426	$ 75,000	$ 64,264

For the three and six months ended June 30, 2022, the Company capitalized $2.1 million and $3.5 million of stock-based compensation expense, respectively. For the three and six months ended June 30, 2021, the Company capitalized $0.4 million and $0.8 million of stock-based compensation expense, respectively.

For the three and six months ended June 30, 2022, the Company recognized $5.3 million and $15.9 million of stock-based compensation expense associated with liability classified awards related to the 2022 Bonus Program and certain of the Company's Revest Shares that were modified, respectively. For the three and six months ended June 30, 2021, the Company did not recognize any stock-based compensation expense associated with liability classified awards.

12. Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share is computed by dividing net loss by basic weighted-average shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by diluted weighted-average shares outstanding, including potentially dilutive securities.

On July 12, 2021, the shares of Class B common stock that converted to Class A common stock were retired and will not be reissued by the Company. Prior to that date, the Company computed net loss per share using the two-class method required for multiple classes of common stock and participating securities. The rights of the holders of the Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Accordingly, the Class A common stock and Class B common stock share equally in the Company's net losses.

The following table presents the computation of basic and diluted net loss per share of common stock (in millions, except per share data):

	Three months ended June 30,			Six months ended June 30,		
	2022	2021		2022	2021	
	Class A	Class A	Class B	Class A	Class A	Class B
	(in thousands, except per share amounts)					
Net loss attributable to common stockholders	$ (16,437)	$ (53,339)	$ (4,956)	$ (80,701)	$ (99,511)	$ (9,467)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	121,242	105,522	9,804	120,295	104,766	9,967
Net loss per share attributable to common stockholders, basic and diluted	$ (0.14)	$ (0.51)	$ (0.51)	$ (0.67)	$ (0.95)	$ (0.95)

The following securities were excluded from the computation of diluted net loss per share of common stock for the periods presented as their effect would have been antidilutive (in millions):

	Number of Shares As of June 30,	
	2022	2021
	(in thousands)	
Stock options	2,633	5,750
RSUs	10,872	4,737
PSUs	297	109
Revest shares	37	560
Early exercised stock options	—	62
Shares issuable pursuant to the ESPP	44	23
Convertible senior notes (if-converted)	7,338	9,229
Total	21,221	20,470

The dilution table above excludes RSUs to be awarded under the Company's 2022 Bonus Program, which is expected to have an impact on its outstanding awards in the first quarter of 2023. Refer to Note 11 — Stockholders' Equity for further details on the Company's 2022 Bonus Program.

Accumulated Other Comprehensive (Loss) Income

For the three and six months ended June 30, 2022 and 2021, components of accumulated other comprehensive (loss) income, net of taxes, were as follows (in thousands):

	Unrealized Loss on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Total
Balance, March 31, 2022	(8,924)	(572)	(9,496)
Foreign currency translation adjustment	—	17	17
Unrealized loss on available-for-sale securities	(3,063)	—	(3,063)
Balance, June 30, 2022	(11,987)	(555)	(12,542)

	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Total
Balance, March 31, 2021	27	(164)	(137)
Foreign currency translation adjustment	—	23	23
Unrealized loss on available-for-sale securities	(147)	—	(147)
Balance, June 30, 2021	(120) 99	(141)	(261)

	Unrealized Loss on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Total
Balance, December 31, 2021	(2,242)	(385)	(2,627)
Foreign currency translation adjustment	—	(170)	(170)
Unrealized loss on available-for-sale securities	(9,745)	—	(9,745)
Balance, June 30, 2022	(11,987)	(555)	(12,542)

	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Total
Balance, December 31, 2020	105	(99)	6
Foreign currency translation adjustment	—	(42)	(42)
Unrealized loss on available-for-sale securities	(225)	—	(225)
Balance, June 30, 2021	(120)	(141)	(261)

There were no material reclassifications out of accumulated other comprehensive (loss) income during three and six months ended June 30, 2022 and 2021. Additionally, there was no material tax impact on the amounts presented.

13. Income Taxes

The Company's provision for income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period.

In the three months ended June 30, 2022 and 2021, the Company recorded income tax expense of $0.2 million and an income tax benefit of $0.2 million, respectively. In the six months ended June 30, 2022 and 2021, the Company recorded income tax expense of $0.2 million and income tax expense of less than $0.1 million, respectively.

The Company continues to maintain a full valuation allowance on the Company's U.S. Federal and state net deferred tax assets. The tax expense for the three and six months ended June 30, 2022 and 2021 was primarily due to foreign tax expense.

14. Information About Revenue and Geographic Areas

The Company has determined that it operates under one business unit with no segment managers who are held accountable for operations, operating results, or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single reporting segment and operating unit structure.

Revenue

Revenue by geography is based on the billing address of the customer. Refer to Note 3, "Revenue" for more information on net revenue by geographic region.

Long-Lived Assets

The Company’s property and equipment and operating lease right-of-use assets, each net, by geographic area were as follows:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
United States	$ 182,914	$ 177,990
All other countries	60,897	58,602
Total long-lived assets	$ 243,811	$ 236,592

15. Subsequent Events

On August 3, 2022, the Company announced that Todd Nightingale has been appointed to serve as new Chief Executive Officer and a member of our Board of Directors, replacing Joshua Bixby. Mr. Nightingale will begin serving in this role effective September 1, 2022.

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 the condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current plans, expectations, and beliefs that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and in other parts of this Quarterly Report on Form 10-Q. Our fiscal year ends on December 31.

As used herein, "Fastly," "we," "our," "the Company" and similar terms include Fastly, Inc. and its subsidiaries, unless the context indicates otherwise.

Overview

Developers are reinventing the way we live, work, and play online. Yet they repeatedly encounter innovation barriers when delivering modern digital experiences. Expectations for digital experiences are at an all-time high; they must be fast, secure, and highly personalized. If they aren’t reliable, end-users simply take their business elsewhere. The challenge today is enabling developers to deliver a modern digital experience while simultaneously providing scale, security, and performance. We built our edge cloud platform to solve this problem.

The edge cloud is an emerging category of Infrastructure as a Service ("IaaS") that enables developers to build, secure, and deliver digital experiences, at the edge of the internet. This service represents the convergence of the Content Delivery Network ("CDN") with functionality that has been traditionally delivered by hardware-centric appliances such as Application Delivery Controllers ("ADC"), Web Application Firewalls ("WAF"), Bot Detection, Distributed Denial of Service ("DDoS") and observability solutions. It also includes the emergence of a new, but growing, edge computing market which aims to move compute power and logic as close to the end-user as possible. The edge cloud uses the emerging cloud computing, serverless paradigm in which the cloud provider runs the server and dynamically manages the allocation of machine resources while offering flexibility and control to developers. When milliseconds matter, processing at the edge is an ideal way to handle highly dynamic and time-sensitive data. This has led to its acceptance and adoption by organizations who monetize or grow their user base with every millisecond saved. Organizations that want their websites to load faster for every user can benefit from processing at the edge. The edge cloud complements data center, central cloud, and hybrid solutions.

Our mission is to fuel the next modern digital experience by providing developers with a programmable and reliable edge cloud platform that they adopt as their own.

Organizations must keep up with complex and ever-evolving end-user requirements. We help them surpass their end-users’ expectations by powering fast, secure, and scalable digital experiences. We built a powerful edge cloud platform, designed from the ground up to be programmable and support agile software development. We believe that our platform gives our customers a significant competitive advantage, whether they were born into the digital age or are just embarking on their digital transformation journey. Our platform consists of four key components: a programmable edge, a software-defined modern network, safety in depth, and a philosophy of customer empowerment. Programmable edge provides developers with real-time visibility and granular control, where they can write and deploy code in a serverless environment and to push application logic to the edge. It provides tooling and templates to deploy some of the most commonly used workflows and leverages modern application delivery processes, thus freeing developers to innovate without constraints. Our software-defined modern network is built for the software-defined future. Our network is powerful, efficient, and flexible, designed to enable us to rapidly scale to meet the needs of the most demanding customers and never be a barrier to their growth. Our 215 terabit software-centric network is located across 78 markets as of June 30, 2022. We define markets as unique metropolitan areas where we have one or more Points of Presence ("POPs"). Our safety in depth approach integrates security into multiple layers of development: architecture, engineering, and operations. That's why we invest in building security into the fabric of our platform, alongside performance. We provide developers and security operations teams with a fast, safe environment to create, build, and run modern applications.

Our platform provides developers and security operations teams with solutions that foster innovation without impacting performance. Finally, being developers ourselves, we empower customers to build great things while supporting their efforts through frictionless tools and a deeply technical support team that facilitates ongoing collaboration.

We serve both established enterprises, mid-market companies and technology-savvy organizations. Our customers represent a diverse set of organizations across many industries with one thing in common: they are competing by using the power of software to build differentiation at the edge. With our edge cloud platform, our customers are disrupting existing industries and creating new ones. For example, several of our customers have reinvented digital publishing by connecting readers through subscription models to indispensable content, helping people understand the world through deeply reported independent journalism. Our customers' software applications uses our edge cloud platform to deliver consistently excellent online shopping experiences, fast and more secure financial transactions, and broadcast quality live streaming on any device. The range of applications that developers build with our edge cloud platform continues to expand rapidly.

So where do we go from here? Our vision is to create a trustworthy internet, where good thrives. We want all developers to have the ability to deliver the next transformative digital experience on a global scale. And because big ideas often start small, we love it when developers experiment and iterate on our edge cloud platform, coming up with exciting new ways to solve today's complex problems.

We generate substantially all of our revenue from charging our customers based on their usage of our platform. Initially, customers typically choose to become platform customers, for which we charge fees based on their committed or actual use of our platform, as measured in gigabytes and requests. Many of our customers generate billings in excess of their minimum commitment. We also generate revenue from additional products as well as professional and other services, such as implementation. We charge a flat one-time or recurring fee for these additional products and services. Beginning in the fourth quarter of 2020, we also began offering subscriptions to access a unified security web application and application programming interface at a fixed rate.

We focus our direct selling efforts on medium to large organizations as well as smaller companies that are exhibiting significant growth. We engage with and support these customers with our field sales representatives, account managers, and technical account managers who focus on customer satisfaction and drive expansion of their usage of our platform and products. These teams work with technical and business leaders to help our customers' end-users receive the best possible digital experience, while also lowering our customers' total cost of ownership.

These direct selling efforts are reflected by our 471 enterprise customers as of June 30, 2022 that generated 88% of our total revenue for the trailing 12 months ended June 30, 2022, up from 408 enterprise customers as of June 30, 2021 that generated 89% of our revenue for the trailing 12 months ended June 30, 2021. These enterprise customers are defined as customers with revenue in excess of $100,000 over the previous 12-month period.

Our Dollar-Based Net Expansion Rate ("DBNER"), Net Retention Rate ("NRR") and Last-Twelve Months Net Retention Rate ("LTM NRR"), metrics measure the revenue growth from existing customers attributable to increased usage of our platform and features, and purchase of additional products and services. For additional details on our key metrics, refer to "Key Business metrics" section.

Customers that have negotiated contracts with us generate a substantial majority of our revenue. These customers typically purchase one or more products, for which we charge a monthly recurring or one-time fee depending on the products selected. Some of these customers also choose to purchase various levels of account management and enhanced customer support for a monthly fee. Typically, the term of these contracts is 12 months and includes a minimum monthly billing commitment in exchange for more favorable pricing terms. Many of these customers generate billings in excess of their minimum commitment. In addition, customers can sign up online by providing their credit card information and agreeing to a minimum monthly fee.

The majority of our revenue is usage based and changes in usage by our largest customers can create volatility in our revenue. The length of sales cycles, from initial evaluation to payment, can range from several months to well over a year and can vary substantially from customer to customer. Similarly, the onboarding and ramping process with new as well as existing enterprise customers with new business can take several months and can be subject to delays for unanticipated reasons. The timing of new revenue from our sales efforts and changes in usage by our largest customers can make revenue difficult to predict.

For the three months ended June 30, 2022 and 2021, our revenue was $102.5 million and $85.0 million, respectively, an increase of 21%. For the six months ended June 30, 2022 and 2021, our revenue was $204.9 million and $169.9 million, respectively, an increase of 21%. Our 10 largest customers generated an aggregate of 33% and 35% of our revenue in the trailing 12 months ended June 30, 2022 and 2021, respectively. Our 5 largest customers generated an aggregate of 24% and 23% of our revenue in the trailing 12 months ended June 30, 2022 and 2021, respectively. For the three months ended June 30, 2022 and 2021, we incurred a net loss of $16.4 million and a net loss of $58.3 million, respectively. For the six months ended June 30, 2022 and 2021, we incurred a net loss of $80.7 million and a net loss of $109.0 million, respectively.

Factors Affecting Our Performance

Winning New Customers

We are focused on continuing to attract new customers. Our customer base includes both large, established enterprises that are undergoing digital transformation and emerging companies spanning a wide array of industries and verticals. In both instances, developers within these companies often use and advocate for the adoption of our platform by their companies and promotion across the broader developer community. We will continue to invest in our developer outreach, leveraging it as a cost-efficient approach to attracting new customers, and our sales and marketing programs, including various online marketing activities as well as targeted account-based advertising.

We are continuing to bring new innovations to our edge cloud platform and software-defined modern network architecture, and are seeing increased interest from customers in our programmable edge computing solution. This will require us to dedicate significant resources to further develop the market for our platform and differentiate our platform from competitive products and services. We will also need to expand, retain, and motivate our sales and marketing personnel in order to target our sales efforts at larger enterprises and senior management of these potential customers.

Many jurisdictions have enacted laws on data localization and cross-border data transfers, and the evolving enforcement and interpretation of such laws has created uncertainty regarding data stored abroad and transferred across borders, which could impact customer growth and acquisition for customers and potential customers conducting business in Europe and elsewhere outside of the United States. We have encountered and may continue to encounter heightened concerns relating to privacy, data protection, data localization and cross border data transfers, and information security from customers and potential customers conducting business outside of the United States. Specifically, we have received a higher number of requests relating to EU privacy requirements, impacting the sales negotiation process, and we also had potential customers decline to do business with us due to privacy concerns related to updated interpretations of the laws applicable to transfers of personal information to the United States. For additional details, refer to the section titled "Risk Factors."

Expanding within Our Existing Customer Base

We emphasize retaining our customers and expanding their usage of our platform and adoption of our other products. Customers often begin with smaller deployments of one of our products and then expand their usage over time. Our platform includes a variety of offerings, such as load balancing, shielding, web security, and WAF. As our customers mature, we assist them in expanding their use of our platform, including the use of additional offerings beyond edge cloud delivery or security. As enterprises grow and experience increased traffic, their needs evolve, leading them to find additional use cases for our platform and expand their usage accordingly. In addition, given that customer acquisition costs are incurred largely for acquiring and initial onboarding, we may gain operating leverage to the extent that existing customers expand their use of our platform and products.

Our ability to retain customers and expand their usage could be impaired for a variety of reasons, including a customer moving to another provider or reducing usage within the term of their contract to their minimum usage commitment. Even if our customers expand their usage of our platform, we cannot guarantee that they will maintain those usage levels for any meaningful period of time or that they will renew their commitments.

The data localization and cross-border data transfer issues described above also impact current customers' usage of our products and services. In addition, we cannot be certain what actions the United States or another country's government may take with respect to certain of our customers that may adversely affect our ability to do business with our customers that operate in China, target China as a market or that have strong business ties to China.

For additional details, refer to the section titled "Risk Factors."

International Customer Growth

We intend to continue expanding our efforts to attract customers outside of the United States by augmenting our sales teams and strategically increasing our presence in the number of markets in select international locations. As of June 30, 2022, our edge network spans across 57 markets and 33 countries that are outside of the United States. As of December 31, 2021, our edge network spans across 51 markets and 31 countries that are outside of the United States.

Our international expansion, including our global sales efforts, continues to add increased complexity and cost to our business. This requires us to expand our sales and marketing capabilities outside of the United States, as well as increase the number of markets we have a presence in around the world to support our customers. Managing the administrative aspects of a global organization places a strain on our business and culture.

We are closely monitoring the unfolding events of the Russian invasion of Ukraine and its global impacts. While the conflict is still evolving and the outcome remains highly uncertain, we do not believe the Russia-Ukraine conflict will have a material impact on our business and results of operation. However, if the Russia-Ukraine conflict continues or worsens, leading to greater global economic disruptions and uncertainty, our business and results of operations could be materially impacted. Our customers in Russia represented an immaterial portion of our net assets as of December 31, 2021 and total consolidated revenue both as of and for the three and six months ended June 30, 2022.

Investing in Sales and Marketing

Our customers have been pivotal in driving brand awareness and broadening our reach. While we continue to leverage the self-service approach to drive adoption by developers, we will continue to expand our sales and marketing efforts, with an increased focus on sales to enterprises globally. Utilizing our direct sales force, we have multiple selling points within organizations to acquire new customers and increase usage from our existing customers. We will continue to increase our discretionary marketing spend, including account based and brand spend, to drive the effectiveness of our sales teams. As a result, we expect our total operating expenses to increase as we continue to expand. Our investments in sales and marketing teams are intended to help accelerate our sales, onboarding, and ramp cycles.

These efforts will require us to continue to invest in sales and marketing resources. Furthermore, we believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales personnel to support our growth.

Continued Investment in Our Platform and Network Infrastructure

We must continue to invest in our platform and network infrastructure to maintain our position in the market. We expect our revenue growth to be dependent on an expanding customer base and continued adoption of our edge cloud delivery, security, and other products and services. In anticipation of winning new customers and staying ahead of our customers' needs, we plan to continue to invest in order to expand the scale and capacity of our software-defined modern network. This could result in increased network service provider fees, which could adversely affect our gross margins if we are unable to offset these costs with revenue from new customers and increase revenue from existing customers. Our customers require constant innovation within their own organizations and expect the same from us. Therefore, we will continue to invest in resources to enhance our development capabilities and introduce new products and features on our platform. We believe that investment in research and development will contribute to our long-term growth but may also negatively impact our short-term profitability. For the three months ended June 30, 2022 and 2021, our research and development expenses as a percentage of revenue were 38% and 36%, respectively. For the six months ended June 30, 2022 and 2021, our research and development expenses as a percentage of revenue were 39% and 35%, respectively. We may also seek to acquire or invest in businesses, products, or technologies that we believe could complement or expand our platform, enhance our technical capabilities, or otherwise offer growth opportunities. For example, in May 2022, we acquired Glitch, a software company specializing in developer project management tools to bolster our existing product offerings, by making it easier to innovate at a layer in the Fastly software stack.

Developers use our platform to build custom applications and require a state-of-the-art infrastructure to test and run these applications. We will continue to invest in our network infrastructure by strategically increasing our POPs. We also anticipate making investments in upgrading our technology and hardware to continue providing our customers a fast and secure platform. Our cash outflows for investments in property and equipment for the three months ended June 30, 2022 and 2021 were $38.4 million and $4.6 million, respectively, representing 15% and 5% of our revenue in such periods. Our cash outflows for investments in property and equipment for the six months ended June 30, 2022 and 2021 were $46.9 million and $13.7 million, respectively, representing 23% and 8% of our revenue in such periods. We expect our investment in property and equipment, which includes purchase of property and equipment, capitalized internal use software, and advance payments for capital expenditures, to increase on an absolute basis and may increase as a percentage of revenue in future periods. Our gross margins and operating results are impacted by these investments. As of June 30, 2022, our network is located in 78 markets across 34 countries.

In the event that there are errors in software, failures of hardware, damages to a facility or misconfigurations of any of our services—whether caused by our own error, security breaches, third-party error, or natural disasters—we could experience lengthy interruptions in our platform as well as delays and additional expenses in arranging new facilities and services. In addition, there can be no assurance that we are adequately prepared for unexpected increases in bandwidth demands by our customers, particularly when customers experience cyber-attacks. The bandwidth we have contracted to purchase may become unavailable for a variety of reasons, including service outages, payment disputes, network providers going out of business, natural disasters, networks imposing traffic limits, or governments adopting regulations that impact network operations.

Uncertainty of the Coronavirus (COVID-19) Pandemic

The ongoing global COVID-19 pandemic has adversely impacted, and may continue to adversely impact, many aspects of our business. As certain of our customers or potential customers experience downturns or uncertainty in their own business operations and revenue resulting from the impact of COVID-19, they have and may continue to decrease or delay their technology spending, request pricing concessions or payment extensions, or seek renegotiation of their contracts. Usage of our platform has fluctuated during the COVID-19 pandemic, and we cannot predict how usage levels will be impacted given that the long term impacts of the pandemic remain uncertain. As a result, it has been difficult to accurately forecast our revenues or financial results, and our results of operations could be materially below our forecasts, which could adversely affect our results of operations, disappoint analysts and investors, or cause our stock price to decline. In addition, our suppliers have been impacted by the COVID-19 pandemic, which has reduced the availability or resulted in delays, and may continue to reduce the availability or result in delays, of parts and components to us. Furthermore, we may decide to postpone or cancel planned investments in our business in response to changes in our business as a result of the COVID-19 pandemic, which may impact our ability to attract and retain customers and our rate of innovation, either of which could harm our business.

The ultimate duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately forecasted at this time. We do not yet know how businesses, customers, or our partners will operate in a post COVID-19 environment. There may be additional costs or impacts to our business and operations.

For additional details, refer to the section titled "Risk Factors."

Key Business Metrics

We use the following key metrics presented in the table below, to evaluate our business, measure our performance, identify trends affecting our business, prepare financial projections, and make strategic decisions. The calculation of these key metrics below may differ from other similarly titled metrics used by other companies, securities analysts, or investors.

	As of June 30,	
	2022	2021
Number of customers (as of end of period)	2,894	2,581
Number of enterprise customers (as of end of period)	471	408
Dollar-Based Net Expansion Rate ("DBNER") (trailing 12 months)	120.0 %	126.2 %
NRR (as of end of period)	127.5 %	93.2 %
LTM NRR (trailing 12 months)	117.3 %	120.7 %

Number of Customers

We believe that the number of customers is an important indicator of the adoption of our platform. Our definition of a customer consists of identifiable operating entities with which we have a billing relationship in good standing, from which we recognized revenue during the period. An identifiable operating entity is defined as a company, a government entity, or a distinct business unit of a larger company that has a relationship with us through direct sale or through one of our reseller partners where charges are identified on an end-customer basis. In cases where charges are identified through a reseller partner rather than on an end-customer basis, we record a single customer record for the reseller partner. Our customer groupings may be impacted by changes to our customers' business, including any impact from acquisition activities, internal business reorganizations leading to operational and decision making changes, and corporate structure changes such as subsidiary consolidation and reorganization that may arise in the future. In addition to our paying customers, we also have trial, developer, nonprofit and open source programs, and other non-paying accounts that are excluded from our customer count metric. Our ability to retain our customers could be impaired by a variety of reasons, including but not limited to customer budget constraints, customer satisfaction, changes in the customers' business and market competition. We operate globally and as a result, the success of our ability to retain our customers is also affected by general economic and market conditions. As of June 30, 2022 and 2021, we had 2,894 and 2,581 customers, respectively.

Number of Enterprise Customers

Historically our revenue has been driven primarily by a subset of customers who have leveraged our platform substantially from a usage standpoint. These enterprise customers are defined as customers with revenue in excess of $100,000 over the previous 12-month period. As of June 30, 2022, we had 471 enterprise customers which generated 88% of our revenue for the trailing 12 months ended June 30, 2022. As of June 30, 2021, we had 408 enterprise customers which generated 89% of our revenue for the trailing 12 months ended June 30, 2021. We believe that the recruitment and cultivation of enterprise customers is critical to our long-term success.

Dollar-Based Net Expansion Rate ("DBNER")

Our ability to generate and increase our revenue is dependent upon our ability to increase the number of new customers and usage of our edge cloud delivery platform, security, and other products and services by our existing customers. We track our growth, in part, by measuring DBNER. Our DBNER increases when customers increase their usage of our platform or purchase additional products, and declines when they reduce their usage, benefit from lower pricing on their existing usage, or curtail their purchases of additional products. We believe that DBNER is a key metric in measuring the long-term value of our customer relationships and our ability to grow our revenue through increased usage of our edge cloud delivery platform, security, and purchase of additional products and services by our existing customers. However, our calculation of DBNER indicates only expansion among continuing customers and does not indicate any decrease in revenue attributable to former customers, which may differ from similar metrics of other companies.

We calculate DBNER by dividing the revenue for a given period from customers who remained customers as of the last day of the given period ("current period") by the revenue from the same customers for the same period measured one year prior ("base period"). The revenue included in the current period excludes revenue from (i) customers that churned after the end of the base period and (ii) new customers that entered into a customer agreement after the end of the base period. For example, to calculate our DBNER for the trailing 12 months ended June 30, 2022, we divide (i) revenue, for the trailing 12 months ended June 30, 2022, from customers that entered into a customer agreement on or before June 30, 2021, and that remained customers as of June 30, 2022, by (ii) revenue, for the trailing 12 months ended June 30, 2021, from the same set of customers.

For the trailing 12 months ended June 30, 2022 and 2021 our DBNER was 120.0% and 126.2%, respectively. We believe that an annual cohort analysis of our customers demonstrates customer expansion. Customer accounts acquired in 2019, 2020, and 2021 are referred to as the 2019 Cohort, 2020 Cohort, and 2021 Cohort, respectively. Once a customer begins to generate revenue for us, they tend to increase their usage of our platform, in particular in their second year. For example, the DBNER for the 2019 Cohort was 580.8% for the year ended December 31, 2020. However, the DBNER for the 2019 Cohort was only 150.8% for the year ended December 31, 2021, which generally represents their third year as a customer. Depending on when they entered into a customer agreement. DBNER may fluctuate from quarter to quarter based on, among other things, the timing associated with new customer accounts. We expects our DBNER for individual cohorts to decrease once customers in that cohort have used our platform for more than two years and become a larger portion of both our overall customer base and the revenue that we use to calculate DBNER.

Net Retention Rate ("NRR") and Last-Twelve Months Net Retention Rate ("LTM NRR")

Our ability to generate and increase our revenue is also dependent upon our ability to retain our existing customers. In addition to measuring expansion using DBNER, NRR and LTM NRR also allow us to track customer retention which demonstrates the stickiness of our edge cloud platform.

Our NRR measures the net change in monthly revenue from existing customers in the last month of the period (the “current" period month) compared to the last month of the same period one year prior (the “prior" period month) and includes revenue contraction due to billing decreases or customer churn, revenue expansion due to billing increases, but excludes revenue from new customers. We calculate Net Retention Rate by dividing the revenue from the current period month by the revenue in the prior period month. For the month ended June 30, 2022 and 2021 our NRR was 127.5% and 93.2%, respectively.

Our LTM NRR removes some of the volatility that is inherent in a usage-based business model from the measurement of the NRR metric. We calculate LTM NRR by dividing the total customer revenue for the prior twelve-month period (“prior 12-month period”) ending at the beginning of the last twelve-month period (“LTM period”) minus revenue contraction due to billing decreases or customer churn, plus revenue expansion due to billing increases during the LTM period from the same customers by the total prior 12-month period revenue. For the trailing twelve months ended June 30, 2022 and 2021 our LTM NRR was 117.3% and 120.7%, respectively.

Key Components of Statement of Operations

Revenue

We derive our revenue primarily from usage-based fees earned from customers using our platform. We also earn fixed-rate recurring revenue from security and other products and services.

Our usage-based fees earned from customers using our platform are generally billed in arrears. Our security products are primarily annual subscriptions that are billed in advance. Many customers have tiered usage pricing which reflects discounted rates as usage increases. For most contracts, usage charges are determined on a monthly basis based on actual usage within the month and do not impact usage charges within any other month. Our larger customers often enter into contracts that contain minimum billing commitments and reflect discounted pricing associated with such usage levels.

We define United States revenue as revenue from customers that have a billing address in the United States, and we define international revenue as revenue from customers that have a billing address outside of the United States.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of fees paid for bandwidth, peering, and colocation. Cost of revenue also includes personnel costs, such as salaries, benefits, bonuses, and stock-based compensation for our customer support and infrastructure employees, and non-personnel costs, such as amortization of capitalized internal-use software development costs, depreciation and amortization of our network equipment, leases and intangible assets. Our arrangements with network service providers require us to pay fees based on bandwidth use, in some cases subject to minimum commitments, which may be underutilized. We expect our cost of revenue to continue to increase on an absolute basis and may increase as a percentage of revenue.

Our gross margin has been and will continue to be affected by a number of factors, including utilization of our network, the timing of our investments in the expansion of our network, which can increase depreciation and colocation costs in advance of expected demand, our ability to manage our network service providers and cloud infrastructure-related fees, the timing of amortization of capitalized software development costs, changes in personnel costs to provide customer support and operate the network, and customer pricing.

Research and Development

Research and development expenses consist primarily of personnel costs, including salaries, benefits, bonuses, and stock-based compensation. Research and development expenses also include cloud infrastructure fees for development and testing, and an allocation of our general overhead expenses. We capitalize the portion of our software development costs that meet the criteria for capitalization.

We continue to focus our research and development efforts on adding new features and products including new use cases, improving the efficiency and performance of our network, and increasing the functionality of our existing products. Over the long term we expect our research and development expenses to decrease as a percentage of our revenue. However, our research and development expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs, including commissions for our sales employees, salaries, benefits, bonuses, and stock-based compensation. Sales and marketing expenses also include expenditures related to advertising, marketing, our brand awareness activities, bandwidth and co-location costs for free users, costs related to our customer conferences, including our Altitude conference, professional services fees, amortization of our intangible assets, and an allocation of our general overhead expenses.

We focus our sales and marketing efforts on generating awareness of our platform and products, creating sales leads, and establishing and promoting our brand, both domestically and internationally. Over the long term, we expect our sales and marketing expenses to decrease as a percentage of our revenue. However, our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

General and Administrative

General and administrative expenses consist primarily of personnel costs, including salaries, benefits, bonuses, and stock-based compensation for our accounting, finance, legal, trust, human resources and administrative support personnel, and executives. General and administrative expenses also include costs related to legal and other professional services fees, sales and other taxes, an allocation of our general overhead expenses, credit losses and acquisition-related costs.

Our general and administrative expenses include a significant amount of sales and other taxes to which we are subject to based on the manner we sell and deliver our products. Historically, we have not collected such taxes from our customers and have therefore recorded such taxes as general and administrative expenses. We expect that these expenses will decline in future years as we continue to implement our sales tax collection mechanisms and start collecting these taxes from our customers.

We expect that we will continue to incur costs associated with supporting the growth of our business, our operations as a public company, and to meet the increased compliance requirements associated with our international expansion. Over the long term, we expect our general and administrative expenses to decrease as a percentage of our revenue. However, our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

Income Taxes

Our income tax expense consists primarily of income taxes in certain foreign jurisdictions where our conduct business and state minimum income taxes in the United States. We have a valuation allowance for deferred tax assets, including net operating loss carryforwards. We expect to maintain this valuation allowance for the foreseeable future.

Net Gain on Extinguishment of Debt

Our net gain on extinguishment of debt relates to the partial repurchase of our outstanding senior convertible notes in May 2022.

Other Income and Expense, net

Our interest income consists primarily of interest earned on our cash, cash equivalents and investments. Our interest expense consists primarily of contractual interest expense and amortization of discount and debt issuance costs associated with our debt obligations. Our other income (expense), net, consists primarily of foreign currency transaction gains and losses.

Results of Operations

The following tables set forth our results of operations for the period presented:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Condensed Consolidated Statement of Operations:				
Revenue	$ 102,518	$ 85,026	$ 204,900	$ 169,878
Cost of revenue(1)	56,466	40,320	110,381	77,814
Gross profit	46,052	44,706	94,519	92,064
Operating expenses:				
Research and development(1)	38,717	30,346	79,154	59,334
Sales and marketing(1)	46,760	36,334	88,240	71,206
General and administrative(1)	29,543	35,494	59,097	68,955
Total operating expenses	115,020	102,174	226,491	199,495
Loss from operations	(68,968)	(57,468)	(131,972)	(107,431)
Net gain on extinguishment of debt	54,391	—	54,391	—
Interest income	1,502	276	2,183	450
Interest expense	(1,530)	(1,436)	(3,152)	(2,097)
Other income (expense)	(1,673)	178	(1,952)	114
Loss before income taxes	(16,278)	(58,450)	(80,502)	(108,964)
Income tax expense (benefit)	159	(155)	199	14
Net loss attributable to common stockholders	$ (16,437)	$ (58,295)	$ (80,701)	$ (108,978)

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Cost of revenue	$ 3,188	$ 1,828	$ 6,134	$ 3,014
Research and development	13,889	8,634	32,478	16,592
Sales and marketing	10,184	5,631	20,278	10,639
General and administrative	7,717	17,333	16,110	34,019
Total stock-based compensation expense	$ 34,978	$ 33,426	$ 75,000	$ 64,264

The following tables set forth our results of operations for the period presented as a percentage of our revenue:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Condensed Consolidated Statements of Operations, as a percentage of revenue:*				
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	55	47	54	46
Gross profit	45	53	46	54
Operating expenses:				
Research and development	38	36	39	35
Sales and marketing	46	43	43	42
General and administrative	29	42	29	41
Total operating expenses	112	120	111	117
Loss from operations	(67)	(68)	(64)	(63)
Net gain on extinguishment of debt	53	—	27	—
Interest income	1	—	1	—
Interest expense	(1)	(2)	(2)	(1)
Other income (expense)	(2)	—	(1)	—
Loss before income taxes	(16)	(70)	(39)	(64)
Income tax expense (benefit)	—	—	—	—
Net loss attributable to common stockholders	(16)%	(69)%	(39)%	(64)%

* Columns may not add up to 100% due to rounding.

Revenue

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Revenue	$ 102,518	$ 85,026	21 %	$ 204,900	$ 169,878	21 %

Revenue was $102.5 million for the three months ended June 30, 2022 compared to $85.0 million for the three months ended June 30, 2021, an increase of $17.5 million, or 21%. Revenue was $204.9 million for the six months ended June 30, 2022 compared to $169.9 million for the six months ended June 30, 2021, an increase of $35.0 million, or 21%. Revenue growth was driven by the further adoption of our modern edge platform and products as well as a $9.3 million increase in revenue related to products acquired from the acquisition of Signal Sciences.

We had 2,894 customers and 471 enterprise customers as of June 30, 2022, compared to 2,581 customers and 408 enterprise customers as of June 30, 2021. This represents an increase of 313, or 12%, in customers and 63, or 15%, in enterprise customers from June 30, 2021.

In both the three and six months ended June 30, 2022, approximately 93% of our revenue was driven by usage on our platform. In the three and six months ended June 30, 2021, approximately 93% and 94% of our revenue was driven by usage on our platform, respectively. Revenue was primarily from existing customers, as revenue from new customers contributed less than 10% of our revenue. The proportion of the revenue contribution between new and existing customers is consistent with prior periods and typical customer behavior as customers tend to contribute more revenue over time as their use of the platform increases. The remainder of our revenue was generated by our other products and services, including support and professional services.

U.S. revenue was $76.1 million, or 74% of revenue, for the three months ended June 30, 2022, compared to $59.7 million, or 70% of revenue, for the three months ended June 30, 2021. This represents an increase of $16.4 million, or 27%.

International revenue was $26.5 million, or 26% of revenue, for the three months ended June 30, 2022, compared to $25.4 million, or 30%, of revenue for the three months ended June 30, 2021. This represents an increase of $1.1 million, or 4%.

U.S. revenue was $151.7 million, or 74% of revenue, for the six months ended June 30, 2022, compared to $122.4 million, or 72%, of revenue for the six months ended June 30, 2021. This represents an increase of $29.3 million, or 24%. International revenue was $53.2 million or 26% of revenue for the six months ended June 30, 2022, compared to $47.5 million, or 28%, of revenue for the six months ended June 30, 2021. This represents an increase of $5.8 million, or 12%.

We had 2,115 domestic customers and 779 international customers as of June 30, 2022, and 1,929 domestic customers and 652 international customers as of June 30, 2021. There was an increase in domestic customers of 186, or 10%, and an increase in international customers of 127, or 19%, compared to June 30, 2021.

Cost of Revenue

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Cost of revenue	$ 56,466	$ 40,320	40 %	$ 110,381	$ 77,814	42 %

Cost of revenue was $56.5 million for the three months ended June 30, 2022 compared to $40.3 million for the three months ended June 30, 2021, an increase of $16.2 million, or 40%. The increase in cost of revenue is a result of an increase in bandwidth costs of $6.8 million, colocation costs of $2.5 million and other network costs of $1.5 million. Depreciation and amortization expense increased by $4.1 million as a result of increased investments in our platform. There was also a $1.4 million increase in personnel related costs and stock-based compensation due to an increase in headcount to support the growth of our business and equity awards granted to new and existing employees.

Cost of revenue was $110.4 million for the six months ended June 30, 2022 compared to $77.8 million for the six months ended June 30, 2021, an increase of $32.6 million, or 42%. The increase in cost of revenue is a result of an increase in bandwidth costs of $12.3 million, colocation costs of $5.5 million, other network costs of $2.5 million and SaaS costs of 1.1 million to support the increased traffic on our platform. Depreciation and amortization expense increased by $7.2 million as a result of increased investments in our platform. There was also a $4.2 million increase in personnel related costs and stock-based compensation due to an increase in headcount to support the growth of our business and equity awards granted to new and existing employees.

Gross Profit and Gross Margin

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Gross profit	$ 46,052	$ 44,706	3 %	$ 94,519	$ 92,064	3 %
Gross margin	45 %	53 %	(8)%	46 %	54 %	(8)%

Gross profit was $46.1 million for the three months ended June 30, 2022 compared to $44.7 million for the three months ended June 30, 2021, an increase of $1.4 million, or 3%. Gross margin was 45% for the three months ended June 30, 2022 compared to 53% for the three months ended June 30, 2021, a decrease of 8%. The decrease in gross margin was driven by increases in bandwidth, colocation costs and other network costs, an increase depreciation expense associated with our network equipment and an increase in personnel related costs, as part of our continued investment in infrastructure and capacity to build out our platform to support future customer traffic.

Gross profit was $94.5 million for the six months ended June 30, 2022 compared to $92.1 million for the six months ended June 30, 2021, an increase of $2.4 million, or 3%. Gross margin was 46% for the six months ended June 30, 2022 compared to 54% for the six months ended June 30, 2021, a decrease of 8%. The decrease in gross margin was driven by increases in bandwidth, colocation costs and other network costs, an increase depreciation expense associated with our network equipment and an increase in personnel related costs, as part of our continued investment in infrastructure and capacity to build out our platform to support future customer traffic.

Operating Expenses

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Research and development	$38,717	$30,346	28%	$79,154	$59,334	33%
Sales and marketing	46,760	36,334	29%	88,240	71,206	24%
General and administrative	29,543	35,494	(17)%	59,097	68,955	(14)%
Total operating expenses	$115,020	$102,174	13%	$226,491	$199,495	14%
Percentage of revenue:						
Research and development	38%	36%	2%	39%	35%	4%
Sales and marketing	46%	43%	3%	43%	42%	1%
General and administrative	29%	42%	(13)%	29%	41%	(12)%

Research and development

Research and development expenses were $38.7 million for the three months ended June 30, 2022 compared to $30.3 million for the three months ended June 30, 2021, an increase of $8.4 million, or 28%. This is primarily due to an increase of $10.0 million of personnel-related costs, such as salaries, benefits, bonuses, and stock-based compensation due to an increase in headcount and equity awards granted to employees supporting our research and development efforts. There was also an increase of $1.4 million in SaaS costs as we continue to develop new products and features for our next-generation edge computing solutions. There was also an increase in travel and entertainment costs of $0.6 million related to employee time and expenses as work-related travel has started to increase with the lift of prior travel-related restrictions associated with the COVID-19 pandemic. There was also an increase in professional fees of $0.8 million primarily related to temporary agency costs. This increase was partially offset by a $4.8 million increase in capitalization of costs related to the development of internal-use software.

Research and development expenses were $79.2 million for the six months ended June 30, 2022 compared to $59.3 million for the six months ended June 30, 2021, an increase of $19.9 million, or 33%. This is primarily due to an increase of $23.5 million of personnel-related costs, such as salaries, benefits, bonuses, and stock-based compensation due to an increase in headcount and equity awards granted to employees supporting our research and development efforts. There was also an increase of $2.5 million in SaaS costs and $0.8 million in professional service fees as we continue to develop new products and features for our next-generation edge computing solutions. There was also an increase in travel and entertainment costs of $0.8 million related to employee time and expenses as work-related travel has started to increase with the lift of prior travel-related restrictions associated with the COVID-19 pandemic. This increase was partially offset by a $8.0 million increase in capitalization of costs related to the development of internal-use software due to higher volume of projects and employee costs.

Sales and marketing

Sales and marketing expenses were $46.8 million for the three months ended June 30, 2022 compared to $36.3 million for the three months ended June 30, 2021, an increase of $10.5 million, or 29%. This is primarily due to a $7.6 million increase in personnel related costs, such as salaries, sales commissions, benefits, and stock-based compensation, due to an increase in headcount and equity awards granted to employees supporting our sales and marketing efforts. There was also an increase of $3.1 million related to employee time and expenses as work-related travel has started to pick up with the lift of prior travel-related restrictions associated with the COVID-19 pandemic. This was partially offset by a $0.9 million decrease in marketing spend associated with brand campaign and advertising.

Sales and marketing expenses were $88.2 million for the six months ended June 30, 2022 compared to $71.2 million for the six months ended June 30, 2021, an increase of $17.0 million, or 24%. This is primarily due to a $13.7 million increase in personnel related costs, such as salaries, sales commissions, benefits, and stock-based compensation, due to an increase in headcount and equity awards granted to employees supporting our sales and marketing efforts. There was also an increase of $3.8 million related to employee time and expenses as work-related travel has started to pick up with the lift of prior travel-related restrictions associated with the COVID-19 pandemic. There was also an increase of $0.6 million in spending related to the SaaS used in our sales generation efforts. This was partially offset by a $1.3 million decrease in marketing spend associated with brand campaign and advertising.

General and administrative

General and administrative costs were $29.5 million for the three months ended June 30, 2022 compared to $35.5 million for the three months ended June 30, 2021, a decrease of $6.0 million, or 17%. The net decrease of $8.8 million is primarily due to lower stock-based compensation expenses attributed to the function, offset by increases of $0.8 million in personnel related costs, such as salaries and benefits. The decrease was partially offset by an increase of $1.3 million in professional services such as legal, accounting and enterprise systems, an increase of $0.8 million due to purchase of office supplies, a $0.7 million increase in acquisition-related expenses, and a $0.4 million increase in SaaS costs to support the growth of our operations.

General and administrative costs were $59.1 million for the six months ended June 30, 2022 compared to $69.0 million for the six months ended June 30, 2021, a decrease of $9.9 million, or 14%. The net decrease of $16.0 million is primarily due to lower stock-based compensation expenses attributed to the function, offset by increases of $2.0 million in personnel related costs, such as salaries and benefits. The decrease was partially offset by an increase of $2.7 million in professional services such as legal, accounting and enterprise systems, an increase of $1.1 million due to purchase of office supplies, a $0.9 million increase in SaaS costs, a $0.7 million increase business insurance to support the growth of our operations, and a $0.7 million increase in the allowance for credit losses due the increase in revenue in the period.

Net Gain on Extinguishment of Debt

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Net gain on extinguishment of debt	$ 54,391	$ —	100 %	$ 54,391	$ —	100 %

We recognized a net gain on debt extinguishment of $54.4 million for both the three and six months ended June 30, 2022 relating to our repurchase at a discount in May 2022 of approximately $235 million aggregate principal amount of our outstanding of 0% convertible senior unsecured notes due in 2026.

Other Income and Expense, net

Interest Income

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Interest income	$ 1,502	$ 276	444 %	$ 2,183	$ 450	385 %

Interest income was $1.5 million for the three months ended June 30, 2022 compared to $0.3 million for the three months ended June 30, 2021, an increase of $1.2 million, or 444%. This increase is due to a recent increase in interest rates, impacting our marketable securities portfolio.

Interest income was $2.2 million for the six months ended June 30, 2022 compared to $0.5 million for the six months ended June 30, 2021, an increase of $1.7 million, or 385%. This increase is due to an increase in our investment portfolio as well as a recent increase in interest rates, impacting our marketable securities portfolio.

Interest Expense

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Interest expense	$ 1,530	$ 1,436	7 %	$ 3,152	$ 2,097	50 %

Interest expense was $1.5 million for the three months ended June 30, 2022 compared to $1.4 million for the three months ended June 30, 2021, an increase of $0.1 million, or 7%. Interest expense remained relatively flat as there has not been a significant change in our interest accruing on our debt portfolio between the two periods.

Interest expense was $3.2 million for the six months ended June 30, 2022 compared to $2.1 million for the six months ended June 30, 2021, an increase of $1.1 million, or 50%. This increase is primarily due to a full quarter's amortization of debt issuance costs related to the convertible debt and revolving credit facility that were entered into in the middle of the first quarter of 2021.

Other income (expense), net

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Other income (expense), net	$ (1,673)	$ 178	(1040)%	$ (1,952)	$ 114	(1812)%

Other expense, net was $1.7 million for the three months ended June 30, 2022 compared to other income, net of $0.2 million for the three months ended June 30, 2021, a decrease in other income, net of $1.9 million, or 1040%. The change is mainly driven by our foreign currency transaction losses between the periods.

Other expense, net was $2.0 million for the six months ended June 30, 2022 compared to other income, net of $0.1 million for the six months ended June 30, 2021, a decrease in other income, net of $2.1 million, or 1812%. The change is mainly driven by our foreign currency transaction losses between the periods.

Liquidity and Capital Resources

As of June 30, 2022, we had cash, cash equivalents, and marketable securities and restricted cash totaling $767.4 million. Our cash, cash equivalents, and marketable securities primarily consisted of bank deposits, money market funds, investment-grade commercial paper, corporate notes and bonds, U.S. treasury securities, municipal securities, foreign government and supranational securities and asset-backed securities held at major financial institutions. As of June 30, 2022, our marketable securities balance includes $285.0 million of marketable securities that were classified as non-current.

To date, we have financed our operations primarily through equity issuances, payments received from customers, the net proceeds we received through sales of equity and debt securities, and borrowings under our convertible notes and credit facility. Our principal uses of cash in the near term have primarily been around funding our operations, including research and development and personnel-related costs, and our capital expenditures. We have also entered into longer term commitments to support our operations, including arrangements to directly lease and operate our infrastructure assets and colocation facilities. We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

We believe that our cash and cash equivalents balances, and available borrowing capacity under our credit facility, net of the cash outflows used in our operations, will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months and for the foreseeable future. We have generated losses from operations in the past and expect to continue to incur operating losses for the foreseeable future due to the investments and strategic initiatives we intend to make to grow our business. Our uses of cash beyond the next 12 months will depend on many factors, including the general economic environment in which we operate and our ability to generate cash flow from operations, which are uncertain. We may also use our cash to buy back any outstanding debt on our convertible note.

Senior Secured Credit Facilities Agreement

On February 16, 2021, we entered into a Senior Secured Credit Facilities Agreement ("Credit Agreement") with Silicon Valley Bank for an aggregate commitment amount of $100.0 million, with a maturity date of February 16, 2024. During the three and six months ended June 30, 2022 and 2021, no amounts were drawn down on the Credit Agreement.

Convertible Senior Notes

In March 2021, we issued approximately $948.8 million aggregate principal amount of 0% convertible senior unsecured notes due in 2026 (the "Notes") in a private placement to qualified institutional buyers pursuant to Rule144A under the Securities Act. On May 25, 2022, we entered into separate, privately negotiated transactions with certain holders of the Notes to repurchase (the "Repurchases") approximately $235.0 million aggregate outstanding principal amount of the Notes for an aggregate cash repurchase price of approximately $176.4 million. The Repurchases closed on May 31, 2022. The remaining Notes will mature on March 15, 2026, unless earlier converted, redeemed or repurchased.

Cash Flows

The following table summarizes our cash flows for the period indicated:

	Six months ended June 30,			
	2022		2021	
	(in thousands)			
Cash used in operating activities	$	(29,870)	$	(27,883)
Cash provided by (used in) investing activities	$	101,635	$	(279,904)
Cash provided by (used in) financing activities	$	(175,747)	$	933,014

Cash Flows from Operating Activities

For the six months ended June 30, 2022, cash used in operating activities was $29.9 million, consisting primarily of our net loss of $80.7 million, adjusted for non-cash items of $73.0 million, and net cash flows used in operating assets and liabilities of $22.1 million. The non-cash items includes a $54.4 million net gain from the extinguishment of our debt within the quarter. The main drivers of the changes in operating assets and liabilities were an increase in accounts receivable of $4.1 million primarily due to the growth of our business and the timing of cash receipts from our customers, an increase in other long-term assets of $6.4 million due to advanced payments for fixed asset and an increase in commissions being capitalized, and an increase of $4.8 million in prepaid expenses and other current assets due to pre-payments for SaaS licenses. We also had $12.8 million of operating lease payments. This was offset by a net increase of $6.0 million in accounts payable, accrued expenses, and other liabilities due to the timing of payments.

For the six months ended June 30, 2021, cash used in operating activities was $27.9 million, consisting primarily of our net loss of $109.0 million, adjusted for non-cash items of $105.0 million, and net cash flows used in operating assets and liabilities of $23.9 million. The main drivers of the changes in operating assets and liabilities were an increase in accounts receivable of $5.6 million, primarily due to the growth of our business and the timing of cash receipts from our customers, an increase in other long-term assets of $5.1 million due to commissions capitalized in the period, and an increase of $5.5 million in prepaid expenses and other current assets due to pre-payments for SaaS licenses. We also had $12.9 million of operating lease payments. This was offset by a net increase of $5.1 million in accounts payable, accrued expenses, and other liabilities due to timing of payments and increases in accrued commissions.

Cash Flows from Investing Activities

For the six months ended June 30, 2022, cash provided by investing activities was $101.6 million, primarily consisting of $529.7 million of maturities and sales of marketable securities, offset by $355.5 million of purchases of marketable securities. This was also partially offset by $29.3 million used for the advance payments for purchase of property and equipment, as well as $26.0 million related to business acquisitions. We also had $8.7 million of additions to capitalized internal-use software and $8.8 million of payments related to purchases of property and equipment to expand our network.

For the six months ended June 30, 2021, cash used in investing activities was $279.9 million, primarily consisting of $333.9 million of purchases of marketable securities, $11.0 million of payments related to purchases of property and equipment to expand our network, $2.7 million of additions to capitalized internal-use software, and $2.1 million in purchases of intangible assets. This was partially offset by $69.8 million of maturities and sales of marketable securities.

Cash Flows from Financing Activities

For the six months ended June 30, 2022, cash used in financing activities was $175.7 million, primarily consisting of $177.1 million used for the debt extinguishment, $11.0 million of finance lease payments and $7.0 million in repayments to employees for restricted share awards. This decrease was partially offset by $10.7 million in proceeds from the early sale of restricted shares, $4.8 million in proceeds from stock option exercises by our employees, and $4.0 million in proceeds from the employee stock purchase plan ("ESPP").

For the six months ended June 30, 2021, cash provided by financing activities was $933.0 million, primarily consisting of $930.8 million of proceeds from the issuance of the Notes, net of issuance costs, $1.4 million payments of other debt issuance costs, $5.6 million in proceeds from stock option exercises by our employees, and $4.6 million in proceeds from the ESPP. This was partially offset by $6.6 million of finance lease payments.

Contractual Obligations and Other Commitments

Our principal commitments consist of obligations under operating and finance leases, purchase obligations for capital expenditures, purchase obligations for contracts with our cloud infrastructure provider, network service providers, and other vendors, and outstanding debt. As of June 30, 2022, we have $43.2 million of purchase obligations under contracts for capital expenditures. Other than the aforementioned, there have not been any other material changes in our contractual obligations and commitments from our most recently filed Annual Report on Form 10-K for the fiscal year ended December 31, 2021, except for those described under Note 7, Note 9, and Note 10 of our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with U.S. GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses, and related disclosures. Actual results and outcomes could differ significantly from our estimates, judgments, and assumptions. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in “Management's Discussion and Analysis – Critical Accounting Policies” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Recent Accounting Pronouncements

See “Summary of Significant Accounting Policies" in Note 2 of our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

We had cash, cash equivalents, and marketable securities of $0.8 billion as of June 30, 2022, which primarily consisted of bank deposits, money market funds, investment-grade commercial paper, corporate notes and bonds, U.S. treasury securities, foreign government and supranational securities and asset-backed securities held at major financial institutions. The cash and cash equivalents are held for working capital purposes. The restricted cash is held as cash collateral in connection with our existing lease arrangements. To date, fluctuations in interest income have not been significant. The primary objective of our investment activities is to preserve principal while generating income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, 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 the period presented would not have had a material impact on our condensed consolidated financial statements.

Currency Exchange Risks

The functional currency of our foreign subsidiaries is the U.S. dollar. Therefore, we are exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars. The local currencies of our foreign subsidiaries are denominated in the British pound, Japanese Yen, Australian Dollar, and Euro. Our foreign subsidiaries remeasure monetary assets and liabilities at period-end exchange rates, while non-monetary items are remeasured at historical rates. Revenue and expense accounts are remeasured at the average exchange rate in effect during the period. If there is a change in foreign currency exchange rates, the conversion of our foreign subsidiaries’ financial statements into U.S. dollars would result in a realized gain or loss which is recorded in our condensed consolidated statements of operations. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. A hypothetical 10% change in foreign exchange rates during the period presented would not have had a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the evaluation of the Company's disclosure controls and procedures as of June 30, 2022, its principal executive officer and principal financial officer concluded that, as of such date, due to the material weaknesses described below, the Company's disclosure controls and procedures were not effective.

Notwithstanding the material weaknesses, management has concluded that the financial statements included elsewhere in this Quarterly Report present fairly, in all material respects, the Company's financial position, results of operations and cash flows in conformity with U.S. GAAP.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in "Item 9A. Controls and Procedures—Management’s Annual Report on Internal Control Over Financial Reporting" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021:

- *Sufficiency of Finance and Accounting Resources* - There is a lack of sufficient qualified finance and accounting resources commensurate with the complexity of the Company's operations and financial reporting requirements.

- *Accounting for Internal-Use Software Costs* – Certain of the Company's controls were not designed to identify on a timely basis qualified costs for capitalization as internal-use software, which resulted in the Company recording out-of-period adjustments during the fiscal year ended December 31, 2021.

- *System Implementation of Stock Plan Administration System* – Certain of the Company's systems controls were not designed to prevent the sale of unvested shares, which allowed certain holders of restricted stock to sell shares that had not yet vested.

Remediation Efforts with Respect to the Material Weaknesses

As previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, the Company continues to evaluate and implement measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The process of implementing effective financial reporting systems is a continuous effort that requires the Company to anticipate and react to changes in its business and the economic and regulatory environments and to expend significant resources to maintain financial reporting systems that are adequate to satisfy its reporting obligations. The Company continues to evaluate and take actions to improve its internal control over financial reporting. The Audit Committee is fully engaged and supportive of management's efforts to remediate the material weaknesses.

These remediation actions are ongoing and include or are expected to include the following:

Actions related to the remediation of all material weaknesses in internal control over financial reporting, including the material weakness related to a lack of sufficient, qualified finance and accounting resources commensurate with the complexity of the Company's operations and financial reporting requirements:

- The Company has since established a formal hiring plan and has increased its number of qualified accounting resources. During the six months ended June 30, 2022, the Company recruited and hired several key senior leaders in the finance and accounting teams, including its new Chief Accounting Officer, VP of Global Accounting Operations and VP Corporate Controller who have the requisite accounting and financial reporting knowledge and experience to bridge the skill gaps needed. The Company will continue to hire, retain and oversee qualified finance and accounting resources at all levels, including external advisors where appropriate, to support the Company.

Actions specific to the remediation of the material weakness in internal control over financial reporting related to its accounting for internal-use software costs:

- The Company has and will continue to enhance its process and expand its review controls to ensure complete and timely identification of internal use software costs subject to capitalization.
- The Company has and will continue to implement additional training of finance, accounting and other Company personnel involved in this process.
- The Company will continue to work with qualified external advisors to support these efforts.

Actions specific to remediate the material weakness in internal control over financial reporting financial reporting related to the design of controls for system implementations associated with a migration of its stock plan administration system:

- The Company has implemented requisite flags within its stock plan administration system to prevent and detect any unplanned changes to employee stock awards.
- The Company has and will continue to leverage internal expertise in systems implementation for the design of controls for systems implementations.
- The Company has and will continue to work with qualified external advisors to support these efforts.

As the Company continues to evaluate and work to improve its internal control over financial reporting, it may decide to take additional measures to address control deficiencies or modify the remediation plans described above. The Company believes that these actions will remediate the material weaknesses. However, the weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Management believes the foregoing plans will effectively remediate the deficiencies constituting the material weaknesses. However, there is no assurance as to when such remediation will be completed.

Changes in Internal Control over Financial Reporting

Other than the actions taken above to remediate the material weaknesses above, there have been no other changes in the Company's internal control over financial reporting in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or its internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under "Legal Matters" in Note 10 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

In addition, from time to time, the Company may be subject to legal proceedings and claims arising from the normal course of business, and an unfavorable resolution of any of these matters could materially affect our future results of operations, cash flows, or financial position.

Item 1A. Risk Factors

Investing in our Class A common stock involves a high degree of risk. Investors should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes, before deciding to invest in our Class A common stock. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to its business, reputation, customer growth, results of operations, financial condition, or prospects. Any of these events could cause the trading price of our Class A common stock to decline, which would cause our stockholders to lose all or part of their investment. Our business, results of operations, financial condition, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from, or additions to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2021.

Select Risk Factors Affecting Our Business

Our business is subject to a number of risks and uncertainties, including those risks discussed at-length below. These risks include, among others, the following:

- If our platform fails to perform properly due to defects, interruptions, outages, delays in performance, or similar problems, and if we fail to develop enhancements to resolve any defect, interruption, delay, or other problems, we could lose customers, become subject to service performance or warranty claims or incur significant costs.*
- If we are unable to attract new customers, in particular, enterprise customers, and to have existing enterprise customers continue and increase their use of our platform, our business will likely be harmed.
- If we fail to forecast our revenue accurately, or if we fail to manage our expenditures, our operating results could be adversely affected.
- We receive a substantial portion of our revenues from a limited number of customers from a limited number of industries, and the loss of, or a significant reduction in usage by, one or more of our major customers would result in lower revenues and could harm our business.
- Component delays, shortages or price increases could interrupt our ability to complete the construction of our servers to meet the usage needs of our customers.*
- Our limited operating history and our history of operating losses makes it difficult to evaluate our current business and prospects and may increase the risks associated with your investment.
- If our security measures, or those maintained on our behalf, are compromised now, or in the future, or the security, confidentiality, integrity or availability of our information technology, software, services, networks, communications

or data is compromised, limited or fails, our business could experience a materially adverse impact, including significant costs and disruptions that could harm our business, financial results, and reputation.*

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

- Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform.

- The markets in which we participate are competitive, and if we do not compete effectively, our business will be harmed.

- If we fail to maintain and enhance our brand, our ability to expand our customer base will be impaired and our business, results of operations and financial condition may suffer.

- Acquisitions, strategic investments, partnerships, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, and dilute stockholder value.*

- The failure to attract and retain qualified personnel could prevent us from executing our business strategy.*

- In the future, we may be involved in class-action lawsuits and other litigation matters that are expensive and time-consuming. If resolved adversely, lawsuits and other litigation matters could seriously harm our business.

- Health epidemics, including the ongoing COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, operations, and the markets and communities in which we, our partners and our customers operate.*

- We have identified three material weaknesses in our internal control over financial reporting, and if we are unable to remediate and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our Class A common stock may be seriously harmed.

- Our stock price may be volatile, and the value of our Class A common stock may decline.*

Risks Related to Our Business, Industry and Technology

If our platform fails to perform properly due to defects, interruptions, outages, delays in performance, or similar problems, and if we fail to develop enhancements to resolve any defect, interruption, delay, or other problems, we could lose customers, become subject to service performance or warranty claims or incur significant costs.*

Our operations are dependent upon our ability to prevent system interruption. The applications underlying our edge cloud computing platform are inherently complex and may contain material defects or errors, which may cause disruptions in availability or other performance problems. We have from time to time found defects and errors in our platform and may discover additional defects or errors in the future that could result in data unavailability, unauthorized access to, loss, corruption, or other harm to our customers' data. These defects or errors could also be found in third-party applications or open source software on which we rely. We may not be able to detect and correct defects or errors before implementing our products. Consequently, we or our customers may discover defects or errors after our products have been deployed.

We currently serve our customers from our POPs located around the world. Our customers need to be able to access our platform at any time, without interruption or degradation of performance. However, we have not developed redundancies for all aspects of our platform. We depend, in part, on our third-party facility providers' ability to protect these facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, public health issues, such as the COVID-19 pandemic, and similar events. In some cases, third-party cloud providers run their own platforms that we access, and are, therefore, vulnerable to their service interruptions. In the event that there are any defects or errors in software, failures of hardware, damages to a facility, or misconfigurations of any of our services, we may have to divert resources away from other planned work, could experience lengthy interruptions in our platform, and also incur delays and additional expenses in arranging new facilities and services. Our customers may choose to divert their traffic away from our platform as a result of interruptions or delays. Disaster recovery arrangements, including the existence of redundant data centers that are designed to become active during certain lapses of service, may not function as intended, and any disruptions to our service could harm our business.

We design our system infrastructure and procure and own or lease the computer hardware used for our platform. Design and mechanical errors, spikes in usage volume, and failure to follow system protocols and procedures could cause our systems to fail, resulting in interruptions on our platform. Moreover, we have experienced and may in the future experience system failures or interruptions in our platform as a result of human error. For example, in January 2021, an undiscovered bug in a software update caused a platform interruption that affected many of our customers, resulting in service level agreement claims. In addition, on June 8, 2021, we experienced a global platform outage due to an undiscovered software bug caused by human error. The outage was triggered by a valid customer configuration change and resulted in customers reducing or removing traffic from our platform and service level agreement claims. Any interruptions or delays in our platform, whether caused by our products or our data centers, third-party error, our own error, natural disasters, the effects of climate change (such as drought, flooding, wildfires, increased storm severity, and sea level rise), or security breaches, or whether accidental or willful, could harm our relationships with customers, reduce customers' usage of our platform, cause our revenue to decrease and our expenses to increase, and divert resources away from product development. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability and cause us to issue service credits or cause customers to fail to renew their customer contracts, any of which could harm our business.

The occurrence of any defects, errors, disruptions in service, failures involving redundant data centers, or other performance problems, interruptions, or delays with our platform, whether in connection with the day-to-day operations or otherwise, could result in:

- loss of customers;
- reduced customer usage of our platforms;
- lost or delayed market acceptance and sales of our products, or the failure to launch products or features on anticipated timelines;
- delays in payment to us by our customers;
- injury to our reputation and brand;
- governmental inquiry or oversight;
- legal claims, including warranty and service level agreement claims, against us; or
- diversion of our resources, including through increased service and warranty expenses or financial concessions, and increased insurance costs.

The costs incurred in correcting any material defects, errors, or other performance problems in our platform may be substantial and could harm our business.

If we are unable to attract new customers, in particular, enterprise customers, and to have existing enterprise customers continue and increase their use of our platform, our business will likely be harmed.

To grow our business, we must continue to attract new customers, in particular, enterprise customers and generate revenue from those new customers. To do so, we must successfully convince potential customers of the benefits and the value of our platform. This may require significant and costly sales efforts that are targeted at larger enterprises and senior management of these potential customers. Sales to enterprise customers may involve longer sales cycles as a result of customers requiring considerable time to evaluate our platform, requiring participation in a competitive purchasing process, having more formal processes for approval of purchases, and more complex requirements. These factors significantly impact our ability to add new customers and increase the time, resources, and sophistication required to do so. In addition, numerous other factors, some of which are out of our control, may now or in the future impact our ability to acquire new customers, including potential customers' commitments to other providers, real or perceived costs of switching to our platform, our failure to expand, retain, and motivate our sales and marketing personnel, our failure to develop or expand relationships with potential customers and channel partners, failure by us to help our customers to successfully deploy our platform, negative media or industry or financial analyst commentary regarding us or our solutions, litigation, and deteriorating general economic conditions. If we fail to attract new customers, particularly enterprise customers, as a result of these and other factors our business will likely be harmed.

In addition, our ability to grow and generate incremental revenue depends on our ability to maintain and grow our relationships with our existing enterprise customers so that they continue and increase their usage of our platform. If these customers do not maintain and increase their usage of our platform, our revenue may decline and our results of operations will likely be harmed.

We charge our customers based on the usage of our platform. Most of our customers, including some of our largest enterprise customers, do not have long-term contractual financial commitments to us. In addition, most of our current customer contracts are only one year in duration and these customers may not use our platform in a subsequent year. In order for us to maintain or improve our results of operations, it is important that our customers, in particular, our enterprise customers, use our platform in excess of their commitment levels, if any, and continue to use our platform on the same or more favorable terms. Our ability to retain our largest customers and expand their usage could be impaired for a variety of reasons, including customer budget constraints, customer satisfaction, changes in our customers' underlying businesses, changes in the type and size of our customers, pricing changes, competitive conditions, the acquisition of our customers by other companies, governmental actions, or the possibility thereof, and general economic conditions. Because many of our largest customers' minimum usage commitments for our platform are relatively low compared to their expected usage, it can be easy for certain customers to quickly reallocate usage or switch from our platform to an alternative platform altogether. In addition, they may reduce or cease their use of our products at any time without penalty or termination charges, even after they have expanded usage in prior periods.

We base our decisions about expense levels and investments on estimates of our future revenue and anticipated rate of growth. Many of our expenses are fixed cost in nature for some minimum amount of time, such as colocation and bandwidth, so if we do experience slower usage growth on our platform it may not be possible to reduce costs in a timely manner or without the payment of fees to exit certain obligations early. If any of these events were to occur, our business may be harmed.

In addition, many of our customers have negotiated and may continue to negotiate lower rates for their usage in exchange for an agreement to renew, expand their usage in the future, or adopt new products. As a result, in certain cases, even though customers have not reduced their usage of our platform, the revenue we derive from that usage has decreased. If our platform usage or revenue fall significantly below the expectations of the public market, securities analysts, or investors, our business would be harmed, which could cause our stock price to decline.

Our future success also depends in part on our ability to expand our existing customer relationships, in particular, with enterprise customers, by increasing their usage of our platform and selling them additional products. The rate at which our customers increase their usage of our platform and purchase products from us depends on a number of factors, including our ability to grow our platform and maintain the security and availability of it, develop and deliver new features and products, maintain customer satisfaction, general economic conditions and pricing and services offered by our competitors. If our efforts to increase usage of our platform by, or sell additional products to, our enterprise customers are not successful, our business would be harmed. In addition, even if our largest customers increase their usage of our platform, we cannot guarantee that they will maintain those usage levels for any meaningful period of time. In addition, because many of our products endeavor to deliver increased efficiency and functionality, the successful sale of an additional product to an existing customer could result in a reduction of the customer's overall usage of our platform.

If we fail to forecast our revenue accurately, or if we fail to manage our expenditures, our operating results could be adversely affected.

We cannot accurately predict customers' usage or renewal rates given the diversity of our customer base across industries, geographies and size, and ability of customers to allocate usage, among other factors. Accordingly, we may be unable to accurately forecast our revenues. Notwithstanding our substantial investments in sales and marketing, infrastructure, and research and development in anticipation of growth in our business, if we do not realize returns on these investments in our growth, our results of operations could differ materially from our forecasts, which would adversely affect our results of operations and could disappoint analysts and investors, causing our stock price to decline.

We receive a substantial portion of our revenues from a limited number of customers from a limited number of industries, and the loss of, or a significant reduction in usage by, one or more of our major customers would result in lower revenues and could harm our business.

Our future success is dependent on establishing and maintaining successful relationships with a diverse set of customers. We currently receive a substantial portion of our revenues from a limited number of customers and from a limited number of industries, such as media and entertainment. Our 10 largest customers generated an aggregate of 33% and 35% of our revenue in the trailing 12 months ended June 30, 2022 and 2021, respectively. Our 5 largest customers generated an aggregate of 24% and 23% of our revenue in the trailing 12 months ended June 30, 2022 and 2021, respectively. It is likely that we will continue to be dependent upon a limited number of customers for a significant portion of our revenues for the foreseeable future and, in some cases, the portion of our revenues attributable to individual customers may increase in the future. In addition, changes to our customers' business may contribute to further customer concentration, including any impact from acquisition activities, internal business reorganizations leading to operational and decision making changes, and corporate structure changes such as subsidiary consolidation and reorganization that may arise in the future. The loss of one or more key customers or a reduction in usage by any major customers would reduce our revenues. For example, on June 8, 2021, we experienced a global platform outage due to an undiscovered software bug caused by human error. The outage was triggered by a valid customer configuration change and resulted in customers, including some of our largest customers, reducing or removing traffic from our platform and service level agreement claims. While these customers have returned traffic to our platform, not all customer traffic has returned to pre-outage levels. If we fail to maintain existing customers or develop relationships with new customers and across different industries, our business would be harmed.

Component delays, shortages or price increases could interrupt our ability to complete the construction of our servers to meet the usage needs of our customers.*

Our business is dependent upon the timely supply of certain parts and components to construct our servers. We rely on a limited number of suppliers for several components of the equipment we use to operate our network and provide products to our customers. Our reliance on these suppliers exposes us to risks including reduced control over production costs and constraints based on the then current availability, terms, and pricing of these components, including pricing changes as a result of inflationary pressures. The ongoing COVID-19 pandemic has resulted, and we expect will continue to result, in disruptions and delays for these components and the delivery and installation of such components at our colocation facilities, in addition to pricing increases. For example, throughout 2021, a global shortage of microchips has resulted in supply constraints for a number of electronics firms, including manufacturers that supply the components to construct our servers. If our supply of certain components is disrupted or delayed, there can be no assurance that we will be able to obtain adequate replacements for the existing components or that supplies will be available on terms and prices that are favorable to us, if at all. Any disruption or delay in the supply of our hardware components may limit capacity expansion or replacement of defective or obsolete equipment, or cause other constraints on our operations that could damage our customer relationships and harm our business.

Our limited operating history and our history of operating losses makes it difficult to evaluate our current business and prospects and may increase the risks associated with your investment.

We were founded in 2011 and have experienced net losses and negative cash flows from operations since inception. Our limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and difficulties frequently experienced by growth companies in constantly evolving industries, including companies in the technology sector, including the risks described in this report. If we do not address these risks successfully, our business may be harmed.

We generated a net loss of $16.4 million and $80.7 million for the three and six months ended June 30, 2022, and as of June 30, 2022, we had an accumulated deficit of $591.6 million. We will need to generate and sustain increased revenue levels and manage costs in future periods in order to become profitable; even if we achieve profitability, we may not be able to maintain or increase our level of profitability. We intend to continue to expend significant funds to support further growth and further develop our platform, including expanding the functionality of our platform, expanding our technology infrastructure and business systems to meet the needs of our customers, expanding our direct sales force and partner ecosystem, increasing our marketing activities, and growing our international operations. We will also face increased compliance costs associated with growth, expansion of our customer base, and the costs of being a public company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed.

Further, we have limited historical financial data and operate in a rapidly evolving market. As such, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

If our security measures, or those maintained on our behalf, are compromised now, or in the future, or the security, confidentiality, integrity or availability of our information technology, software, services, networks, communications or data is compromised, limited or fails, our business could experience a materially adverse impact, including significant costs and disruptions that could harm our business, financial results, and reputation.*

Our business is dependent on providing our customers with fast, efficient, and reliable distribution of applications and content over the internet. We transmit and store our customers' information, data, and encryption keys as well as our own; customer information and data may include personally identifiable data of and about their end-users. Maintaining the security and availability of our platform, network, and internal IT systems and the security of information we hold on behalf of our customers is a critical issue for us and our customers, and we may expend significant resources, fundamentally change our business activities and practices, or modify our operations in an effort to protect against security incidents and to mitigate, detect, and remediate actual and potential vulnerabilities. Attacks on our customers and our own network are frequent and take a variety of forms, including DDoS attacks, infrastructure attacks, botnets, malicious file attacks, cross-site scripting, credential abuse, ransomware, bugs, viruses, worms, and malicious software programs. For example, during 2021 we experienced DDoS attacks of increased size and severity that caused us to invest resources into improving our systems, and we expect to continue to be subject to DDoS and other forms of attacks in the future, particularly as they have become more prevalent in our industry. Malicious actors can attempt to fraudulently induce employees or suppliers to disclose sensitive information through spamming, phishing, or other tactics. For example, we have been, and in the future may be, the target of phishing and social engineering schemes that may be designed to, among other things, improperly gain access to our confidential information or fraudulently obtain payments or funds from us. Similarly, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our platform, systems and networks or the systems and networks of third parties that support us and our services. For example, in December 2021, the Apache Software Foundation publicly disclosed a remote code execution vulnerability in its Log4j 2 product (Log4j), an open-source component widely used in Java-based software applications to log and track error messages, which affected large amounts of systems worldwide. While we have identified and remediated all known Log4j vulnerabilities in our systems, we expect to continue to encounter vulnerabilities and potential attacks related to open source libraries integrated in our systems. Ransomware attacks, including by organized criminal threat actors, nation-states, and nation-state-supported actors, are also becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling to make such payments, or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. In addition, unauthorized parties may attempt to gain physical access to our facilities in order to infiltrate our information systems. We have in the past been subject to cyber-attacks from third parties, including parties who we believe are sponsored by government actors. Since our customers share our multi-tenant architecture, an attack on any one of our customers could have a negative effect on other customers. These attacks have significantly increased the bandwidth used on our platform and have strained our network. If attacks like these were to occur in the future and if we do not have the systems and processes in place to respond to them, our business could be harmed. Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Additionally, the COVID-19 pandemic and our largely remote workforce poses increased risks to our information technology and network, as more of our employees work from home, utilizing network connections outside our premises. Future or past business transactions (such as acquisitions or integrations) could also expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies.

Security incidents, whether as a result of third-party action, employee or customer error, technology impairment or failure, malfeasance or criminal activity, or hostile state actors, could result in unauthorized access to, or loss or unauthorized disclosure of, customer information or data, litigation, indemnity obligations, and other possible liabilities. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to provide our products and platform. Incidents involving customer information have in the past resulted in pricing and other concessions, decreased customer usage and terminations by affected customers, and similar security incidents could occur in the future that result in pricing concessions, indemnity obligations, and other possible liabilities related to such unauthorized access, loss or disclosure, including litigation. Further, certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence or intentional misconduct of our Company and our suppliers, and we cannot assure you that we are adequately insured against the risks that we face.

In recent years, cyber-attacks have increased in size, sophistication, and complexity, increasing exposure for our customers and us. In addition, as we expand our emphasis on selling security-related products, we may become a more attractive target for attacks on our infrastructure intended to destabilize, overwhelm, or shut down our platform. For example, we have had security incidents in the past that have tested the limits of our infrastructure and impacted the performance of our platform. The costs to us to avoid or alleviate cyber or other security problems and vulnerabilities are significant. However, our efforts to address these problems and vulnerabilities may not be successful. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. Any actual or perceived significant breach of our security measures could:

- lead to the dissemination of proprietary information or sensitive, personal, or confidential data about us, our employees, or our customers—including personally identifiable information of individuals involved with our customers and their end-users;
- lead to interruptions or degradation of performance in our platform;
- threaten our ability to provide our customers with access to our platform;
- generate negative publicity about us;
- result in litigation and increased legal liability or fines; or
- lead to governmental inquiry or oversight.

Additionally, applicable data protection laws, privacy policies and data protection obligations may require us to notify relevant stakeholders of security incidents, including affected individuals, customers, regulators and credit reporting agencies. Such disclosures are costly, and the disclosures or the failure to comply with such requirements, could lead to materially adverse impacts, including, without limitation, government enforcement (for example, investigations, fines penalties, audits, and inspections), additional reporting requirements and/or oversight, restrictions on processing sensitive information (including personal information), litigation (including class claims), indemnification obligations, monetary fund diversions, interruptions in our operations (including availability of data), financial loss, negative publicity, a loss of customer confidence in our services, breach of contract claims, and other similar harms.

The occurrence, or perceived occurrence, of any of these events could harm our business or damage our brand and reputation, lead to customer credits, loss of customers, higher expenses, and possibly impede our present and future success in retaining and attracting new customers. A successful security breach or attack on our infrastructure would be damaging to our reputation and could harm our business.

Additionally, our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our privacy and data protection obligations. We also cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

Similar security risks exist with respect to our business partners and the third-party vendors that we rely on for aspects of our information technology support services and administrative functions. As a result, we are subject to the risk that cyber-attacks on our business partners and third-party vendors may adversely affect our business even if an attack or breach does not directly impact our systems. Our ability to monitor these business partners' and third-party vendors' security measures is limited, and these business partners and third-party vendors may not have adequate security measures in place. It is also possible that security breaches sustained by our competitors could result in negative publicity for our entire industry that indirectly harms our reputation and diminishes demand for our platform.

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

The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards and regulatory changes, as well as changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop and sell new products that satisfy our customers and provide enhancements, new features, and capabilities to our platform that keep pace with rapid technological and industry change, our revenue and operating results could be adversely affected. If new technologies emerge that enable large internet platform companies to utilize their own data centers and implement delivery approaches that limit or eliminate reliance on third-party providers like us, or that enable our competitors to deliver competitive products and applications at lower prices, more efficiently, more conveniently, or more securely, such technologies could adversely impact our ability to compete. If our platform does not allow us or our customers to comply with the latest regulatory requirements, our existing customers may decrease their usage on our platform and new customers will be less likely to adopt our platform.

Our platform must also integrate with a variety of network, hardware, mobile, and software platforms and technologies, and we need to continuously modify and enhance our products and platform capabilities to adapt to changes and innovation in these technologies. If developers widely adopt new software platforms, we would have to attempt to develop new versions of our products and enhance our platform's capabilities to work with those new platforms. These development efforts may require significant engineering, marketing, and sales resources, all of which would affect our business and operating results. Any failure of our platform's capabilities to operate effectively with future infrastructure platforms, technologies, and software platforms could reduce the demand for our platform. If we are unable to respond to these changes in a cost-effective manner, our products may become less marketable and less competitive or obsolete, and our business may be harmed.

Moreover, our platform is highly technical and complex and, for example, our delivery products rely on knowledge of the Varnish Configuration Language ("VCL") to utilize many features of this platform. Potential developers may be unfamiliar or opposed to working with VCL and therefore decide to not adopt our platform, which may harm our business.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform.

We have historically benefited from word-of-mouth and other organic marketing to attract new customers. Through this word-of-mouth marketing, we have been able to build our brand with relatively low marketing and sales costs. This strategy has allowed us to build a substantial customer base and community of users who use our products and act as advocates for our brand and our platform, often within their own corporate organizations. However, our ability to further increase our customer base and achieve broader market acceptance of our edge cloud platform will significantly depend on our ability to expand our marketing and sales operations. We plan to continue expanding our sales force and strategic partners, both domestically and internationally. We also plan to continue to dedicate significant resources to sales, marketing, and demand-generation programs, including various online marketing activities as well as targeted account-based advertising. The effectiveness of our targeted account-based advertising has varied over time and may vary in the future. All of these efforts will require us to invest significant financial and other resources and if they fail to attract additional customers, our business will be harmed. We have also used a strategy of offering free trial versions of our platform in order to strengthen our relationship and reputation within the developer community by providing these developers with the ability to familiarize themselves with our platform without first becoming a paying customer. However, these developers may not perceive value in the additional benefits and services we offer beyond the free trial versions of our platform and may choose not to pay for those additional benefits. Moreover, some existing paying customers may choose to convert to the free version of our platform. Most trial accounts do not convert to paid versions of our platform, and to date, only a few users who have converted to paying customers have gone on to generate meaningful revenue. If our other lead generation methods do not result in broader market acceptance of our platform and the users of trial versions of our platform do not become, or are unable to convince their organizations to become, paying customers, or if paying customers choose to convert to the free versions of our platform, we will not realize the intended benefits of this strategy, and our business will be harmed.

We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires may not become productive as quickly as we expect, if at all, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, particularly if we continue to grow rapidly, new members of our sales force will have relatively little experience working with us, our platform, and our business model. If we are unable to hire and train sufficient numbers of effective sales personnel, our sales personnel do not reach significant levels of productivity in a timely manner, or our sales personnel are not successful in acquiring new customers or expanding usage by existing customers, our business will be harmed.

The markets in which we participate are competitive, and if we do not compete effectively, our business will be harmed.

The market for cloud computing platforms, particularly enterprise grade products, is highly fragmented, competitive, and constantly evolving. With the introduction of new technologies and market entrants, we expect that the competitive environment in which we compete will remain intense going forward. Legacy CDNs, such as Akamai, Limelight, EdgeCast (part of Verizon Digital Media), Level3, and Imperva (for security), and small business-focused CDNs, such as Cloudflare, StackPath, and Section.io, offer products that compete with ours. We also compete with application and API security vendors like Akamai, Cloudflare, Imperva, Amazon Web Services and F5 (Shape), with cloud providers who are starting to offer compute functionality at the edge like Amazon's CloudFront, AWS Lambda, and Google Cloud Platform, as well as traditional data center and appliance vendors like F5, Citrix, A10 Networks, Cisco, Imperva, Radware, and Arbor Networks, who offer a range of on-premise solutions for load balancing, WAF, and DDoS. Some of our competitors have made or may make acquisitions or may enter into partnerships or other strategic relationships that may provide more comprehensive offerings than they individually had offered. Such acquisitions or partnerships may help competitors achieve greater economies of scale than us. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. We compete on the basis of a number of factors, including:

- our platform's functionality, scalability, performance, ease of use, reliability, security availability, and cost effectiveness relative to that of our competitors' products and services;
- our global network coverage and availability;
- our ability to utilize new and proprietary technologies to offer services and features previously not available in the marketplace;
- our ability to identify new markets, applications, and technologies;
- our ability to attract and retain customers;
- our brand, reputation, and trustworthiness;
- our credibility with developers;
- the quality of our customer support;
- our ability to recruit software engineers and sales and marketing personnel;
- our ability to protect our intellectual property; and
- our ability to identify opportunities for acquisitions and strategic relationships and successfully execute on them.

We face substantial competition from legacy CDNs, small business-focused CDNs, cloud providers, traditional data center, and appliance vendors. In addition, existing and potential customers may not use our platform, or may limit their use, because they pursue a "do-it-yourself" approach by putting in place equipment, software, and other technology products for content and application delivery within their internal systems; enter into relationships directly with network providers instead of relying on an overlay network like ours; or implement multi-vendor policies to reduce reliance on external providers like us.

Our competitors vary in size and in the breadth and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships and installed customer bases, larger marketing budgets, and greater resources than we do. While some of our competitors provide a platform with applications to support one or more use cases, many others provide point-solutions that address a single use case. Other potential competitors not currently offering competitive applications may expand their product offerings, and our current customers may develop their own products or features, to compete with our offerings. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our platform. In addition to application and technology competition, we face pricing competition. Some of our competitors offer their applications or services at a lower price, which has resulted in pricing pressures. Some of our larger competitors have the operating flexibility to bundle competing applications and services with other offerings, including offering them at a lower price or for no additional cost to customers as part of a larger sale of other products. For all of these reasons, we may not be able to compete successfully and competition could result in the failure of our platform to achieve or maintain market acceptance, the market for our edge cloud platform may grow more slowly than we anticipate, any of which could harm our business.

If we fail to maintain and enhance our brand, our ability to expand our customer base will be impaired and our business, results of operations and financial condition may suffer.

We believe that maintaining and enhancing our brand is important to continued market acceptance of our existing and future products, attracting new customers, and retaining existing customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable products that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and products, and our ability to successfully differentiate our platform from competitive products and services. Additionally, our brand and reputation may be affected if customers do not have a positive experience with our partners' services. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, our business may be harmed.

Acquisitions, strategic investments, partnerships, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, and dilute stockholder value.*

We have in the past acquired, and we may in the future seek to acquire or invest in, businesses, products, or technologies that we believe could complement or expand our platform, enhance our technical capabilities, or otherwise offer growth opportunities. For example, in May 2022, we acquired Glitch, a software company specializing in developer project management tools. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing acquisitions, whether or not such acquisitions are completed. In addition, we have limited experience in acquiring other businesses and we may not successfully identify desirable acquisition targets or, when we acquire additional businesses, we may not be able to integrate them effectively following the acquisition. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results, may cause unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims, and may not generate sufficient financial returns to offset additional costs and expenses related to the acquisitions. We may also incur significant, and sometimes unanticipated costs in connection with these acquisitions or in integration with our business. In addition, if an acquired business fails to meet our expectations or we do not realize sufficient value, our business may be harmed.

Further, it is possible that there could be a loss of our existing or any acquired company's key employees and customers, disruption of either company's or both companies' ongoing businesses or unexpected issues, higher than expected costs and an overall post-completion process that takes longer than originally anticipated. Specifically, the following issues, among others, must be addressed in combining any company's operations with ours in order to realize the anticipated benefits of the acquisition so the combined company performs as the parties hope:

- combining the companies' corporate functions;
- combining their business with our business in a manner that permits us to achieve the synergies anticipated to result from the acquisition, the failure of which would result in the anticipated benefits of the acquisition not being realized in the time frame currently anticipated or at all;
- maintaining existing and new agreements with customers, service providers, and vendors;
- determining whether and how to address possible differences in corporate cultures, management philosophies and strategies relating to channels, resellers, and partners;
- integrating the companies' administrative and information technology infrastructure;
- developing products and technology that allow value to be unlocked in the future; and

- evaluating and forecasting the financial impact of the acquisition transaction, including accounting impacts.

Failure to address any of the above listed issues could have a material adverse effect on our business, results of operations and financial position. In addition, at times the attention of certain members of our management and resources may be focused on completion of the acquisition and integration planning of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt our ongoing business and the business of the combined company. For example, certain members of our management team and other personnel spent significant time on the acquisition and integration of Signal Sciences.

We have previously been and may in the future be involved in class-action lawsuits and other litigation matters that are expensive and time-consuming. If resolved adversely, lawsuits and other litigation matters could seriously harm our business.

We have previously been and may in the future be subject to litigation such as putative class action and shareholder derivative lawsuits brought by stockholders. We anticipate that we will be a target for lawsuits in the future, as we have been in the past. For example, on August 27, 2020 and September 15, 2020, we and certain of our officers were named as defendants in putative securities class action purportedly brought on behalf of holders of our Class A common stock. These two securities class actions were consolidated, and on December 21, 2021, the consolidated class action was voluntarily dismissed with prejudice. On December 28, 2020 and February 2, 2021, certain of our officers and directors were named as defendants in shareholder derivative actions. These two shareholder derivative actions were consolidated, and on January 3, 2022, the consolidated derivative action was voluntarily dismissed without prejudice. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed on appeal, or we may decide to settle lawsuits on similarly unfavorable terms. Any such negative outcome could result in payments of substantial monetary damages and accordingly our business could be seriously harmed. The results of lawsuits and claims cannot be predicted with certainty. Regardless of the final outcome, defending these claims, and associated indemnification obligations, are costly and can impose a significant burden on management and employees, and we may receive unfavorable preliminary, interim, or final rulings in the course of litigation, which could seriously harm our business.

Health epidemics, including the ongoing COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, operations, and the markets and communities in which we, our partners and customers operate.*

The ongoing global COVID-19 pandemic has adversely impacted, and may continue to adversely impact, many aspects of our business. As certain of our customers or potential customers experience downturns or uncertainty in their own business operations and revenue resulting from the impact of COVID-19, they have and may continue to decrease or delay their technology spending, request pricing concessions or payment extensions, or seek renegotiation of their contracts. Usage of our platform has fluctuated during the COVID-19 pandemic, and we cannot predict how usage levels will be impacted given that the long term impact of the pandemic remains uncertain. As a result, it has been difficult to accurately forecast our revenues or financial results, and our results of operations could be materially below our forecasts, which could adversely affect our results of operations, disappoint analysts and investors, or cause our stock price to decline.

In addition, our suppliers have been impacted by the COVID-19 pandemic, which has reduced the availability or resulted in delays, and may continue to reduce the availability or result in delays, of parts and components to us. Furthermore, we may decide to postpone or cancel planned investments in our business in response to changes in our business as a result of the COVID-19 pandemic, which may impact our ability to attract and retain customers and our rate of innovation, either of which could harm our business.

The ultimate duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately forecasted at this time. We do not yet know how businesses, customers, or our partners will operate in a post COVID-19 environment. There may be additional costs or impacts to our business and operations, which could harm our business.

We may not be able to scale our business quickly enough to meet our customers' growing needs. If we are not able to grow efficiently, our business could be harmed.

As usage of our edge cloud computing platform grows and as the breadth of use cases for our platform expands, we will need to devote additional resources to improving our platform architecture, integrating with third-party applications and maintaining infrastructure performance. In addition, we will need to appropriately scale our processes and procedures that support our growing customer base, including increasing our number of POPs around the world and investments in systems, training, and customer support.

Any failure of or delay in these efforts could cause impaired system performance and reduced customer satisfaction. These issues could reduce the attractiveness of our platform to customers, resulting in decreased sales to new customers, lower renewal rates by existing customers, the issuance of service credits, or requested refunds, which would hurt our revenue growth and our reputation. Even if we are able to upgrade our systems and expand our staff, any such expansion will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies or operational failures as a result of our efforts to scale our cloud infrastructure, such as by over investing in systems and equipment to support anticipated growth in our platform. We cannot be sure that the expansion and improvements to our cloud infrastructure will be effectively implemented on a timely basis, if at all, and such failures would harm our business.

We may have insufficient transmission bandwidth and colocation space, which could result in disruptions to our platform and loss of revenue.

Our operations are dependent in part upon transmission bandwidth provided by third-party telecommunications network providers and access to colocation facilities to house our servers. There can be no assurance that we are adequately prepared for unexpected increases in bandwidth demands by our customers, particularly when customers experience cyber-attacks. The bandwidth we have contracted to purchase may become unavailable for a variety of reasons, including service outages, payment disputes, network providers going out of business, natural disasters, networks imposing traffic limits, or governments adopting regulations that impact network operations. In some regions, bandwidth providers have their own services that compete with us, or they may choose to develop their own services that will compete with us. These bandwidth providers may become unwilling to sell us adequate transmission bandwidth at fair market prices, if at all. This risk is heightened where market power is concentrated with one or a few major networks. We also may be unable to move quickly enough to augment capacity to reflect growing traffic or security demands. Failure to put in place the capacity we require could result in a reduction in, or disruption of, service to our customers and ultimately a loss of those customers. Such a failure could result in our inability to acquire new customers demanding capacity not available on our platform.

The nature of our business exposes us to inherent liability risks.

Our platform and related applications, including our security solutions, are designed to provide rapid protection against web application vulnerabilities and cyber-attacks. However, no security product can provide absolute protection against all vulnerabilities and cyber-attacks. Our platform is subject to cyber-attacks, and the failure of our platform and related applications to adequately protect against these cyber-attacks may allow our customers to be attacked. Any adverse consequences of these attacks, and our failure to meet our customers' expectations as they relate to such attacks, could harm our business.

Due to the nature of our applications, we are potentially exposed to greater risks of liability for product or system failures than may be inherent in other businesses. Although substantially all of our customer agreements contain provisions that limit our liability to our customers, these limitations may not be sufficient, and we cannot assure you that these limitations will be enforced or the costs of any litigation related to actual or alleged omissions or failures would not have a material adverse effect on us even if we prevail.

Our dedication to our values may negatively influence our financial results.

We have taken, and may continue to take, actions that we believe are in the best interests of our customers, our employees, and our business, even if those actions do not maximize financial results in the short term. For instance, we do not knowingly allow our platform to be used to deliver content from groups that promote violence or hate, and that conflict with our values like strong ethical principles of integrity and trustworthiness, among others. In the past, we have removed customers from our platform who we believed took positions conflicting with these values, and we may continue to do so in the future. However, this approach may not result in the benefits that we expect, and our employees or third parties may disagree with our interpretation of our values, or take issue with how we execute on our values, which may result in us becoming a target for negative publicity, increased scrutiny, lawsuits, or network attacks, in which case our business could be harmed.

Our growth depends in large part on the success of our partner relationships.

We maintain a partner ecosystem of companies who build edge applications to integrate with our platform. We are dependent on these partner relationships to amplify our reach and provide our customers with enhanced value from our platform. Our future growth will be increasingly dependent on the success of our partner relationships, including their development of useful applications for our platform. If those partnerships do not provide these benefits or if our partners are unable to serve our customers effectively, we may need to allocate resources internally to provide these services or our customers may not realize the full value of our platform, which could harm our business.

Moreover, our partners' business partners may not completely align with our core values and therefore may do business with companies that we otherwise would not. Our association with these companies could damage our brand and reputation and potentially harm our business.

We operate in an emerging and evolving market, which may develop more slowly or differently than we expect. If our market does not grow as we expect, or if we cannot expand our services to meet the demands of this market, our revenue may decline, or fail to grow, and we may incur operating losses.

The market for edge computing is in an early stage of development. There is considerable uncertainty over the size and rate at which this market will grow, as well as whether our platform will be widely adopted. Our success will depend, to a substantial extent, on the widespread adoption of our platform as an alternative to other solutions, such as legacy CDNs, enterprise data centers, central cloud, and small business-focused CDNs. Some organizations may be reluctant or unwilling to use our platform for a number of reasons, including concerns about additional costs, uncertainty regarding the reliability, and security of cloud-based offerings or lack of awareness of the benefits of our platform. Moreover, many organizations have invested substantial personnel and financial resources to integrate traditional on-premise services into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based services. Our ability to expand sales of our product into new and existing markets depends on several factors, including potential customer awareness of our platform; the timely completion of data centers in those markets; introduction and market acceptance of enhancements to our platform or new applications that we may introduce; our ability to attract, retain and effectively train sales and marketing personnel; our ability to develop relationships with partners; the effectiveness of our marketing programs; the pricing of our services; and the success of our competitors. If we are unsuccessful in developing and marketing our product into new and existing markets, or if organizations do not perceive or value the benefits of our platform, the market for our product might not continue to develop or might develop more slowly than we expect, either of which may harm our business.

The estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business. Even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Third-party market opportunity estimates and our growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable companies or end-users covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenues for us. Even if the market in which we compete meets the size estimates and growth forecasted, our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry.

Usage of our platform accounts for substantially all of our revenue.

We expect that we will be substantially dependent on our edge cloud platform to generate revenue for the foreseeable future. As a result, our operating results could suffer due to:

- any decline in demand for our edge cloud platform;
- the failure of our edge cloud platform to achieve continued market acceptance;
- the market for edge cloud computing services not continuing to grow, or growing more slowly than we expect;
- the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our edge cloud platform;
- technological innovations or new standards that our edge cloud platform does not address;
- sensitivity to current or future prices offered by us or our competitors;
- our customers' development of their own edge cloud platform; and
- our inability to release enhanced versions of our edge cloud platform on a timely basis.

In addition, because substantially all of our revenue from usage is recognized during the term of the relevant contract upon usage, downturns or upturns in sales contracts are not immediately reflected in full in our operating results.

If the market for our edge cloud platform grows more slowly than anticipated or if demand for our edge cloud platform does not grow as quickly as anticipated, whether as a result of competition, pricing sensitivities, product obsolescence, technological change, unfavorable economic conditions, uncertain geopolitical environment, budgetary constraints of our customers, or other factors, our business would be harmed.

We expect fluctuations in our financial results and key metrics, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors, our stock price and the value of your investment could decline significantly.

Our operating results, including revenue, gross margin and net income, as well as our key metrics, including our DBNER, NRR and LTM NRR, have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance and period-to-period comparisons of our operating results and key metrics may not be meaningful or accurately measure our business. In addition to the other risks described herein, factors that may affect our operating results include the following:

- fluctuations in demand for or pricing of our platform;
- our ability to attract new customers;
- our ability to retain our existing customers;
- fluctuations in the usage of our platform by our customers, which is directly related to the amount of revenue that we recognize from our customers;
- fluctuations in customer delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- changes in customers’ budgets and in the timing of their budget cycles and purchasing decisions;
- the timing of customer payments and any difficulty in collecting accounts receivable from customers;
- timing of new functionality of our existing platform;
- our ability to control costs, including our operating expenses;
- the amount and timing of payment for operating expenses, particularly research and development and sales and marketing expenses, including commissions;
- the amount and timing of costs associated with recruiting, training, and integrating new employees;
- the effects of acquisitions or other strategic transactions;
- expenses in connection with acquisitions or other strategic transactions;
- our ability to successfully deploy POPs in new regions;
- general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate;
- the ability to maintain our partnerships;

- the impact of new accounting pronouncements;
- changes in the competitive dynamics of our market, including consolidation among competitors or customers;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform; and
- awareness of our brand and our reputation in our target markets.

Additionally, certain large scale events, such as major elections and sporting events, can significantly impact usage of our platform, which could cause fluctuations in our results of operations. While increased usage of our platform during these events could result in increased revenue, these seasonal and one-time events could also impact the performance of our platform during those events and lead to a sub-optimal experience for some customers. Such annual and one-time events may cause fluctuations in our results of operations as they would impact both our revenue and our operating expenses.

Any of the foregoing and other factors may cause our results of operations to vary significantly. Furthermore, if our quarterly results of operations or our guidance fall below the expectations of investors and securities analysts who follow our stock, the price of our Class A common stock could decline substantially, and our business could be harmed. For example, the trading price of our Class A common stock declined significantly after we provided our guidance for the first quarter and full year of 2022 on February 16, 2022 in our earnings release furnished on Form 8-K, which did not meet the expectations of securities analysts who followed our stock. We cannot assure you that our operating results or projected operating results will meet the expectations of market analysts or our investors.

Our pricing models subject us to various challenges that could make it difficult for us to derive sufficient value from our customers, and we do not have sufficient history with our pricing models to accurately predict the optimal pricing necessary to attract new customers and retain existing customers.

We generally charge our customers for their usage of our platform based on the combined total usage, as well as the features and functionality enabled. Additionally, once our product is purchased, customers can also buy a combination of our add-on products. We do not know whether our current or potential customers or the market in general will continue to accept this pricing model going forward and, if it fails to gain acceptance, our business could be harmed. We also generally purchase bandwidth from internet service providers and server colocation space from third parties based on expected usage from our customers. Moreover, if our customers use our platform in a manner that is inconsistent with how we have purchased bandwidth, servers, and colocation space, our business could be harmed.

We have limited experience with respect to determining the optimal prices for our products and, as a result, we have in the past changed our pricing model and expect that we may need to do so in the future, including as a result of inflationary pressures. As the market for our products matures, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing models as we have used historically. Pricing decisions may also impact the mix of adoption among our customers and negatively impact our overall revenue. Moreover, larger organizations may demand substantial price concessions. As a result, in the future we may be required to reduce our prices or develop new pricing models, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

Our sales and onboarding cycles with customers can be long and unpredictable, and our sales and onboarding efforts require considerable time and expense.

The timing of our sales with our enterprise customers and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for these customers. In addition, for our enterprise customers, the lengthy sales cycle for the evaluation and implementation of our products may also cause us to experience a delay between expenses for such sales efforts and the generation of corresponding revenue. The length of our sales cycle for these customers, from initial evaluation to payment, can range from several months to well over a year and can vary substantially from customer to customer. Similarly, the onboarding and ramping process with new enterprise customers, or with existing customers that are moving additional traffic onto our platform, can take several months. As the purchase of our products can be dependent upon customer initiatives, our sales cycle can extend to even longer periods of time. Customers often view a switch to our platform as a strategic decision requiring significant investment and, as a result, frequently require considerable time to evaluate, test, and qualify our product offering prior to entering into or expanding a contract commitment. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which may not result in a completed sale. Additional factors that may influence the length and variability of our sales cycle include:

- the effectiveness of our sales force, particularly new salespeople and sales leadership, as we increase the size of our sales force and train our new salespeople to sell to enterprise customers;
- the discretionary nature of customers' purchasing decisions and budget cycles;
- customers' procurement processes, including their evaluation of competing products;
- economic conditions and other factors affecting customer budgets;
- the regulatory environment in which our customers operate;
- integration complexity for a customer deployment;
- the customer's familiarity with edge cloud computing platforms;
- evolving customer demands;
- selling new products to enterprise customers; and
- competitive conditions.

Given these factors, it is difficult to predict whether and when a customer will switch to our platform.

Given that it can take several months for our customers to ramp up their usage of our platform, during that time, we may not be able to generate enough revenue from a particular customer or that customer may not increase their usage in a meaningful way. Moreover, because the switching costs are fairly low, our customers are able to switch from our platform to alternative services relatively easily. As a result, actual usage could be materially below our forecasts, which could adversely affect our results of operations, disappoint analysts and investors, or cause our stock price to decline.

If our platform does not achieve sufficient market acceptance, our financial results and competitive position will suffer.

To meet our customers' rapidly evolving demands, we invest substantial resources in research and development of enhanced products to incorporate additional functionality or expand the use cases that our platform addresses. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of the market is essential. If we are unable to develop products internally due to inadequate or ineffective research and development resources, we may not be able to address our customers' needs on a timely basis or at all. In addition, if we seek to supplement our research and development capabilities or the breadth of our products through acquisitions, such acquisitions could be expensive and we may not successfully integrate acquired technologies or businesses into our business. When we develop or acquire new or enhanced products, we typically incur expenses and expend resources upfront to develop, market, promote, and sell the new offering. Therefore, when we develop or acquire and introduce new or enhanced products, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing or acquiring and bringing them to market. Our new products or enhancements and changes to our existing products could fail to attain sufficient market acceptance for many reasons, including:

- failure to predict market demand accurately in terms of functionality and a failure to supply products that meet this demand in a timely fashion;
- defects, errors, or failures;
- negative publicity about our platform's performance or effectiveness;

- changes in the legal or regulatory requirements, or increased legal or regulatory scrutiny, adversely affecting our platform;
- emergence of a competitor that achieves market acceptance before we do;
- delays in releasing enhancements to our platform to the market; and
- introduction or anticipated introduction of competing products by our competitors.

If our platform and any future enhancements do not achieve adequate acceptance in the market, or if products and technologies developed by others achieve greater acceptance in the market, our business could be harmed.

Beyond overall acceptance of our platform by our customers, it is important that we maintain and grow acceptance of our platform among the developers that work for our customers. We rely on developers to choose our platform over other options they may have, and to continue to use and promote our platform as they move between companies. These developers often make design decisions and influence the product and vendor processes within our customers. If we fail to gain or maintain their acceptance of our platform, our business would be harmed.

We rely on third-party hosting providers that may be difficult to replace.

We rely on third-party hosting services such as Amazon Web Services ("AWS"), Google, IBM Softlayer, Microsoft Azure, and other cloud providers that facilitate the offering of our platform. Some of these third-party hosting services offer competing products to ours and therefore may not continue to be available on commercially reasonable terms, or at all. These providers may be unwilling to do business with us if they view our platform as a threat. Any loss of the right to use any of the hosting providers could impair our ability to offer our platform and harm our business until we are able to obtain alternative hosting providers.

If we do not or cannot maintain the compatibility of our platform with third-party applications that our customers use in their businesses, our business will be harmed.

Because our customers choose to integrate our products with certain capabilities provided by third-party providers, the functionality and popularity of our platform depends, in part, on our ability to integrate our platform and applications with third-party applications. These third parties may change the features of their technologies, restrict our access to their applications, or alter the terms governing use of their applications in a manner that is adverse to our business. Such changes could functionally limit or prevent our ability to use these third-party technologies in conjunction with our platform, which would negatively affect adoption of our platform and harm our business. If we fail to integrate our platform with new third-party applications that our customers use, we may not be able to offer the functionality that our customers need, which would harm our business.

We provide service level commitments under our customer agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, or face contract termination with refunds of prepaid amounts, which could harm our business.

Most of our customer agreements contain service level commitments. If we are unable to meet the stated service level commitments, including failure to meet the uptime and delivery requirements under our customer agreements, we have in the past and may in the future be contractually obligated to provide the affected customers with service credits which could significantly affect our revenues in the periods in which the uptime and delivery failure occurs and the credits are applied. For example, as a result of platform interruptions in January 2021 and June 2021, certain of our affected customers with whom we have service level commitments were entitled to receive service credits. We could also face customer terminations with refunds of prepaid amounts, which could significantly affect both our current and future revenues. Any service level failures could harm our business.

If we fail to offer high quality support, our business may be harmed.

Our customers rely on our support team to assist them in deploying our products effectively and resolve technical and operational issues. High-quality support is important for the renewal and expansion of our agreements with existing customers. The importance of maintaining high quality support will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our relationships with existing and new customers could suffer and our business could be harmed. Further, increased demand for customer support, without corresponding revenue, could increase costs and adversely affect our business. In addition, as we continue to grow our operations and expand internationally, we will need to be able to provide efficient customer support that meets our customers' needs globally at scale and our customer support team will face additional challenges, including those associated with delivering support and documentation in multiple languages. Our failure to do so could harm our business.

Risks Related to Employees and Managing Our Growth

The failure to attract and retain qualified personnel could prevent us from executing our business strategy.*

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executive officers, software developers, sales personnel, product managers, and other key employees in our industry is intense. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing, and managing cloud-based software, as well as for skilled sales, operations, and security professionals. In addition, we believe that the success of our business and corporate culture depends on employing people with a variety of backgrounds and experiences, and the competition for such diverse personnel is significant. The market for such talented personnel is competitive. This competitive situation has become exacerbated by the increase in employee resignations currently taking place throughout the United States, in part as a result of the COVID-19 pandemic, which is commonly referred to as the "great resignation." We have experienced significant unwanted employee attrition which we believe has been due to such competition, and we may continue to experience unwanted employee attrition in the future. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer, including, in some cases, large equity packages and cash incentive bonuses. In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, experiences significant volatility, or increases such that prospective employees believe there is limited upside to the value of our equity awards, it may adversely affect our ability to recruit and retain key employees. In order to manage attrition and the impact of volatility on the perceived value of our equity awards, we have issued, and may continue to issue, additional equity awards to attract and retain employees, which may be dilutive to stockholders. Moreover, we face significant competition in hiring and attracting qualified employees in all aspects of our business, and the recent move by companies to offer a remote or hybrid work environment may increase the competition for such employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our ability to maintain and enhance our platform, develop and deliver new products, fix bugs, support our existing customers, attract new customers, respond to competitive pressures, and otherwise execute our business plan would be harmed.

We rely on the performance of highly skilled personnel, including our senior management and other key employees, and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.*

We believe that our success has depended, and continues to depend, on the efforts and talents of senior management and key employees, including Artur Bergman, our Chief Architect and Executive Chairman. There have been, and from time to time, there may continue to be, changes in our management team resulting from the hiring or departure of executives and key employees, or the transition of executives within our business, which could disrupt our business. On August 3, 2022, we announced that Todd Nightingale has been appointed to serve as our new Chief Executive Officer, replacing Joshua Bixby. Mr. Nightingale will begin serving in this role effective September 1, 2022. Such changes in our executive management team may be disruptive to our business. Some of our executive officers and members of our management team have been with us for a short period of time and we continue to develop key functions within various aspects of our business. We are also dependent on the continued service of our existing software engineers because of the complexity of our platform. Our senior management, including Mr. Bergman, and key employees are employed on an at-will basis. We cannot ensure that we will be able to retain the services of any member of our senior management or other key employees or that we would be able to timely replace members of our senior management or other key employees should any of them depart. The loss of one or more of our senior management or other key employees could harm our business.

Our past rapid growth may not be indicative of our future growth and, if we resume growing rapidly, we may not be able to manage our growth effectively.

We have experienced substantial growth in various aspects of our business in prior periods. For example, for the years ended December 31, 2021, December 31, 2020, and December 31, 2019, our revenue was $354.3 million, $290.9 million, and $200.5 million, respectively. In addition, we are expanding, and expect to continue to expand in the future, our international operations. For example, from December 31, 2020 to December 31, 2021, our edge network increased from 40 to 51 markets and from 25 to 31 countries that are outside of the United States. We have also experienced significant growth in the number of customers, usage, and amount of data delivered across our platform. This growth has placed and may continue to place significant demands on our corporate culture, operational infrastructure, and management. Although our business has experienced significant growth in the past, we cannot provide any assurance that our business will continue to grow at the same rate, or at all. Overall growth of our business depends on a number of factors, including our ability to:

- address new and developing markets, such as large enterprise customers outside the United States;
- retain our existing employees in this period of "great resignation";
- recruit, hire, train, and manage additional qualified engineers and product managers;
- recruit, hire, train, and manage additional sales and marketing personnel;
- maintain and enhance our corporate culture;
- expand our international operations;
- establish more mature organizational designs and structures, with more skill, technical and leadership depth with experience scaling and expanding global businesses;
- implement and improve our administrative, financial and operational systems, procedures, and controls;
- attract new customers and increase our existing customers' usage on our platform;
- expand the functionality and use cases for the products we offer on our platform;
- provide our customers with customer support that meets their needs;
- successfully identify and acquire or invest in businesses, products, or technologies that we believe could complement or expand our products; and
- recruit experienced leaders and strategists to facilitate successful acquisitions and integrations.

We may not successfully accomplish any of the above objectives. We expect to continue to expend substantial financial and other resources on:

- sales and marketing, including a significant expansion of our sales organization;
- our infrastructure, including POP deployments, systems architecture, management tools, scalability, availability, performance, and security, as well as disaster recovery measures;
- product development, including investments in our product development team and the development of new products and new functionality for our existing products;
- acquisitions or strategic investments;
- international expansion; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These activities will require significant investments and allocation of valuable management and employee resources, and our growth will continue to place significant demands on our management and our operational and financial infrastructure. There are no guarantees we will be able to grow our business in an efficient or timely manner, or at all. If we fail to manage the growth of our business and operations effectively, the quality of our services and the efficiency of our operations could suffer, which could adversely affect our business, financial condition, and results of operations. If we are unable to return to our prior level of growth, our business will be harmed.

In addition, our past rapid growth may make it difficult to evaluate our future performance. Our ability to forecast our future results of operations is subject to a number of uncertainties. If we fail to achieve the necessary level of efficiency in our company as it grows, or if we are not able to accurately forecast future growth, our business would be negatively impacted.

If we cannot maintain our company culture as we grow, our success and our business may be harmed.

We believe our culture has been a key contributor to our success to date and that the critical nature of the products that we provide promotes a sense of greater purpose and fulfillment in our employees. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and to effectively focus on and pursue our corporate objectives. As we grow and develop the systems and processes associated with being a public company, we may find it difficult to maintain these important aspects of our culture. The recent increase in employee attrition we have experienced in part due to the ongoing "great resignation" has adversely affected our corporate culture, particularly since our workforce has been largely virtual since March 2020 due to the COVID-19 pandemic. In addition, while we have historically benefited from having a dispersed workforce, as we have grown and our resources have become more globally dispersed and our organizational management structures have become more complex, we have found it increasingly difficult to maintain these beneficial aspects of our corporate culture. In addition, we may seek to acquire or invest in businesses, products or technologies with differing corporate cultures that could be difficult to integrate. If we fail to maintain our company culture, our business may be harmed.

Risks Related to Our Financial Position and Need for Additional Capital

Seasonality may cause fluctuations in our sales and operating results.

We have experienced, and expect to continue to experience in the future, seasonality in our business, and our operating results and financial condition may be affected by such trends in the future. We generally experience seasonal fluctuations in demand for our platform. For example, we have some customers who increase their usage and requests when they need more capacity during busy periods, especially in the fourth quarter of the year, and then subsequently scale back. We also host certain large scale events, such as major elections or sporting events, that may be seasonal or one-time which can cause revenue to fluctuate between the periods in which these events occur and subsequent periods. Since we have built our network to handle seasonal capacity fluctuations, we may not be able to reduce our capacity in a timely manner, and as such sustain more costs. We believe that the seasonal trends that we have experienced in the past may continue for the foreseeable future, particularly as we expand our sales to larger enterprises. To the extent we experience this seasonality, it may cause fluctuations in our operating results and financial metrics, and make forecasting our future operating results and financial metrics difficult. Additionally, we do not have sufficient experience in selling certain of our products to determine if demand for these products are or will be subject to material seasonality.

Our current operations are international in scope and we plan on further geographic expansion, creating a variety of operational challenges.*

A component of our growth strategy involves the further expansion of our operations and customer base internationally. For the three months ended June 30, 2022, the percentage of revenue generated from customers outside the United States was 26% of our total revenue. For the six months ended June 30, 2022, the percentage of revenue generated from customers outside the United States was 26% of our total revenue. As of June 30, 2022, our edge network spans across 57 markets and 33 countries that are outside of the United States. Additionally, we have employees located throughout the world. We continue to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As of June 30, 2022, approximately 20% of our full-time employees were located outside of the United States. We expect that our international activities will grow over the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources. In connection with such expansion, we may face difficulties including costs associated with, varying seasonality patterns, potential adverse movement of currency exchange rates, longer payment cycle difficulties in collecting accounts receivable in some countries, tariffs and trade barriers, a variety of regulatory or contractual limitations on our ability to operate, adverse tax events, reduced protection of intellectual property rights in some countries, and a geographically and culturally diverse workforce and customer base. Failure to overcome any of these difficulties could harm our business. Our current and future international business and operations involve a variety of risks, including:

- changes in a specific country's or region's political or economic conditions;
- greater difficulty collecting accounts receivable and longer payment cycles;

- potential or unexpected changes in trade relations, regulations, or laws;
- increased regulatory inquiry or oversight;
- more stringent regulations relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in Europe;
- differing labor regulations, especially in Europe and Japan, where labor laws are generally more advantageous to employees as compared to the United States., including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs;
- challenges to our corporate culture resulting from a dispersed workforce;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we choose to do so in the future;
- challenges related to providing support and developing products in foreign languages;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general market preferences for local vendors;
- potential tariffs and trade barriers;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property rights;
- political instability, economic sanctions, terrorist activities, or international conflicts, including the ongoing conflict between Russia and Ukraine, which may impact the operations of our business or the businesses of our customers;
- inflationary pressures, such as those the global market is currently experiencing, labor shortages and supply chain disruptions, which may increase costs for certain services;
- exposure to liabilities under anti-corruption and anti-money laundering laws, and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

If any of the above risks materialize, it could harm our business and prospects. In addition, our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business may be harmed.

Our ability to timely raise capital in the future may be limited, or may be unavailable on acceptable terms, if at all, and our failure to raise capital when needed could harm our business, and debt or equity issued to raise additional capital may reduce the value of our Class A common stock.*

We have funded our operations since inception primarily through payments received from our customers, sales of equity and debt securities, and borrowings under our credit facilities. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business and may require additional funds. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our growth rate, market acceptance of our platform, the expansion of sales and marketing activities, strategic transactions, as well as overall economic conditions. For example, on October 1, 2020 we acquired Signal Sciences for an aggregate purchase price of $759.4 million, consisting of approximately $223.0 million in cash and 6,367,709 shares of our Class A common stock, including 896,499 shares which are restricted as they are subject to revesting conditions. The aggregate purchase price reflects the value of the net shares issued, which excludes the above mentioned shares that are restricted.

We may need to engage in equity or debt financings to secure additional funds. In addition, increases in interest rate levels could increase our cost of capital. Additional financing may not be available on favorable terms, if at all and any additional financing will need to be in compliance with the terms of our Credit Agreement, dated as of February 16, 2021, by and among us as borrower, the lenders from time to time party thereto, and Silicon Valley Bank as a lender, the issuing lender and the swingline lender, and as administrative agent and collateral agent for the lenders ("Credit Agreement"). If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, operating results, and financial condition. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our Class A common stock. Any debt financing we secure could involve additional restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we were to violate such restrictive covenants, we could incur penalties, increased expenses and an acceleration of the payment terms of our outstanding debt, which could in turn harm our business. Because our decision to issue securities in future offerings will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our Class A common stock and diluting their interests.

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

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include, but are not limited to, those related to revenue, accounts receivable and related reserves, fair value of assets acquired and liabilities assumed for business combinations, useful lives and realizability of long-lived assets including our goodwill and intangible assets, income tax reserves, and accounting for stock-based compensation. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

Current and future indebtedness could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions.

Our Credit Agreement with SVB contains, and any future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to incur additional indebtedness, grant liens, pay dividends and make distributions, transfer property, make investments, and take other actions that may otherwise be in our best interests. In addition, our Credit Agreement contains a financial covenant that requires us to maintain a consolidated adjusted quick ratio of at least 1:25 to 1:00 tested on a quarterly basis as well as a springing revenue growth covenant for certain periods if our consolidated adjusted quick ratio falls below 1.75 to 1:00 on the last day of any fiscal quarter. Our ability to meet these financial covenants can be affected by events beyond our control, and we may not be able to continue to meet those covenants. In addition, a breach of a covenant under our Credit Agreement or any other current or future credit facility of ours may result in a cross-default under any such separate credit facility. If we seek to enter into one or more additional credit facilities in the future, we may not be able to obtain debt financing on terms that are favorable to us, if at all. Holders of our existing debt have, and holders of any future debt we may incur would have, rights senior to holders of common stock to make claims on our assets. In addition, the terms of our existing debt do, and the terms of any future debt could, restrict our operations, including our ability to pay dividends on our Class A common stock. If we are unable to obtain adequate financing or financing on terms that are satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

We have identified three material weaknesses in our internal control over financial reporting, and if we are unable to remediate and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our Class A common stock may be seriously harmed.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in those internal controls. For example, we are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act 9 ("Section 404"). Our independent registered public accounting firm also needs to attest to the effectiveness of our internal control over financial reporting. We designed, implemented, and tested internal control over financial reporting required to comply with this obligation. That process is time-consuming, costly, and complicated.

We and our independent registered public accounting firm identified material weaknesses in our internal control over financial reporting for the years ended December 31, 2021, 2020, 2019 and 2018, some of which were newly identified in the year ended December 31, 2021 and one was originally identified in prior years and remains partially unremediated for the year ended December 31, 2021. The material weaknesses related to the lack of sufficient qualified accounting resources, lack of timely and complete identification of internal-use software costs for capitalization, and a system implementation of our stock plan administration system. We previously reported these material weaknesses in our Annual Report on Form 10-K for the year ended December 31, 2021, and we previously reported a material weakness in our Annual Reports on Form 10-K for the years ended December 31, 2020 and December 31, 2019.

The process of implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expand significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. We continue to evaluate and take actions to improve our internal control over financial reporting. To remediate the material weakness related to a lack of sufficient, qualified finance and accounting resources commensurate with the complexity of our operations and financial reporting requirements, we will continue to hire, retain and oversee qualified finance and accounting resources to support us, including external advisors when appropriate, and add enhanced quarterly reporting of the remediation measures and process to the Audit Committee of the Board of Directors. To remediate the material weakness in internal control over financial reporting related to our accounting for internal-use software costs, we will continue to enhance our process and expand our review controls to ensure complete and timely identification of internal use software costs subject to capitalization, implement additional training of finance, accounting and other Company personnel involved in this process, and work with qualified external advisors to support these efforts. To remediate the material weakness in internal control over financial reporting related to the design of controls for system implementations associated with a migration of our stock plan administration system, we will update the design and review of controls for system implementations, continue to leverage internal expertise in systems implementation for the design of controls, and work with qualified external advisors to support these efforts.

We cannot assure you that the measures we have taken to date and plan to take will be sufficient to remediate the material weaknesses we identified or avoid the identification of additional material weaknesses in the future.

If we fail to remediate our existing material weaknesses or identify future material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion or expresses a qualified or adverse opinion about the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected. Moreover, any failure to remediate the material weaknesses, or the identification of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements that may continue undetected and cause us to fail to meet our reporting and financial obligations or incur significant additional costs to remediate the material weaknesses, each of which could harm our ability to raise capital on favorable terms in the future or otherwise have a negative impact on our financial condition. In addition, we could become subject to investigations by the New York Stock Exchange (the "NYSE"), the SEC, and other regulatory authorities, which could require additional financial and management resources.

We may not be able to successfully manage the growth of our business if we are unable to improve our internal systems, processes and controls.

We need to continue to improve our internal systems, processes, and controls to effectively manage our operations and growth. We may not be able to successfully implement and scale improvements to our systems and processes in a timely or efficient manner or in a manner that does not negatively affect our operating results. For example, we may not be able to effectively monitor certain extraordinary contract requirements or provisions that are individually negotiated by our sales force as the number of transactions continues to grow. In addition, our systems and processes may not prevent or detect all errors, omissions, or fraud. We may experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software, which could impair our ability to offer our platform to our customers in a timely manner, causing us to lose customers, limit us to smaller deployments of our products, or increase our technical support costs.

Our financial results may be adversely affected by changes in accounting principles applicable to us.

U.S. GAAP are subject to interpretation by the Financial Accounting Standards Board, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results for periods prior to and subsequent to such change, and could affect the reporting of transactions completed before the announcement of a change.

Market practices with respect to these new disclosures are continuously evolving, and securities analysts and investors may not fully understand the implications of our disclosures or how or why they may differ from similar disclosures by other companies. Any additional new accounting standards could have a significant effect on our reported results. If our reported results fall below analyst or investor expectations, our stock price could decline.

Risks Related to Laws, Regulations, and the Global Economy

Failure to comply with United States and foreign governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governments. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws, we could face direct liability or delivery of content by our platform may be blocked by certain governments. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. For example, in June 2020, China passed a national security law for Hong Kong that imposes criminal liability for the violation of content regulations, it is currently not clear how broadly such legislation will be interpreted or applied in relation to our customers or our business, and additional developments in our understanding of the application of this law could cause us to remove our POP from Hong Kong. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions, or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business.

If the United States government prohibits our current or potential customers from doing business with us, whether through policy, regulations or laws, we could face direct liability or our delivery of content by our platform may be blocked. For example, in the current environment of economic trade negotiations and tensions between the Chinese and the United States governments, the United States government has expressed concerns about the ability of companies operating in China to do business in the United States or with United States companies. As a result, we could lose the ability to contract with current or potential customers and usage of our platform may decrease by affected customers, which could harm our business and reputation. Even in the absence of new restrictions or trade actions imposed by the United States or other governments, our customers that operate in China, target China as a market, or that have strong business ties to China, may take actions to reduce dependence on our platform, which could harm our business.

We are subject, or may become subject, to governmental regulation and other legal obligations, particularly those related to privacy, data protection, infrastructure, and information security, and our actual or perceived failure to comply with such obligations could harm our business, by resulting in litigation, fines, penalties, or adverse publicity and reputational damage, and other adverse consequences that may negatively affect the value of our business and decrease the price of our Class A common stock. Compliance with such laws could also result in additional costs and liabilities to us or inhibit sales of our products.*

We receive, store, process, collect, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share personal information and other data from and about actual and prospective customers and users, in addition to our employees and service providers. In addition, our customers use our platform to collect personally identifiable information, personal health information, and personal financial information from their end-users. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, such as the United States Federal Trade Commission ("FTC"), and various state, local, and foreign agencies. Our data handling also is subject to contractual obligations, internal and external privacy and security policies, guidance, industry standards, and other obligations that govern the processing of personal information by us and on our behalf. Additionally, we are, or may become, subject to various other laws and regulations around the world with respect to the internet related to, among other things, content liability, security requirements, critical infrastructure designations, internet resiliency, law enforcement access to information, net neutrality, data localization requirements, and restrictions on social media or other content, any of which can have a material impact on our business.

Domestically, states have also begun to introduce more comprehensive privacy legislation, including data breach notification laws, personal information privacy laws, and consumer protection laws. For example, the California Consumer Privacy Act of 2018 (“CCPA”) affords consumers expanded privacy protections. The CCPA gives California residents, among other things, expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA also allows for statutory fines for noncompliance (up to $7,000 per violation), as well as a private right of action for data breaches that may increase data breach litigation. It is anticipated that the CCPA will be expanded substantially on January 1, 2023, when the California Privacy Rights Act of 2020 (“CPRA”) comes into effect. The CPRA among other things, establishes a new California Protection Agency to implement and enforce the CPRA, which could increase the risk of enforcement actions.

The CCPA marks a trend toward more stringent privacy, data protection, critical infrastructure, and information security legislation in the United States. Privacy, data protection, and information security laws have been proposed at the federal, state, and local levels that, if passed, could increase our potential liability, increase our compliance costs and adversely affect our business. For example, Virginia passed the Consumer Data Protection Act. Colorado passed the Colorado Privacy Act, and Utah and Connecticut recently enacted similar laws, all of which differ from the CPRA and become effective in 2023. Additionally, several states and localities have enacted measures related to the use of artificial intelligence (“AI") and machine learning in products and services.

The laws and regulations relating to privacy, data protection, and information security are evolving, can be subject to significant change and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. In addition, the United States or foreign jurisdictions may establish new laws or regulations regarding the internet or online services. These new laws and regulations may affect our products and infrastructure, which could cause us to incur substantial costs to comply, expose us to regulatory scrutiny, criminal or civil liability, require us to fundamentally change our products or operations, or otherwise have an adverse effect on our business. If we become subject to new privacy, data protection, and information security laws at the state level, the risk of enforcement action against us could increase because we may become subject to additional obligations, and the number of individuals or entities that can initiate actions against us may increase (including individuals and state actors).

In addition, an increasing number of foreign laws and regulations apply to privacy, data protection, and information security. For example, the EU GDPR, the U.K. GDPR, Brazil’s General Data Protection Law (Lei Geral de Proteção de Dados Pessoais or “LGPD”) (Law No. 13,709/2018), Canada’s Personal Information Protection and Electronic Documents Act (“PIPEDA”) and Canada’s Anti-Spam Legislation (“CASL”), and China’s Personal Information Protection Law (“PIPL”) impose strict requirements for processing the personal information of individuals. European legislative proposals and existing laws and regulations apply to cookies and similar tracking technologies, electronic communications, and marketing. In the EU and the UK, regulators are increasingly focusing on compliance with requirements related to the online behavioral advertising ecosystem. It is anticipated that the ePrivacy Regulation and national implementing laws will replace the current national laws that implement the ePrivacy Directive that governs electronic communications. Compliance with these laws may require us to make significant operational changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, and subject us to liabilities. Furthermore, there is a proposed regulation in the EU related to AI that, if adopted, could impose onerous obligations related to the use of AI-related systems that may require us to change our business practices. Under the EU GDPR and U.K. GDPR, government regulators may impose restrictions or injunctions on data processing, and fines of up to 20 million euros (£17.5 million for the U.K. GDPR) or 4% of annual global revenue, whichever is greater. The EU GDPR also provides for private litigation related to the processing of personal information, which can be brought by classes of data subjects or consumer protection organizations authorized by law to represent the interests of such classes.

Certain jurisdictions have enacted data localization laws and cross-border personal information transfer laws, which could make it more difficult to transfer information across jurisdictions (such as transferring or receiving personal information that originates in the EU). Existing mechanisms that may facilitate cross-border personal information transfers may change or be invalidated. For example, absent appropriate safeguards or other circumstances, the EU GDPR generally restricts the transfer of personal information to countries outside of the European Economic Area ("EEA") which the European Commission does not consider as providing an adequate level of protection of personal information, such as the United States. The European Commission recently released a set of Standard Contractual Clauses ("SCCs") that are designed to be a valid mechanism by which entities can transfer personal information out of the EEA. Currently, the SCCs are a valid mechanism to transfer personal information, but impose obligations onto parties relying on them such as to conduct transfer impact assessments to determine whether additional security measures are necessary to protect the transferred personal information. Future changes in law or the enforcement practices of existing law in different jurisdictions not considered to provide an adequate level of protection of personal information may require costly changes to our ability to provide certain services to our customers. In addition, laws in Switzerland and the UK similarly restrict transfers of personal information outside of those jurisdictions to countries such as the United States. Certain countries outside Europe (e.g. Russia, China, Brazil) have also passed or are considering laws requiring local data residency or otherwise impeding the transfer of personal information across borders, any of which could increase the cost and complexity of doing business. If we cannot implement a valid compliance mechanism for cross-border data transfers, we may face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal information from Europe or other foreign jurisdictions as well as determinations by customers not to transfer data using our services. The inability to import personal information to the United States could significantly and negatively impact our business operations, limiting our ability to collaborate with parties that are subject to such cross-border data transfer or localization laws, or requiring us to increase our personal information processing capabilities and infrastructure in foreign jurisdictions at significant expense.

The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting as a result of the rapidly evolving regulatory framework for privacy and internet issues worldwide. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. Moreover, our global platform outage in June 2021 has increased our public profile and resulted in more frequent interest in our company by regulators. This outage, or any additional outages, may draw additional scrutiny or focused legislation from regulators.

As a result of the laws that are or may be applicable to us, and due to the sensitive nature of the information we collect, we have implemented policies and procedures to preserve and protect our data and our customers' data against loss, misuse, corruption, misappropriation caused by systems failures, unauthorized access, or misuse. Although we endeavor to comply with applicable privacy, data protection, critical infrastructure, and information security obligations, we may at all times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely on may fail to comply with such obligations, which could negatively impact our business operations and compliance posture. For example, any failure by a third-party processor to comply with applicable law, regulations, or contractual obligations could result in adverse effects, including inability to or interruption in our ability to operate our business and proceedings against us by governmental entities or others.

In addition to government regulation, privacy advocates, and industry groups may propose new and different self-regulatory standards that may apply to us. Because the interpretation and application of privacy and data protection laws, regulations, rules, and other standards are still uncertain, it is possible that these laws, rules, regulations, and other actual or alleged legal obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our platform. If so, in addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business. Preparing for and complying with these obligations requires significant resources and may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal information on our behalf.

Any failure or perceived failure by us or third parties upon whom we rely to comply with laws, regulations, policies, legal, or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions (including, for example, a ban by EU Supervisory Authorities), litigation, fines and penalties, additional reporting requirements and/or oversight, orders to destroy or not use personal information or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business. Our obligation to assist our customers in their compliance with laws, regulations, and policies, like data processing and data protection requirements under the EU GDPR and U.K GDPR may also result in government enforcement actions litigation, fines and penalties, or adverse publicity.

Future laws, regulations, standards, and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. Future restrictions on the collection, use, sharing, or disclosure of data or additional requirements for express or implied consent of our customers, partners, or end-users for the use and disclosure of such information could require us to incur additional costs or modify our platform, possibly in a material manner, and could limit our ability to develop new functionality.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products, which would negatively affect our business, financial condition, and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise adversely affect the growth of our business. Furthermore, any costs incurred as a result of this potential liability could harm our operating results.

Our sales to highly regulated organizations and government entities are subject to a number of challenges and risks.

We sell to customers in highly regulated industries such as financial services, insurance, and healthcare, as well as to various governmental agency customers, including state and local agency customers, and foreign governmental agency customers. Sales to such entities are subject to a number of challenges and risks. Selling to such entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government contracting requirements may change and in doing so restrict our ability to sell into the government sector until we comply with the revised requirements. Government demand and payment for our offerings are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offerings.

Further, highly regulated and governmental entities may demand shorter contract terms or other contractual provisions that differ from our standard arrangements, including terms that can lead those customers to obtain broader rights in our offerings than would be standard. Such entities may have statutory, contractual, or other legal rights to terminate contracts with us or our partners due to a default or for other reasons, and any such termination may harm our business. In addition, these governmental agencies may be required to publish the rates we negotiate with them, which could harm our negotiating leverage with other potential customers and in turn harm our business.

The success of our business depends on customers' continued and unimpeded access to our platform on the internet.*

Our customers must have internet access in order to use our platform. Some internet providers may take measures that affect their customers' ability to use our platform, such as degrading the quality of the content we transmit over their lines, giving that content lower priority, giving other content higher priority than ours, blocking our content entirely, or attempting to charge their customers more for using our platform.

In January 2018, the Federal Communications Commission, or the FCC, repealed the "network neutrality" rules adopted during the Obama Administration, which barred internet service providers from blocking or slowing down access to online content, protecting services like ours from such interference. The 2018 decision was largely affirmed by the United States Court of Appeals for the District of Columbia Circuit, subject to a remand to consider several issues raised by parties that supported network neutrality, and in November 2020 the FCC affirmed its decision to repeal the rules. Petitions for reconsideration of this decision are pending. President Biden supported restoration of the network neutrality rules during his Presidential campaign, and such action is supported by the current Democratic FCC commissioners. In addition, a number of states have adopted or are adopting or considering legislation or executive actions that would regulate the conduct of broadband providers. A federal court judge denied a request for injunction against California's state-specific network neutrality law, and as a result, California began enforcing that law. Trade associations representing internet service providers appealed the district court's ruling denying the preliminary injunction, and the appeal was denied on January 28, 2022. The trade associations sought rehearing with the full court of appeal, and on April 20, 2022 it declined to rehear the case. The appellants did not appeal to the U.S. Supreme Court. A number of other states have adopted or are adopting or considering legislation or executive actions that would regulate the conduct of broadband providers. For instance, a temporary injunction preventing implementation of a similar law in Vermont expired on April 20, 2022, but the challenge to that law remains pending. We cannot predict whether the FCC order or other state initiatives will be enforced, modified, overturned, or vacated by legal action of the court, federal legislation, or the FCC.

To the extent network operators attempt to interfere with our platform, absent network neutrality rules, attempt to interfere with our services, extract fees from us to deliver our platform, or otherwise engage in discriminatory practices, our business could be adversely impacted. Within such a regulatory environment, we could experience discriminatory or anti-competitive practices that could impede our domestic and international growth, cause us to incur additional expense, or otherwise harm our business. At the same time, re-adoption of network neutrality rules could affect the services used by us and our customers by restricting the offerings made by internet service providers or reducing their incentives to invest in their networks. Such actions could limit or reduce the quality of internet access services and have an adverse impact on the quality of the services we provide to our customers.

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws, and non-compliance with such laws can subject us to criminal and/or civil liability and harm our business.

We are subject to the United States Foreign Corrupt Practices Act, the United States domestic bribery statute contained in 18 U.S.C. § 201, the United States Travel Act, the U.K. Bribery Act, and other anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments, or benefits to recipients in the public or private sector. As we increase our international sales and business and sales to the public sector, we may engage with business partners and third-party intermediaries to market our platform and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we have policies and procedures to address compliance with such laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable laws, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

Detecting, investigating, and resolving actual or alleged violations can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution or other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed or if we do not prevail in any possible civil or criminal litigation, our business could be harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business.

Changes in our effective tax rate or tax liability may harm our business.

Our effective tax rate could be adversely impacted by several factors, including:

- Changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- Changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Tax Act;
- Changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- The outcome of current and future tax audits, examinations, or administrative appeals; and
- Limitations or adverse findings regarding our ability to do business in some jurisdictions.

Should our effective tax rate rise, our business could be harmed.

We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our clients would have to pay for our offering and harm our business.

An increasing number of states have considered or adopted laws that attempt to impose tax collection obligations on out-of-state companies. Additionally, the Supreme Court of the United States recently ruled in South Dakota v. Wayfair, Inc. et al ("Wayfair") that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. A successful assertion by one or more states requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors and decrease our future sales, which could harm our business.

Historically, we have not collected such taxes from our customers and have therefore recorded such taxes as general and administrative expenses. We expect that these expenses will decline in future years as we continue to implement our sales tax collection mechanisms and start collecting these taxes from our customers. However, delays in implementing our sales tax collection mechanisms and changing tax laws could result in us incurring additional expenses that we may not be able to pass onto our customers.

Adverse tax laws or regulations could be enacted or existing laws could be applied to us, which could adversely affect our business and financial condition.

We operate and are subject to taxes in the United States and numerous other jurisdictions throughout the world. Changes to federal, state, local, or international tax laws on income, sales, use, indirect, or other tax laws, statutes, rules, regulations, or ordinances on multinational corporations are currently being considered and have recently been proposed by the United States and other countries where we do business. These contemplated legislative initiatives include, but are not limited to, changes to transfer pricing policies and definitional changes to permanent establishment that could be applied solely or disproportionately to services provided over the internet. These contemplated tax initiatives, if finalized and adopted by countries, may ultimately impact our effective tax rate and could adversely affect our sales activity resulting in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us to pay additional tax amounts, fines or penalties, and interest for past amounts. The additional tax obligations could relate to our taxes or obligations to report or withhold on customer taxes. We could take steps to collect customer related taxes, but if we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows. Further, if our customers must pay additional fines or penalties, it could adversely affect demand for our services.

On December 22, 2017, President Trump signed into law H.R. 1, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," informally titled the Tax Act, which significantly revises the Code. The Tax Act, among other things, reduces the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limits the tax deduction for interest expense to 30% of adjusted taxable income (except for certain small businesses), limits the deduction for net operating losses carried forward from taxable years beginning after December 31, 2017 to 80% of current year taxable income, eliminates net operating loss carrybacks, imposes a one-time tax on offshore earnings at reduced rates regardless of whether they are repatriated, eliminates United States tax on foreign earnings (subject to certain important exceptions), allows immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifies or repeals many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the Tax Act. The impact of the Tax Act on holders of our Class A common stock is also uncertain and could be adverse. More recently, on March 18, 2020, the Families First Coronavirus Response Act ("FFCR Act"), and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") were each enacted in response to the COVID-19 pandemic. The FFCR Act and the CARES Act contain numerous income tax provisions, such as relaxing limitations on the deductibility of interest and the use of net operating losses arising in taxable years beginning after December 31, 2017. In December 2020, the Consolidated Appropriations Act, 2021 ("CAA") was signed into law. The CAA included additional funding through tax credits as part of its economic package for 2021. We evaluated these items in our tax computation and determined that the items do not have a material impact on our financial statements as of and for the year ended December 31, 2021. Future regulatory guidance under the FFCR Act, the CARES Act, as well as under the Tax Act, or other executive or Congressional actions in the United States (including, for example, if the Made in America tax plan released in March 2021 were to become law) remain forthcoming, and such guidance could ultimately increase or lessen the impact on our business and financial condition. It is also possible that Congress will enact additional legislation in connection with the COVID-19 pandemic, some of which could materially impact our operations and financial results. We urge our stockholders to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our Class A common stock.

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

Our net operating loss ("NOL") carryforwards could expire unused and be unavailable to offset future income tax liabilities because of their limited duration or because of restrictions under United States tax law. Our NOLs generated in tax years ending on or prior to December 31, 2017 are only permitted to be carried forward for 20 years under applicable United States tax law. Under the Tax Act, our federal NOLs generated in tax years ending after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs is limited. It is uncertain if and to what extent various states will conform to the Tax Act.

In addition, under Section 382 of the United States Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" is generally subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. A detailed analysis was performed through December 31, 2021 for us to determine whether an ownership change under Section 382 of the Code has occurred and ownership changes were identified in 2013 and 2020. We are in the process of determining the limitation on the utilization of the net operating losses, but we do not believe the limitation will have a material impact on cash taxes paid. A detailed analysis was performed for the period March 1, 2014 to October 1, 2020 for Signal Sciences to determine whether an ownership change under Section 382 of the Code has occurred and an ownership change was identified in 2020. As a result, there is a limitation on the use of net operating loss carryforwards acquired from Signal Sciences. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership (some of which shifts are outside our control). Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we were to achieve profitability.

Our international operations may subject us to potential adverse tax consequences.

We are expanding our international operations and staff to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth into the international markets, and consider the functions, risks, and assets of the various entities involved in the intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on: the application of the tax laws of the various jurisdictions, including the United States, to our international business activities; changes in tax rates; new or revised tax laws or interpretations of existing tax laws and policies; and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

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

Our products are subject to the United States export controls, including the Export Administration Regulations administered by the United States Commerce Department, and economic sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department ("OFAC"), and we incorporate encryption technology into certain of our products. These encryption products and the underlying technology may be exported outside of the United States only with the required export authorizations.

Furthermore, our activities are subject to the United States economic sanctions laws and regulations that generally prohibit the direct or indirect exportation or provision of products and services without the required export authorizations to countries, governments, and individuals and entities targeted by the United States embargoes or sanctions, except to the extent authorized by OFAC or exempt from sanctions. For example, following Russia’s invasion of Ukraine, the United States and other countries imposed economic sanctions and severe export control restrictions against Russia and Belarus, and the United States and other countries could impose wider sanctions and export restrictions and take other actions should the conflict further escalate. Obtaining the necessary export license or other authorization for a particular sale may not always be possible, and, even if the export license is ultimately granted, the process may be time-consuming and may result in the delay or loss of sales opportunities. Violations of the United States sanctions or export control laws can result in significant fines or penalties, and possible incarceration for responsible employees and managers could be imposed for criminal violations of these laws.

Other countries also regulate the import and export of certain encryption products and technology through import and export licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Additionally, export restrictions recently imposed on Russia and Belarus specifically limit the export of encryption software to these locations. Changes in our products or future changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products globally, or, in some cases, prevent the export or import of our products to certain countries, governments, or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption products and technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls, or change in the countries, governments, persons, or technologies targeted by such regulations could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would harm our business.

We are exposed to fluctuations in currency exchange rates.*

Our sales contracts are primarily denominated in U.S. dollars, and therefore a majority of our revenue is not subject to foreign currency revaluation. However, a strengthening of the U.S. dollar could increase the real cost of our platform to our customers outside of the United States, which could cause an increase requests to renegotiate contracts and adversely affect our operating results. Foreign currency exchange rates have recently been and could continue to be subject to increased volatility. In addition, increased international sales in the future may result in greater foreign currency denominated sales, increasing our foreign currency risk. In addition, an increasing portion of our operating expenses is incurred outside the United States. These operating expenses are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. As these expenses become more material and if there are significant fluctuations in foreign currency exchange rates, the risk of not hedging or not hedging effectively could harm our business.

The phase-out of the London Interbank Offered Rate ("LIBOR"), or the replacement of LIBOR with a different reference rate, may adversely affect interest rates.

On July 27, 2017, the Financial Conduct Authority (the "FCA"), the authority that regulates LIBOR, announced that after December 31, 2021, it would no longer compel banks to submit the rates required to calculate LIBOR. On March 5, 2021, the ICE Benchmark Administration, which administers LIBOR, and the FCA announced that all LIBOR settings would either cease to be provided by any administrator, or would no longer be representative, immediately after December 31, 2021 for all non-U.S. dollar LIBOR settings and one-week and two-month U.S. dollar LIBOR settings, and immediately after June 30, 2023 for the remaining U.S. dollar LIBOR settings. The interest rate under our Credit Agreement is calculated based on LIBOR. No modification has yet been made to the interest rate under the Credit Agreement, but changes will be required in the future. Currently, it is anticipated that the new benchmark for our U.S. dollar borrowings will be the Secured Overnight Financing Rate ("SOFR"). The shift to SOFR from LIBOR is complex and may adversely affect our business, financial condition, results of operations, liquidity, and cash flows.

Unfavorable conditions in our industry or the global economy, including those caused by the Russian military operations and related geopolitical situation in Ukraine, rising inflation or reductions in information technology spending could harm our business.*

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers and potential customers. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. The U.S. capital markets experienced and continue to experience extreme volatility following the global outbreak of the COVID-19 pandemic in 2020 and the Russian invasion of Ukraine in 2022. While our ability to do business has not been materially affected, the Russian invasion of Ukraine and the global restrictive measures that have been taken, and could be taken in the future, have created significant global economic uncertainty that could prolong and escalate tensions and expand the geopolitical conflict, which could have a lasting impact on regional and global economies, any of which could harm our business and operating results. Further, due to political uncertainty and military actions involving Russia, Ukraine, and surrounding regions, we and the third parties upon which we rely may be vulnerable to a heightened risk of security breaches, computer malware, social-engineering attacks, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, and other cyber-attacks, including attacks that could materially disrupt our systems and operations, supply chain, and ability to do business.. These attacks are expected to occur in the future. Furthermore, inflation rates in the U.S. have recently increased to levels not seen in decades, prompting the

Federal Reserve to increase interest rates. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, currency and interest rate fluctuations, political turmoil, natural catastrophes, warfare, public health issues, such as the COVID-19 pandemic, and terrorist attacks on the United States, Europe, the Asia Pacific region, or elsewhere, could cause a downturn or recession and a decrease in business investments, including spending on information technology, which would harm our business. To the extent that our platform and our products are perceived by customers and potential customers as too costly, or difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, our competitors, many of whom are larger and have greater financial resources than we do, may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our products. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry.

Risks Related to Intellectual Property

We could incur substantial costs in protecting or defending our proprietary rights, and any failure to adequately protect our rights could impair our competitive position and we may lose valuable assets, experience reduced revenue, and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws, and contractual provisions in an effort to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. While we have issued patents in the United States and other countries and have additional pending patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Any of our patents, trademarks, or other intellectual property rights may be challenged or circumvented by others or invalidated through administrative process or litigation. There can be no guarantee that others will not independently develop similar products, duplicate any of our products, or design around our patents. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our products may be unenforceable under the laws of jurisdictions outside the United States. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our platform.

In order to monitor and protect our intellectual property rights, we may be required to spend significant resources. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management’s attention and resources, could delay further sales or the implementation of our platform, impair the functionality of our platform, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Moreover, policing unauthorized use of our technologies, trade secrets, and intellectual property may be difficult, expensive, and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. If we fail to meaningfully protect our intellectual property and proprietary rights, our business may be harmed.

We may in the future be subject to legal proceedings and litigation relating to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business. Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

Our industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets, and other intellectual property rights. From time to time, we may be required to defend against litigation claims by other companies based on allegations of infringement or other violations of their intellectual property rights. Many of these companies have the capability to dedicate substantially greater resources than us to enforce their intellectual property rights and to defend claims that may be brought against them. Therefore, we may not be able to withstand any third-party claims or rights against their use. In addition, we may be required to defend against litigation claims by patent holding companies or other adverse patent owners that have no relevant product revenue. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop selling products impacted by the claim or injunction or cease business activities covered by such intellectual property, and may be unable to compete effectively. Any inability to license third-party technology in the future would have an adverse effect on our business and operating results, and would adversely affect our ability to compete. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party's intellectual property rights. We receive demands for such indemnification from time to time and expect to continue to do so. Responding to such claims, regardless of their merit, can be time consuming, costly to defend in litigation, and damage our reputation and brand.

Lawsuits are time-consuming and expensive to resolve and they divert management's time and attention. Although we carry insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits, and the results of any such actions may harm our business.

Elements of our platform and our products use open source software, which may restrict the functionality of our platform and our products, or require that we release the source code of certain products subject to those licenses.

Our platform incorporates software licensed under open source licenses. Such open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. We rely on multiple software programmers to design our proprietary technologies, and we do not exercise complete control over the development efforts of our programmers and we cannot be certain that our programmers have not incorporated open source software into our proprietary products and technologies or that they will not do so in the future. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our platform and technologies and materially and adversely affect our ability to sustain and grow our business.

Provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, data protection, and other losses.

Our agreements with customers and other third parties generally include provisions under which we are liable or agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our platform, services, or other contractual obligations. Some of these agreements provide for uncapped liability for which we would be responsible, and some provisions survive termination or expiration of the applicable agreement. Large liability payments could harm our business, results of operations, and financial condition. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them, and in case of an intellectual property infringement indemnification claim, we may be required to cease use of certain functions of our platform as a result of any such claims. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business. Even when we have contractual protections against such customer claims, we may choose to honor a customer's request for indemnification or otherwise seek to maintain customer satisfaction by issuing customer credits, assisting our customer in defending against claims, or in other ways.

Risks Related to Ownership of Our Class A Common Stock

Our stock price may be volatile, and the value of our Class A common stock may decline.*

Historically, our stock price has been volatile. During the year ended December 31, 2021, our stock traded as high as $122.75 per share and as low as $33.55 per share, and from January 1, 2022 to August 3, 2022, our stock price has ranged from $36.61 per share to $9.50 per share. The market price of our Class A common stock may continue to be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control or are related in complex ways, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- decreased usage by one or more of our customers;
- variance in our financial performance from expectations of securities analysts or investors;
- changes in the pricing we offer our customers;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our platform or related products;
- announcements by us or our competitors of significant business developments, acquisitions, or new offerings;
- publicity associated with network outages and problems;
- our involvement in litigation;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- changes in the anticipated future size and growth rate of our market; and
- general political, social, economic, regulatory, and market conditions, in both domestic and our foreign markets, including the effects of global events like the war in Ukraine on the global economy, labor shortages, supply chain disruptions, inflation, increased interest rates and slow or negative growth of our markets.

Broad market and industry fluctuations, as well as general economic, political, social, regulatory, and market conditions, may impact the market price of our Class A common stock. For example, in connection with the COVID-19 pandemic, we initially experienced an increase in the usage of our platform, and as a result, the trading price of our Class A common stock significantly increased, and has since experienced significant volatility, along with the broader market. Following the announcement of our results for our third and fourth quarters of 2021, the trading price of our Class A common stock significantly decreased. There are no assurances that the trading price of our Class A common stock will recover to prior levels for any period of time. Moreover, the trading price of our Class A common stock could experience a significant decrease once the scope and impact of the ongoing COVID-19 pandemic and current market conditions, including inflation, supply chain disruptions and increased interest rates, is better understood. These fluctuations could cause you to lose all or part of your investment in our Class A common stock.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many technology companies' stock prices, including ours. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the companies' operating performance.

In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

Conversion of the Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our Class A common stock.

In March 2021, we entered into a purchase agreement for the sale of an aggregate of $948.8 million principal amount of our 0% convertible senior notes due 2026 (the "Notes"). On May 25, 2022, we entered into separate, privately negotiated transactions with certain holders of the Notes to repurchase (the "Repurchases") approximately $235.0 million aggregate outstanding principal amount of the Notes for an aggregate cash repurchase price of approximately $176.4 million. The Repurchases closed on May 31, 2022. The remaining Notes will mature on March 15, 2026, unless earlier converted, redeemed or repurchased. The conversion of some or all of the Notes may dilute the ownership interests of our stockholders. Upon conversion of the Notes, we have the option to pay or deliver, as the case may be, cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock. If we elect to settle our conversion obligation in shares of our Class A common stock or a combination of cash and shares of our Class A common stock, any sales in the public market of our Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our Class A common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our Class A common stock could depress the price of our Class A common stock.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt, including the Notes, and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Regulatory actions and other events may adversely affect the trading price and liquidity of the Notes.

We expect that many investors in, and potential purchasers of, the Notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the Notes. Investors would typically implement such a strategy by selling short the Class A common stock underlying the Notes and dynamically adjusting their short position while continuing to hold the Notes. Investors may also implement this type of strategy by entering into swaps on our Class A common stock in lieu of or in addition to short selling the Class A common stock.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our Class A common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the Notes to effect short sales of our Class A common stock, borrow our Class A common stock or enter into swaps on our Class A common stock could adversely affect the trading price and the liquidity of the Notes.

We may not have the ability to raise the funds necessary to repay or settle conversions of the Notes in whole or in part in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right, subject to certain conditions and limited exceptions, to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any, as described in the indenture governing the Notes. If our stock price is lower than the conversion price of the Notes on maturity, the holders of our Notes will not convert and we will have to repay those Notes in cash. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted as described in the indenture governing the Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to repay or make repurchases of Notes surrendered therefor or pay cash with respect to Notes being converted. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture governing the Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof. Such acceleration could result in our bankruptcy. In a bankruptcy, the holders of the Notes would have a claim to our assets that is senior to the claims of our equity holders.

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

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. For additional information regarding the conditional conversion feature of the Notes, see Note 9, Debt Instruments.

Future sales and issuances of our capital stock or rights to purchase capital stock could result in dilution of the percentage ownership of our stockholders and could cause the price of our Class A common stock to decline.

Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. For example, we may issue approximately 7.3 million shares of our Class A common stock upon conversion of the Notes, subject to customary anti-dilution adjustments. We may sell Class A common stock, convertible securities, and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences, and privileges senior to those of holders of our Class A common stock.

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

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our Class A common stock.

As of June 30, 2022, we have outstanding a total of 121.9 million shares of Class A common stock. All of our outstanding shares are eligible for sale in the public market, other than shares and options held by directors, executive officers, and other affiliates that are subject to volume limitations under Rule 144 of the Securities Act, various vesting agreements, and shares that must be sold under an effective registration statement. Additionally, the shares of Class A common stock subject to outstanding options and restricted stock unit awards under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market upon issuance, subject to applicable insider trading policies. The outstanding portion of the Notes will also become convertible at the option of the holders, subject to certain limitations and restrictions, prior to March 15, 2026.

Future sales also could cause the trading price of our Class A common stock to decline and make it more difficult for investors to sell shares of our Class A common stock.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, our Class A common stock price and trading volume could decline.

Our stock price and trading volume are heavily influenced by the way analysts and investors interpret our financial information and other disclosures. If securities or industry analysts do not publish research or reports about our business, delay publishing reports about our business, or publish negative reports about our business, regardless of accuracy, our Class A common stock price and trading volume could decline.

The trading market for our Class A common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If the number of analysts that cover us declines, demand for our Class A common stock could decrease and our Class A common stock price and trading volume may decline.

Even if our Class A common stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. Over-reliance by analysts or investors on any particular metric to forecast our future results may result in forecasts that differ significantly from our own.

Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates, for any of the reasons discussed above or otherwise, or one or more of the analysts who cover us downgrade our Class A common stock or change their opinion of our Class A common stock, our stock price would likely decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay cash dividends in the future will be at the discretion of our board of directors and are restricted by the terms of our Credit Agreement. The Credit Agreement permits the payment of cash dividends so long as, after giving effect to any such dividend, we maintain a consolidated adjusted quick ratio of at least 1.50 to 1.00 and are otherwise in pro forma compliance with all covenants under the Credit Agreement. In addition, the Credit Agreement permits us to pay up to $10.0 million in cash dividends per fiscal year so long as, after giving effect to any such dividend, we are in pro forma compliance with all covenants under the Credit Agreement, including a consolidated adjusted quick ratio of at least 1.25 to 1.00. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

We incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we incur significant legal, accounting, and other expenses that we did not incur as a private company. Such expenses have further increased now that we are no longer an “emerging growth company.” The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE, and other applicable securities rules and regulations impose various requirements on public companies. Furthermore, the senior members of our management team do not have significant experience with operating a public company. As a result, our management and other personnel have to devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the timing of such costs.

Anti-takeover provisions in our charter documents, the indenture governing the Notes, and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our Class A common stock;

- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;

- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of the holders of a majority of our outstanding shares of common stock; and
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any delay or prevention of a change of control transaction or changes in our management could cause the market price of our Class A common stock to decline.

Certain provisions in the indenture governing the Notes may make it more difficult or expensive for a third party to acquire us. For example, the indenture governing the Notes will require us, except as described therein, to repurchase the Notes for cash upon the occurrence of a fundamental change and, in certain circumstances, to increase the conversion rate for a holder that converts its notes in connection with a make-whole fundamental change. A takeover of us may trigger the requirement that we repurchase the Notes, increase the conversion rate, or both, which could make it costlier for a potential acquirer to engage in such takeover. Such additional costs may have the effect of delaying or preventing a takeover of us that would otherwise be beneficial to investors.

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

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

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

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, and several state trial courts have enforced such provisions and required that suits asserting Securities Act claims be filed in federal court, there is no guarantee that courts of appeal will affirm the enforceability of such provisions and a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with litigating Securities Act claims in state court, or both state and federal court, which could seriously harm our business, financial condition, results of operations, and prospects.

These forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation.	8-K	001-38897	3.1	May 21, 2019	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	8-K	001-38897	3.1	June 10, 2020	
3.3	Amended and Restated Bylaws.	10-Q	001-38897	3.3	August 7, 2020	
3.4	Certificate of Retirement.	8-K	001-38897	3.1	July 13, 2021	
4.1	Form of Class A common stock certificate of Fastly, Inc.	S-1/A	333-230953	4.1	May 6, 2019	
4.2	Reference is made to Exhibits 3.1 through 3.4.					
10.1+	Offer Letter by and between Fastly, Inc. and Todd Nightingale, dated August 1, 2022	8-K	001-38897	10.1	August 3, 2022	
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					
101. INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document.					X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X

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\+ Indicates management contract or compensatory plan.

* The certifications furnished in Exhibit 32.1 and 32.2 hereto are deemed to be furnished with this Quarterly Report on Form 10-Q and will not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

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

		FASTLY, INC.
August 4, 2022	By:	/s/ Joshua Bixby
		Joshua Bixby *Chief Executive Officer (Principal Executive Officer)*
August 4, 2022	By:	/s/ Ronald W. Kisling
		Ronald W. Kisling *Chief Financial Officer (Principal Financial and Accounting Officer)*

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joshua Bixby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fastly, 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(s) 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; and

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

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

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

Date:	August 4, 2022	By:	/s/ Joshua Bixby
			Joshua Bixby
			Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald W. Kisling, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fastly, 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(s) 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; and

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

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

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

Date:	August 4, 2022	By:	/s/ Ronald W. Kisling
			Ronald W. Kisling
			Chief Financial Officer

Exhibit 32.1

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 Fastly, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date:	August 4, 2022	By:	/s/ Joshua Bixby
			Joshua Bixby
			Chief Executive Officer

Exhibit 32.2

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 Fastly, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date:	August 4, 2022	By:	/s/ Ronald W. Kisling
			Ronald W. Kisling
			Chief Financial Officer