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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2023

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: 001-41065

Braze, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**45-2505271**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

330 West 34th Street, Floor 18
New York, New York 10001
(Address of principal executive offices, including zip code)

(609) 964-0585
(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule12b-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 ☒

At August 31, 2023, there were 67,197,707 shares of the registrant's Class A and 31,669,159 shares of the registrant's Class B common stock, each with a par value of $0.0001 per share, outstanding.

Braze, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended July 31, 2023

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- the anticipated effects of unstable market and economic conditions that may have serious adverse consequences on our business, financial condition and share price;
- our expectations regarding our revenue and the timing of revenue recognition under our customer contracts, expenses and other operating results;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to increase usage of our platform and upsell and cross-sell additional products;
- our ability to achieve or sustain our profitability;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- the costs and success of our marketing efforts, and our ability to promote our brand;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our growth strategies for our platform and our ability to effectively manage our growth, including any international expansion;
- the estimated addressable market opportunity for our platform;
- our ability to protect and enforce our intellectual property rights and any costs associated therewith;
- the anticipated impact of domestic and global socioeconomic events on our business;
- our ability to compete effectively with existing competitors and new market entrants;
- the size and growth rates of the markets in which we compete; and
- the anticipated benefits or effects of any completed or future acquisitions or international expansion.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

Unless the context otherwise indicates, references in this Quarterly Report on Form 10-Q to the terms “Braze,” “the Company,” “we,” “our” and “us” refer to Braze, Inc. and its subsidiaries.

“Braze,” “Braze Currents” and other trade names and trademarks of ours appearing in this Quarterly Report on Form 10-Q are our property. This Quarterly Report on Form 10-Q contains trade names and trademarks of other companies, which are the property of their respective owners. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

We may announce material business and financial information to our investors using our investor relations website (www.investors.braze.com). We therefore encourage investors and others interested in Braze to review the information that we make available on our website, in addition to following our filings with the Securities and Exchange Commission, or the SEC, webcasts, press releases and conference calls. Information contained on, or that can be accessed through, our website is not incorporated by reference into this Quarterly Report on Form 10-Q, and you should not consider information on our website to be part of this Quarterly Report on Form 10-Q.

Part 1 – Financial Information

Item 1. Financial Statements

BRAZE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share amounts)

	July 31, 2023	January 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 77,302	$ 68,587
Restricted cash, current	3,373	—
Accounts receivable, net of allowance of $2,414 and $1,613 at July 31, 2023 and January 31, 2023, respectively	70,133	78,338
Marketable securities	394,946	410,083
Prepaid expenses and other current assets	28,281	26,163
Total current assets	574,035	583,171
Restricted cash, noncurrent	530	4,036
Property and equipment, net	20,680	20,339
Operating lease right-of-use assets	45,375	46,261
Deferred contract costs	55,456	48,451
Goodwill	28,045	—
Intangible assets, net	4,122	500
Other assets	3,897	2,648
TOTAL ASSETS	$ 732,140	$ 705,406
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,882	$ 3,101
Accrued expenses and other current liabilities	56,261	37,415
Deferred revenue	176,803	166,092
Operating lease liabilities, current	13,522	10,695
Total current liabilities	248,468	217,303
Operating lease liabilities, noncurrent	38,063	40,590
Other long-term liabilities	4,510	755
TOTAL LIABILITIES	291,041	258,648
COMMITMENTS AND CONTINGENCIES (Note 13)		
Redeemable non-controlling interest (Note 4)	728	1,455
STOCKHOLDERS' EQUITY		
Class A common stock, $0.0001 par value; 2,000,000,000 and 2,000,000,000 shares authorized as of July 31, 2023 and January 31, 2023, respectively; 66,542,527 and 61,585,973 shares issued and outstanding as of July 31, 2023 and January 31, 2023, respectively	6	6
Class B common stock, $0.0001 par value; 110,000,000 and 110,000,000 shares authorized as of July 31, 2023 and January 31, 2023, respectively; 31,687,453 and 34,389,453 shares issued and outstanding as of July 31, 2023 and January 31, 2023, respectively	4	4
Additional paid-in capital	870,313	806,044
Accumulated other comprehensive loss	(5,877)	(6,824)
Accumulated deficit	(424,075)	(353,927)
TOTAL STOCKHOLDERS' EQUITY	440,371	445,303
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY	$ 732,140	$ 705,406

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

BRAZE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenue	$ 115,107	$ 86,131	$ 216,887	$ 163,626
Cost of revenue	35,474	27,352	68,161	53,258
Gross profit	79,633	58,779	148,726	110,368
Operating expenses:				
Sales and marketing	60,417	50,007	117,679	96,051
Research and development	29,132	23,336	58,877	44,956
General and administrative	25,453	20,543	49,436	44,117
Total operating expenses	115,002	93,886	225,992	185,124
Loss from operations	(35,369)	(35,107)	(77,266)	(74,756)
Other income, net	3,865	1,729	7,324	1,759
Loss before provision for income taxes	(31,504)	(33,378)	(69,942)	(72,997)
Provision for income taxes	545	35	933	49
Net loss	(32,049)	(33,413)	(70,875)	(73,046)
Net loss attributable to redeemable non-controlling interest	(355)	(527)	(727)	(891)
Net loss attributable to Braze, Inc.	$ (31,694)	$ (32,886)	$ (70,148)	$ (72,155)
Net loss per share attributable to Braze, Inc. common stockholders, basic and diluted	$ (0.33)	$ (0.35)	$ (0.72)	$ (0.77)
Weighted-average shares used to compute net loss per share attributable to Braze, Inc. common stockholders, basic and diluted	97,180	94,103	97,023	93,668

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

BRAZE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	**2022**	**2023**	**2022**
Net loss	$ (32,049)	$ (33,413)	$ (70,875)	$ (73,046)
Other comprehensive loss:				
Change in foreign currency translation adjustments	130	(193)	196	(755)
Unrealized gains (losses) on marketable securities	(696)	(1,164)	751	(2,359)
Other comprehensive income (loss), net	(566)	(1,357)	947	(3,114)
Comprehensive loss, net	(32,615)	(34,770)	(69,928)	(76,160)
Less: comprehensive loss, net, attributable to redeemable non-controlling interest	(355)	(527)	(727)	(891)
Comprehensive loss attributable to Braze, Inc.	$ (32,260)	$ (34,243)	$ (69,201)	$ (75,269)

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

BRAZE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands)

	Redeemable Non-controlling Interest	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
		Shares	Amount				
Balance at April 30, 2023	**$ 1,083**	**96,864**	**$ 10**	**$ 832,831**	**$ (392,381)**	**$ (5,311)**	**$ 435,149**
Issuance of common stock for options exercised	—	573	—	1,900	—	—	1,900
Issuance of common stock under employee stock purchase plan	—	128	—	3,222	—	—	3,222
Vesting of restricted stock units	—	443	—	—	—	—	—
Stock-based compensation	—	—	—	25,396	—	—	25,396
Other comprehensive income	—	—	—	—	—	(566)	(566)
Net loss attributable to redeemable non-controlling interests	(355)	—	—	—	—	—	—
Charitable donation of stock	—	32	—	964	—	—	964
Issuance of common stock from acquisition	—	190	—	6,000	—	—	6,000
Net loss attributable to Braze Inc.	—	—	—	—	(31,694)	—	(31,694)
Balance at July 31, 2023	**$ 728**	**98,230**	**$ 10**	**$ 870,313**	**$ (424,075)**	**$ (5,877)**	**$ 440,371**

	Redeemable Non-controlling Interest	Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
		Shares	Amount				
Balance at April 30, 2022	**$ 2,871**	**93,807**	**$ 9**	**$ 741,291**	**$ (254,230)**	**$ (2,397)**	**$ 484,673**
Issuance of common stock for options exercised	—	750	—	2,781	—	—	2,781
Vesting of early exercised options	—	—	—	28	—	—	28
Vesting of restricted stock units	—	160	—	—	—	—	—
Stock-based compensation	—	—	—	17,312	—	—	17,312
Other comprehensive loss	—	—	—	—	—	(1,357)	(1,357)
Net loss attributable to redeemable non-controlling interests	(527)	—	—	—	—	—	—
Net loss attributable to Braze, Inc.	—	—	—	—	(32,886)	—	(32,886)
Balance at July 31, 2022	**$ 2,344**	**94,717**	**$ 9**	**$ 761,412**	**$ (287,116)**	**$ (3,754)**	**$ 470,551**

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

BRAZE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY (UNAUDITED)

(cont.) (in thousands)

	Redeemable Non-controlling Interest	Class A and Class B Common Stock Shares	Class A and Class B Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 31, 2023	**$ 1,455**	**95,975**	**$ 10**	**$ 806,044**	**$ (353,927)**	**$ (6,824)**	**$ 445,303**
Issuance of common stock for options exercised	—	1,249	—	4,111	—	—	4,111
Issuance of common stock under employee stock purchase plan	—	128	—	3,222	—	—	3,222
Vesting of restricted stock units	—	656	—	—	—	—	—
Stock-based compensation	—	—	—	49,972	—	—	49,972
Other comprehensive income	—	—	—	—	—	947	947
Net loss attributable to redeemable non-controlling interests	(727)	—	—	—	—	—	—
Charitable donation of stock	—	32	—	964	—	—	964
Issuance of common stock from acquisition	—	190	—	6,000	—	—	6,000
Net loss attributable to Braze, Inc.	—	—	—	—	(70,148)	—	(70,148)
Balance at July 31, 2023	**$ 728**	**98,230**	**$ 10**	**$ 870,313**	**$ (424,075)**	**$ (5,877)**	**$ 440,371**

	Redeemable Non-controlling Interest	Class A and Class B Common Stock Shares	Class A and Class B Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 31, 2022	**$ 3,235**	**92,968**	**$ 9**	**$ 717,175**	**$ (214,961)**	**$ (640)**	**$ 501,583**
Issuance of common stock for options exercised	—	1,416	—	5,411	—	—	5,411
Vesting of early exercised options	—	—	—	82	—	—	82
Vesting of restricted stock units	—	238		—	—	—	—
Repurchase of unvested shares related to early exercised options	—	(1)	—	—	—	—	—
Stock-based compensation	—	—	—	34,484	—	—	34,484
Other comprehensive loss	—	—	—	—	—	(3,114)	(3,114)
Net loss attributable to redeemable non-controlling interests	(891)	—	—	—	—	—	—
Charitable donation of stock	—	96	—	4,260	—	—	4,260
Net loss attributable to Braze, Inc.	—	—	—	—	(72,155)	—	(72,155)
Balance at July 31, 2022	**$ 2,344**	**94,717**	**$ 9**	**$ 761,412**	**$ (287,116)**	**$ (3,754)**	**$ 470,551**

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

BRAZE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)

	Six Months Ended July 31,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss (including amounts attributable to redeemable non-controlling interests)	$ (70,875)	$ (73,046)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	49,002	34,253
Amortization of deferred contract costs	13,941	10,984
Depreciation and amortization	2,845	1,900
Provision for credit losses	1,294	(155)
Value of common stock donated to charity	964	4,260
Amortization of discount/premium on marketable securities	991	215
Non-cash foreign exchange loss	510	295
Other	494	(36)
Changes in operating assets and liabilities:		
Accounts receivable	8,926	16,622
Prepaid expenses and other current assets	(2,029)	3,110
Deferred contract costs	(21,018)	(14,661)
ROU assets and liabilities	991	2,617
Other assets	(959)	521
Accounts payable	(1,315)	582
Accrued expenses and other current liabilities	15,297	4,419
Deferred revenue	6,471	9,703
Other long-term liabilities	(498)	17
Net cash provided by operating activities	5,032	1,600
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition; net of cash acquired	(16,318)	—
Purchases of property and equipment	(427)	(9,844)
Capitalized internal-use software costs	(1,640)	(783)
Purchases of marketable securities	(121,392)	(543,880)
Maturities of marketable securities	136,289	150,708
Net cash used in investing activities	(3,488)	(403,799)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of common stock options	7,333	5,411
Net cash provided by financing activities	7,333	5,411
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	(295)	(1,268)
Net change in cash, cash equivalents, and restricted cash	8,582	(398,056)
Cash, cash equivalents, and restricted cash, beginning of period	72,623	482,973
Cash, cash equivalents, and restricted cash, end of period	$ 81,205	$ 84,917

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

BRAZE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SUPPLEMENTAL CASH FLOWS DISCLOSURE

(in thousands)

	Six Months Ended July 31,	
	2023	2022
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for income taxes, net of refunds	$ 85	$ 317
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stock-based compensation capitalized to internal-use software	$ 934	$ 379
Net change in capitalized internal-use software development costs in accrued expenses	$ —	$ 21
Unrealized net gain (loss) on marketable investment securities	$ 751	$ (2,359)
Net change to property and equipment (included in accounts payable / accrued liabilities)	$ 90	$ 232
Vesting of early exercised options	$ —	$ 82
Asset retirement obligation	$ 11	$ 380
Common stock issuance, acquisition	$ (6,000)	$ —

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

BRAZE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Company Overview

Description of Business

Braze, Inc., together with its subsidiaries (collectively, the “Company”, “we”, “us”, “our” or “Braze”), is a cloud-based customer engagement platform that delivers customer-centric experiences across push notifications, email, in-product messaging, SMS and MMS messages, and more. Customers use the Braze platform to facilitate real-time experiences between brands and customers in a more authentic and human way.

We began operations in 2011 and are incorporated in the state of Delaware. Our headquarters are located in New York City. As of July 31, 2023, we also lease additional office space in Austin, Berlin, Chicago, Jakarta, London, Paris, San Francisco, Singapore, Sydney, and Tokyo.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, and variable interest entities (“VIE”) for which we are the primary beneficiary. Intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain reclassifications and immaterial changes have been made to prior-period financial statements to conform to the current-period presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reported period. We evaluate estimates based on historical and anticipated results, trends, and various other assumptions. Significant items subject to such estimates and assumptions include, but are not limited to, the standalone selling price for separate performance obligations in our revenue arrangements, expected period of benefit for deferred contract costs, the valuation of common stock and stock-based compensation, the allocation of overhead costs between cost of revenue and operating expenses, the estimated useful lives of intangible and depreciable assets, the fair value of acquired assets and assumed liabilities from business combinations, valuation of long-lived assets and their recoverability, including goodwill, the incremental borrowing rate, the valuation of deferred tax assets and liabilities and other tax estimates including our ability to utilize net operating losses.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments as facts and circumstances dictate. As future events and their effects, including the uncertainty surrounding rapidly changing market and economic conditions from global or domestic macroeconomic and socioeconomic events such as, among others, instability in the banking and financial services sector, international and domestic supply chain risks, inflationary pressure, interest rate increases, declines in consumer confidence, international conflicts and domestic and foreign political unrest, that impact us and our customers, cannot be determined with precision, actual results could differ from those estimates and many of our estimates and assumptions have required increased judgement and carry a higher degree of variability and volatility.

Significant Accounting Policies

Our significant accounting policies are detailed in “Note 2. Summary of Significant Accounting Policies" of the audited annual consolidated financial statements for the fiscal year ended January 31, 2023 included in the Company’s Annual Report on Form 10-K, as filed with the SEC on March 31, 2023 (the “Annual Report”). There have been no material changes to our significant accounting policies with the exception of the below:

Concentration of Credit Risk

Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, marketable securities, and accounts receivable. Restricted cash consists of letters of credit related to our leased properties. For cash, cash equivalents, restricted cash, and marketable securities, we are exposed to credit risk in the event of default by the financial institutions to the extent of the amounts recorded on the consolidated balance sheets in excess of the Federal Deposit Insurance Corporation ("FDIC") limits. Cash, cash equivalents, restricted cash, and marketable securities balances are maintained at financial institutions that management believes are of high-credit, quality financial institutions, where deposits, at times, exceed the FDIC limits.

Significant customers are those which represent 10% or more of our total revenue for the period, or accounts receivable at the balance sheets dates. For the three and six months ended July 31, 2023 and July 31, 2022, no customer accounted for 10% or more of our total revenue.

For accounts receivable, we are exposed to credit risk in the event of nonpayment by customers to the extent of the amounts recorded on the consolidated balance sheets. As of July 31, 2023 and January 31, 2023, no customers accounted for 10% or more of our total accounts receivable balance.

Business Combinations

The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. The excess of the consideration transferred over the fair value of assets acquired and liabilities assumed on the acquisition date is recorded as goodwill. Such valuations require the Company to make significant estimates and assumptions. The Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed, but these estimates are inherently uncertain and subject to refinement. During the measurement period, the Company may record adjustments to the fair values of assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded in the consolidated statements of operations.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. Goodwill and indefinite-lived intangible assets are not amortized and are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is tested for impairment at the reporting unit level.

The Company has the option to first perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit and indefinite-lived intangible assets are less than its carrying amount. The Company may elect to bypass the qualitative assessment and proceed directly to the quantitative impairment tests. The quantitative impairment test for goodwill involves comparing the fair value of the reporting unit to its carrying value, including goodwill. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value. The impairment is limited to the carrying amount of goodwill.

The quantitative impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the indefinite-lived intangible asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair value of indefinite-lived intangible assets are determined using a discounted cash flow valuation analysis that employs different valuation methodology in estimating the fair value of the asset. Significant judgments are inherent in the discounted cash flow analysis.

The Company has determined that it operates as one reporting unit and has selected November 1 as the date to perform its annual impairment test. No goodwill impairment charges have been recorded for any period presented.

Recent Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board issued Accounting Standards Update No. 2021-08 Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, ("ASU 2021-08"), which requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-08 prospectively during the second quarter of the fiscal year ended January 31, 2024, and determined that ASU 2021-08 does not have a material impact on the Company's consolidated financial statements nor its related disclosures.

The Company has implemented all applicable accounting pronouncements that are in effect and there are no new accounting pronouncements that have been issued that would have a material impact on the Company's condensed consolidated financial statements.

3. Revenue from Contracts with Customers

Disaggregated Revenue Streams

The following disaggregation depicts the nature, amount, timing and uncertainty of cash flows related to the primary types of revenue from contracts with customers.

The following table presents total revenue by type (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Subscription	$ 109,711	$ 81,727	$ 206,857	$ 154,563
Professional services and other	5,396	4,404	10,030	9,063
Total	$ 115,107	$ 86,131	$ 216,887	$ 163,626

The following table presents total revenue by geography (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
United States	$ 65,114	$ 49,875	$ 123,617	$ 95,227
International	49,993	36,256	93,270	68,399
Total	$ 115,107	$ 86,131	$ 216,887	$ 163,626

Revenue by geography is determined based on the location of our users. Other than the United States, no other individual country accounted for 10% or more of total revenue for any of the periods presented.

Unbilled Accounts Receivable

Unbilled accounts receivable included in trade accounts receivable, net, which generally arise from our contractual right to bill our customers in advance of services on the contract effective date, were $1.4 million and $1.0 million as of July 31, 2023 and January 31, 2023, respectively.

Contract Balances

Contract Assets

Contract assets as of July 31, 2023 and January 31, 2023 were $0.9 million and $0.8 million, respectively. The change in contract assets for all periods presented primarily reflects revenue recognized in excess of billings partially offset by contract assets earned during the period.

Deferred Revenue

The change in deferred revenue for all periods presented primarily reflects cash payments received during the period for which the performance obligation was not satisfied prior to the end of the period, partially offset by revenues recognized during the period. Revenue recognized during the three and six months ended July 31, 2023 from amounts included in deferred revenue at January 31, 2023, was $51.1 million and $128.2 million, respectively. Revenue recognized during the three and six months ended July 31, 2022 from amounts included in deferred revenue at January 31, 2022, was $37.7 million and $97.2 million, respectively.

Credit Losses

The following table presents a reconciliation of the allowance for credit losses on accounts receivable (in thousands):

	Allowance for Credit Losses
Balance at January 31, 2023	$ 1,613
Reserve:	
Credit losses	1,290
Deferred revenue	1,444
Write-offs	(1,993)
Recoveries	60
Balance at July 31, 2023	$ 2,414

Remaining Performance Obligations

The transaction price allocated to remaining performance obligations represents amounts under non-cancelable contracts expected to be recognized as revenue in future periods, and may be influenced by several factors, including seasonality, the timing of renewals, the timing of service delivery and contract terms. Unbilled portions of the remaining performance obligations are subject to future economic risks including bankruptcies, regulatory changes and other market factors.

The following table presents remaining performance obligations as of the dates indicated below (in millions):

	Total	Less than 1 Year	1-5 Years
July 31, 2022	$ 410.5	$ 274.2	$ 136.3
October 31, 2022	408.7	283.3	125.4
January 31, 2023	455.7	312.6	143.1
April 30, 2023	477.5	325.4	152.1
July 31, 2023	523.5	353.3	170.2

4. Variable Interest Entity and Redeemable Non-Controlling Interest

On September 14, 2020, we, along with Japan Cloud Computing Co., Ltd., and M30 LLC, (the “Investors”), entered into an agreement, whereby each Investor agreed to purchase shares of common stock of Braze Kabushiki Kaisha (“Braze KK” and “Braze KK Shares”) for a total purchase price of $10.0 million in two tranches of $5.0 million per tranche in September 2020 and September 2021, to engage in the investment, organization, management and operation of Braze KK focused on the distribution of our products in Japan. The purpose of this arrangement was to further expand our business in the Japanese market.

In March 2022, we consented to the issuance of stock options to purchase Braze KK Shares by certain employees of Braze KK. These options cannot be exercised by the holders thereof prior to the exercise of the call or put options described in more detail below. The Company considers the stock options to be a substantive class of equity, classified as a liability within other long-term liabilities on the consolidated balance sheets. As of July 31, 2023, the liability balance was $0.2 million. The issuance of stock options does not impact our majority stake in Braze KK, as none of the vesting criteria of the options were met as of the balance sheet date. The issuance of stock options did not result in a reconsideration event and therefore Braze KK still met the criteria of a Variable Interest Entity as Braze KK did not have sufficient equity at risk to finance their activities. As a result, we continue to operate Braze KK as a subsidiary, exposing us to business and foreign exchange risk. We consolidate Braze KK and present the results within our consolidated balance sheets, consolidated statements of operations, and consolidated statements of cash flows.

The common stock held by the Investors is callable by us or puttable by the Investors upon certain contingent events. Should the call or put option be exercised, the redemption value would be determined based on a prescribed formula derived from the discrete revenues of Braze KK and the Company and may be settled, at our discretion, with our stock or cash. The non-controlling interest in Braze KK is classified in mezzanine equity as redeemable non-controlling interest as a result of the put right available to the Investors in the future, an event that is not solely in our control. The non-controlling interest is not accreted to redemption value because it is currently not probable that the non-controlling interest will become redeemable.

The following table summarizes the activity in the redeemable non-controlling interests for the periods indicated below (in thousands):

Balance as of January 31, 2023	$	1,455
Net loss attributable to redeemable non-controlling interest		(727)
Balance as of July 31, 2023	$	728

5. Fair Value Measurements

The following table sets forth our financial instruments that were measured at fair value on a recurring basis at the periods indicated below, by level within the fair value hierarchy (in thousands):

	July 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents				
Money market funds	$ 30,167	$ —	$ —	$ 30,167
U.S. government securities	8,224	—	—	8,224
	38,391	—	—	38,391
Marketable securities				
U.S. government securities	$ 304,113	$ —	$ —	$ 304,113
Foreign securities	—	6,263	—	6,263
Corporate debt securities	—	84,570	—	84,570
Total marketable securities	304,113	90,833	—	394,946
Liabilities				
Contingent consideration	$ —	$ —	$ 1,593	$ 1,593
Total liabilities	—	—	1,593	1,593
Total financial assets	$ 342,504	$ 90,833	$ 1,593	$ 434,930

	January 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents				
Money market funds	$ 30,873	$ —	$ —	$ 30,873
	30,873	—	—	30,873
Marketable securities				
U.S. government securities	$ 307,744	$ —	$ —	$ 307,744
Foreign securities	—	2,967	—	2,967
Corporate debt securities	—	99,372	—	99,372
Total marketable securities	307,744	102,339	—	410,083
Total financial assets	$ 338,617	$ 102,339	$ —	$ 440,956

Our money market funds are classified as Level 1 within the fair value hierarchy, because they are valued using quoted prices in active markets as of July 31, 2023 and January 31, 2023. Financial instruments classified as Level 2 within our fair value hierarchy are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. Prices of these securities are obtained through independent, third-party pricing services and include market quotations that may include both observable and unobservable inputs. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

The fair value of our contingent consideration is estimated using Level 3 unobservable inputs. The estimates of fair value are based upon assumptions believed to be reasonable but which are uncertain, and involve significant judgments by management. We will reassess the fair value of contingent consideration quarterly until the contingency is resolved. The short-term portion of the contingent consideration is recorded within accrued expenses and other current liabilities and the long-term portion is recorded within other-long term liabilities on the consolidated balance sheets. Changes in the fair value are recorded in operating income in the consolidated statements of operations.

There were no transfers of financial instruments among Level 1, Level 2 and Level 3 during the periods presented.

6. Marketable Securities

Marketable securities consist of the following for the periods presented (in thousands):

	July 31, 2023			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Estimated Fair Value
U.S. government securities	$ 308,062	$ —	$ (3,949)	$ 304,113
Foreign securities	6,338	1	(76)	6,263
Corporate debt securities	85,372	11	(813)	84,570
Total	$ 399,772	$ 12	$ (4,838)	$ 394,946

	January 31, 2023			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Estimated Fair Value
U.S. government securities	$ 312,044	$ 31	$ (4,331)	$ 307,744
Foreign securities	3,028	—	(61)	2,967
Corporate debt securities	100,589	27	(1,244)	99,372
Total	$ 415,661	$ 58	$ (5,636)	$ 410,083

Accrued interest receivables related to our available-for-sale securities of $2.5 million as of July 31, 2023 and $2.0 million as of January 31, 2023, were included within prepaid expenses and other assets on our consolidated balance sheets.

The Company's short-term investments consist of available-for-sale debt securities and term deposits. The term deposits are at cost, which approximates fair value. The weighted-average remaining maturity of the Company's investment portfolio was less than one year as of the periods presented.

The following table summarizes the fair value and gross unrealized losses aggregated by category of individual securities that have been in a continuous unrealized loss position for greater than 12 months (in thousands):

	July 31, 2023	
	Continuous Unrealized Loss for Greater than 12 months	
	Estimated Fair Value	Gross Unrealized Losses
U.S. government securities	$ 149,021	$ (2,111)
Foreign securities	3,946	(56)
Corporate debt securities	59,114	(697)
Total	$ 212,081	$ (2,864)

No individual security incurred continuous unrealized losses for greater than 12 months as of January 31, 2023.

The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses. As of July 31, 2023, the credit-quality of the Company's marketable available-for-sale debt securities had remained stable. The unrealized losses recognized on marketable available-for-sale debt securities as of July 31, 2023 was primarily related to the continued market volatility associated with market expectations of an aggressive pace of interest rate increases by the Federal Reserve. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments and it is not expected that the investments would be settled at a price less than their amortized cost basis. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis. The Company is not aware of any specific event or circumstance that would require the Company to change its assessment of credit losses for any marketable available-for-sale debt security as of July 31, 2023. These estimates may change, as new events occur and additional information is obtained, and will be recognized on the consolidated financial statements as soon as they become known. No credit losses were recognized as of July 31, 2023 for the Company's marketable debt securities.

The contractual maturities of the investments classified as available-for-sale marketable securities are as follows (in thousands):

	July 31, 2023	
	Amortized Cost	Estimated Fair Value
Due within 1 year	$ 226,793	$ 223,924
Due in 1 year through 5 years	172,979	171,022
Total	$ 399,772	$ 394,946

	January 31, 2023	
	Amortized Cost	Estimated Fair Value
Due within 1 year	$ 247,214	$ 244,280
Due in 1 year through 5 years	168,447	165,803
Total	$ 415,661	$ 410,083

Investment Income

Investment income consists of interest income and accretion income/amortization expense on our cash, cash equivalents, restricted cash, and marketable securities. Investment income is included within other income, net on the consolidated statements of operations. The components of investment income were as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Interest income	$ 3,245	$ 1,956	$ 6,173	$ 2,399
Amortization of discount/premium, net	520	202	991	215
Investment income	$ 3,765	$ 2,158	$ 7,164	$ 2,614

7. Property and Equipment, Net

Property and equipment, net, consist of the following (in thousands):

	July 31, 2023	January 31, 2023
Capitalized internal-use software	$ 9,919	$ 7,344
Computer equipment, office equipment, and software	7,669	8,111
Leasehold improvements	10,128	9,410
Furniture and fixtures	4,259	4,085
Total property and equipment	31,975	28,950
Less: accumulated depreciation and amortization	(11,295)	(8,611)
Total property and equipment, net	$ 20,680	$ 20,339

The total depreciation expense and amortization expense for property and equipment was $1.5 million and $0.9 million during the three months ended July 31, 2023 and 2022, respectively and $2.7 million and $1.9 million during the six months ended July 31, 2023 and 2022, respectively. During the three and six months ended July 31, 2023, the Company removed $0.2 million and $0.5 million, respectively, of fixed assets consisting of computer equipment, office equipment, and software, that was largely depreciated from property and equipment, gross and accumulated depreciation, which had minimal net impact on the Company's consolidated financial results.

We capitalized internal-use software of $1.2 million and $0.7 million during the three months ended July 31, 2023 and 2022, respectively, and $2.5 million and $1.2 million during the six months ended July 31, 2023 and 2022, respectively. Amortization for capitalized internal-use software costs recognized within cost of revenue on the consolidated statements of operations was $0.6 million and $0.4 million for the three months ended July 31, 2023 and 2022, respectively, and $1.1 million and $0.9 million during the six months ended July 31, 2023 and 2022, respectively.

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	July 31, 2023	January 31, 2023
Prepaid software subscriptions	$ 13,548	$ 12,574
Prepaid advertising	707	833
Prepaid insurance	1,574	2,795
Investment interest receivable	2,532	2,013
Consumption tax receivable	1,302	1,045
Prepaid events	3,193	657
Prepaid employee benefits	548	811
Other	4,877	5,435
Total prepaid expenses and other current assets	$ 28,281	$ 26,163

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following (in thousands):

	July 31, 2023	January 31, 2023
Accrued compensation costs	$ 24,285	$ 12,644
Accrued software subscriptions	10,693	8,454
Accrued commissions	7,224	6,205
Accrued professional service fees	1,731	1,779
Accrued advertising	1,316	922
Accrued tax liability	6,513	4,188
ESPP payable	930	322
Other	3,569	2,901
Total accrued expenses and other current liabilities	$ 56,261	$ 37,415

10. Employee Benefit Plans

We sponsor a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. Matching contributions under the plan were $1.2 million and $1.2 million for the three months ended July 31, 2023 and 2022, respectively, and $3.6 million and $3.0 million during the six months ended July 31, 2023 and 2022, respectively.

11. Stockholder's Equity

Class A and Class B Common Stock

We have two classes of common stock, Class A and Class B. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes and may be converted at the option of the holder into one share of Class A common stock. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock in certain circumstances, including on the earlier of (i) the last trading day of the fiscal quarter during which the number of shares of Class B common stock then outstanding represents less than 10% of the aggregate number of shares of Class A common stock and Class B common stock then outstanding, or (ii) the last trading day of the fiscal quarter immediately following the fifth anniversary of our initial public offering. All shares of the Company's capital stock outstanding immediately prior to our initial public offering, including all shares held by our executive officers, directors and their respective affiliates, and all shares issuable upon the conversion of our then outstanding convertible preferred stock, were reclassified into shares of Class B common stock immediately prior to the completion of the initial public offering.

Charitable Contributions

In connection with our Pledge 1% commitment, we donated 32,155 shares of our Class A common stock to a charitable donor-advised fund that resulted in the recognition of $1.0 million of expense within general and administrative in our consolidated statements of operations during the three months ended July 31, 2023. There were no donations in the three months ended July 31, 2022.

We donated 32,155 and 96,465 shares of our Class A common stock that resulted in the recognition of $1.0 million and $4.3 million of expense within general and administrative in our consolidated statements of operations during the six months ended July 31, 2023 and 2022, respectively.

12. Employee Stock Plans

We have historically issued equity awards under our Amended and Restated 2011 Equity Incentive Plan (the "2011 Plan") and our 2021 Equity Incentive Plan (the "2021 Plan").

Amended and Restated 2011 Equity Incentive Plan

Our 2011 Plan provides for the award of stock options and restricted stock units ("RSUs") to employees, officers, directors, advisors and other service providers of Braze. The terms of each award and the exercise price of awards under the 2011 Plan are determined by our board of directors. Following effectiveness of the 2021 Plan in connection with our initial public offering, no further awards were made under the 2011 Plan.

2021 Equity Incentive Plan

In November 2021, our board of directors and our stockholders approved the 2021 Plan, which became effective on November 16, 2021. No grants were made under the 2021 Plan prior to its effectiveness. No further grants will be made under the 2011 Plan. At effectiveness, we reserved 25,660,249 shares of our Class A common stock to be issued under the 2021 Plan. In addition, the number of shares of our Class A common stock reserved for issuance under the 2021 Plan will automatically increase on February 1 of each year for a period of ten years, beginning on February 1, 2022 and continuing through February 1, 2031, in an amount equal to (1) 5% of the total number of shares of our common stock (both Class A and Class B) outstanding on the preceding January 31, or (2) a lesser number of shares determined by the Board no later than the February 1 increase. On February 1, 2023, the number of shares of our Class A common stock reserved for issuance under our 2021 Plan increased by an additional 4,798,771 shares.

Restricted Stock Units

The following table summarizes unvested RSU award activity and related information:

	Shares	Weighted-Average Grant Date Fair Value
Balance as of January 31, 2023	4,625,518	
Granted	3,486,205	$ 33.80
Vested	(655,621)	$ 41.49
Forfeited	(435,827)	$ 37.06
Balance as of July 31, 2023	7,020,275	

RSUs granted during the six months ended July 31, 2023 contained a service-based vesting condition of up to approximately a four year period. RSUs typically vest on a quarterly basis or have a one year cliff vesting period with quarterly vesting thereafter.

Stock-based Compensation Expense

The following table summarizes stock-based compensation expense, which was included in the consolidated statements of operations as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenue	$ 901	$ 911	$ 1,790	$ 1,831
Sales and marketing	7,807	5,439	15,655	11,106
Research and development	9,929	6,921	19,772	13,094
General and administrative	6,139	3,842	11,705	8,053
Stock-based compensation, net of amounts capitalized	$ 24,776	$ 17,113	$ 48,922	$ 34,084
Capitalized stock-based compensation expense	454	299	934	531
Total stock-based compensation expense	$ 25,230	$ 17,412	$ 49,856	$ 34,615

As of July 31, 2023, total compensation cost not yet recognized related to unvested equity awards and the weighted-average remaining period over which these costs are expected to be realized were as follows:

	Stock Options	RSUs
Unrecognized compensation costs (in thousands)	$36,581	$178,464
Weighted-average remaining recognition period (years)	2.08	2.92

Employee Stock Purchase Plan

In November 2021, our board of directors and our stockholders approved the 2021 Employee Stock Purchase Plan (the "ESPP"), which became effective on November 16, 2021. Following completion of our initial public offering, the ESPP authorized the issuance of 1,825,000 shares of our Class A common stock under purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our Class A common stock reserved for issuance will automatically increase on February 1 of each year for a period of ten years, beginning on February 1, 2022 and continuing through February 1, 2031, by the lesser of (i) 1% of the total number of shares of our common stock (both Class A and Class B) outstanding on the preceding January 31; and (ii) 2,737,000 shares, except before the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii) above. On February 1, 2023, the number of shares of our Class A common stock reserved for issuance under our ESPP increased by an additional 959,754 shares.

The ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of the Company's Class A common stock on specified dates during such offerings. Under the ESPP, our board of directors will be permitted to specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our Class A common stock will be purchased for employees participating in the offering. On each purchase date, eligible employees will purchase the shares at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's Class A common stock on the first trading day of the offering period or (2) the fair market value of the Company's Class A common stock on the last day of the offering period, as defined by the ESPP.

The Company recognized $0.6 million and $0.3 million of stock-based compensation expense related to the ESPP in the three months ended July 31, 2023 and 2022, respectively, and $1.4 million and $0.3 million during the six months ended July 31, 2023 and 2022, respectively.

As of July 31, 2023, $0.9 million has been withheld on behalf of our employees for a future purchase and is classified as accrued expenses and other current liabilities on the consolidated balance sheets.

During the three months ended July 31, 2023, the Company issued 128,104 shares of Class A common stock under the ESPP. As of July 31, 2023, 3,461,054 shares of Class A common stock remain available for issuance under the ESPP.

13. Commitments and Contingencies

Indirect Taxes

We are subject to indirect taxation in some, but not all, of the various U.S. states and foreign jurisdictions in which we conduct business. Therefore, we have an obligation to charge, collect and remit Value Added Tax ("VAT") or Goods and Services Tax ("GST") in connection with certain of our foreign sales transactions and sales and use tax in connection with eligible sales to subscribers in certain U.S. states. On June 21, 2018, the U.S. Supreme Court issued an opinion in South Dakota v. Wayfair. The State of South Dakota alleged that U.S. constitutional law should be revised to permit South Dakota to require remote sellers to collect and remit sales tax in South Dakota in accordance with South Dakota's sales tax statute. Under the U.S. Supreme Court's ruling, the longstanding Quill Corp v. North Dakota sales tax case was overruled, and states may now require remote sellers to collect sales tax under certain circumstances. We began collecting sales tax in relevant jurisdictions for the fiscal year ended January 31, 2019. As a result of this ruling and given the scope of our operations, taxing authorities continue to provide regulations that increase the complexity and risks to comply with such laws and could result in substantial liabilities, prospectively as well as retrospectively. Based on the information available, we continue to evaluate and assess the jurisdictions in which indirect tax nexus exists and believe that the indirect tax liabilities are adequate and reasonable. Due to the complexity and uncertainty around the application of these rules by taxing authorities, results may vary materially from expectations, and we have recognized liabilities for contingencies related to state sales and use tax, VAT, and GST deemed probable and estimable totaling \$0.5 million and \$0.5 million as of July 31, 2023 and January 31, 2023, respectively, which is included in accrued expenses and other current liabilities on the consolidated balance sheets. As of January 31, 2023, we have filed prior period returns in several jurisdictions in order to remediate this potential exposure, and the Company continues to evaluate the potential exposure on an ongoing basis.

Legal Contingencies

From time to time, in the ordinary course of business, we are or may be involved in various legal or regulatory proceedings, claims or purported class actions related to, among other things, alleged infringement of third-party patents and other intellectual property rights, commercial, labor and employment, wage and hour and other claims. We have been, and may in the future be, put on notice or sued by third-parties for alleged infringement of their proprietary rights, including patent infringement. We accrue a liability when we believe that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. We believe we have recorded adequate provisions for any such matters and, as of July 31, 2023, we believe that no material loss will be incurred in excess of the amounts recognized in our financial statements.

14. Leases

Leases

The Company's lease portfolio consists solely of office space with lease terms ranging from two to ten years. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore are not factored into the determination of lease payments.

The following table presents information on our operating leases for the three and six months ended July 31, 2023 and 2022 (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	**2022**	**2023**	**2022**
Operating lease cost	$ 3,862	$ 3,397	$ 7,513	$ 6,893
Variable lease cost	778	675	1,450	1,260
Short-term lease cost	97	568	385	1,120
Total net lease cost	$ 4,737	$ 4,640	$ 9,348	$ 9,273

The future maturities of the Company's operating lease liabilities by fiscal year were as follows (in thousands):

Remainder of 2024	$	6,008
2025		13,317
2026		8,609
2027		7,550
2028		6,101
Thereafter		19,569
Total future undiscounted lease payments	$	61,154
Less: imputed interest		(9,567)
Less: tenant improvement allowance not yet received		—
Total reported lease liability	$	51,587

The Company's lease terms and discount rates are as follows:

	July 31, 2023
Weighted-average remaining lease term (years)	6.2
Weighted-average discount rate	5.6 %

Other information for the Company's leases is as follows (in thousands):

	Six Months Ended July 31,			
	2023		2022	
Cash paid for amounts included in the measurement of lease liabilities	$	5,788	$	4,691
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$	1,524	$	—

New York City Headquarters Agreement

In November 2022, the Company entered into a Sublease Agreement (the “Sublease”) pursuant to which the Company agreed to lease approximately 92,300 square feet of general office space in New York, New York. The term of the Sublease commences on October 1, 2023 and will terminate on January 30, 2034. Under the Sublease, the Company's fixed rent obligation is $0.6 million per month, provided, that the Company shall be entitled to a rent abatement in the aggregate amount of $6.6 million to be applied in equal monthly installments until the abatement amount is fully exhausted. The Sublease contains customary provisions for real property subleases of this type, including specified termination rights.

15. Income Taxes

The Company computes its provision for interim periods by applying an estimated annual effective tax rate to anticipated annual pretax income or loss as directed by ASC 740. The estimated annual effective tax rate is applied to the Company’s year to date income or loss, and is adjusted for discrete items recorded in the period. The Company recorded an income tax expense of $0.5 million and $0.0 million for the three months ended July 31, 2023 and 2022, respectively. The effective tax rate for the three months ended July 31, 2023 and 2022 was (1.7)% and (0.1)%, respectively. The Company recorded an income tax provision of $0.9 million and $0.0 million for the six months ended July 31, 2023 and 2022, respectively. The effective tax rate for the six months ended July 31, 2023 and 2022 was (1.3)% and (0.1)%, respectively.

The provision for income taxes recorded for the three and six months ended July 31, 2023 consists of income taxes in state jurisdictions and foreign jurisdictions in which the Company conducts business. The primary difference between the effective tax rate and the statutory rate is the change in the valuation allowance recorded. The Company continues to maintain a full valuation allowance against its net deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized. When the Company determines that it will be able to realize some portion or all of its deferred tax assets, an adjustment to its valuation allowance on its deferred tax assets would have the effect of increasing net income in the period such determination is made.

16. Net Loss per Share

We compute net loss per share of Class A common stock and Class B common stock under the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock share in the Company's net loss.

The following table sets forth the computation of basic and diluted net loss per share attributable to Braze, Inc. common shareholders during the periods presented (in thousands, except per share amounts):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Numerator:				
Net loss attributable to Braze, Inc.	$ (31,694)	$ (32,886)	$ (70,148)	$ (72,155)
Denominator:				
Weighted-average shares of Braze, Inc. common stock outstanding	97,187	94,134	97,037	93,706
Less: weighted-average unvested shares of Braze, Inc. subject to repurchase	(7)	(31)	(14)	(38)
Weighted-average shares used to calculate net loss per share attributable to Braze, Inc. common stockholders, basic and diluted	97,180	94,103	97,023	93,668
Net loss per share attributable to Braze, Inc. common stockholders, basic and diluted	$ (0.33)	$ (0.35)	$ (0.72)	$ (0.77)

The following outstanding shares of potentially dilutive securities have been excluded from diluted net loss per share attributable to Braze, Inc. common shareholders for the periods presented, because their inclusion would be anti-dilutive (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Options to purchase common stock	6,846	9,160	14,286	9,160
Restricted stock units	7,020	3,397	14,354	3,397
ESPP shares estimated to be purchased	96	96	96	96
Total	13,962	12,653	28,736	12,653

17. Related Party Transactions

In May 2021, the Chief Financial Officer of Datadog, Inc., one of our vendors, joined our board of directors. We have purchased services from Datadog, Inc. in the aggregate amount of approximately $0.4 million and $0.4 million during the three months ended July 31, 2023 and 2022, respectively, and $1.2 million and $1.0 million during the six months ended July 31, 2023 and 2022, respectively.

18. Restructuring

In May 2023, the Company implemented a workforce reduction designed to rebalance talent to better meet customer needs and achieve business priorities. As a result, the Company recorded associated severance and other termination costs of approximately $0.6 million in the three months ended July 31, 2023 related to these measures.

No restructuring costs were recognized during the three months ended July 31, 2022.

19. Business Combination

Acquisition of North Star Y, Pty Ltd

On June 1, 2023, the Company acquired all the outstanding stock of North Star Y, Pty Ltd ("North Star"), Braze's exclusive reseller in Australia and New Zealand. The transaction provides Braze with a direct market presence in Australia and New Zealand, along with local market expertise from the North Star team.

The total purchase price consideration of $28.5 million consisted of cash payments of $17.6 million, $6.0 million in issuances of Braze Class A common stock, and contingent consideration payments, the fair value of which is $1.6 million as of the acquisition date. The sellers are eligible to receive cash earn out payments calculated based on qualified revenue performance metrics for the two individual twelve month periods immediately subsequent to the closing of the acquisition. The earn out payments are capped at $10.0 million for the first earn out period and $16.0 million for second earn out period.

Due to the proximity of the closing date of the acquisition to the balance sheet date, the preliminary purchase price allocation to the assets acquired and liabilities assumed was based on the Company's best estimate of the fair value at the acquisition date. The preliminary purchase price was allocated to intangible assets in the amount of $3.8 million and goodwill in the amount of $28.0 million based on the respective estimated fair values. The resulting goodwill is not deductible for income tax purposes.

An indemnification holdback of $2.8 million was recorded within other long-term liabilities on the consolidated balance sheets. The indemnification holdback represents security for potential indemnification claims against the seller. The indemnification holdback will be released subject to amounts withheld for actual, pending or potential claims.

A working capital holdback amount of $0.5 million has been recorded within accrued expenses and other current liabilities on the consolidated balance sheets. The working capital holdback will be released subject to the completion of post-close adjustment procedures.

The results of operations of North Star from the date of acquisition, which were not material, have been included in the Company's consolidated statements of operations for the six months ended July 31, 2023.

20. Intangible Assets, Net

Intangible assets, net, consisted of the following (in thousands):

	July 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Amortizable intangible assets				
Customer relationships	$ 3,119	$ (54)	$ 3,065	10 years
Restrictive covenant relationships	186	(16)	170	2 years
Trademark	465	(78)	387	1 year
Total amortizable intangible assets	3,770	(148)	3,622	
Non-amortizable intangible assets				
Technology licenses	500	—	500	n/a
Total intangible assets, net	$ 4,270	$ (148)	$ 4,122	

	January 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Non-amortizable intangible assets				
Technology licenses	$ 500	$ —	$ 500	n/a
Total	$ 500	$ —	$ 500	

Intangible amortization expense was approximately $0.1 million for the three months ended July 31, 2023. There was no intangible amortization expense for the three months ended July 31, 2022.

As of July 31, 2023, future amortization expense by fiscal year is expected to be as follows (in thousands):

		Amount
Remainder of 2024	$	432
2025		560
2026		343
2027		312
2028		312
Thereafter		1,663
Total	$	3,622

21. Goodwill

The changes in the carrying amounts of goodwill were as follows (in thousands):

		Amount
Balance at January 31, 2023	$	—
North Star Acquisition		28,045
Balance at July 31, 2023	$	28,045

22. Subsequent Events

In August 2023, the Company entered into a re-negotiated renewal of a non-cancelable purchase agreement with a strategic vendor for a spend commitment of $25.0 million. The term of the agreement commenced on August 1, 2023 and will terminate on December 31, 2024.

In September 2023, the Company granted RSUs for a total of 170,269 shares of Class A common stock to employees pursuant to the 2021 Plan. The RSUs vest over a service period of approximately four years. The grant date fair value of these awards was $7.5 million.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and our audited annual consolidated financial statements and related notes for the fiscal year ended January 31, 2023 that are included in our Annual Report on Form 10-K, or the Annual Report, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 31, 2023. In addition to historical financial information, the following discussion contains forward-looking statements that are based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those set forth under the section entitled "Risk Factors" in Item 1A of Part II of this Quarterly Report on Form 10-Q. See "Special Note Regarding Forward Looking Statements" in this Quarterly Report on Form 10-Q.

Overview

Braze is a leading comprehensive customer engagement platform that powers customer-centric interactions between consumers and brands. Our platform empowers brands to listen to their customers better, understand them more deeply, and act on that understanding in a way that is human and personal. Using our platform, brands ingest and process customer data in real time, orchestrate and optimize contextually relevant, marketing campaigns across multiple channels. Our platform is designed so that interactions between brands and consumers have the same relevance and cross-channel continuity as human interactions.

Our customers include many established global enterprises and leading technology innovators, and span a wide variety of sizes and industries, including retail, eCommerce, media, entertainment and on-demand services.

We primarily generate revenue from the sale of subscriptions to customers for the use of our platform. Our subscription fees are principally based on an upfront commitment by our customers for messaging volumes, a specific number of monthly active users, platform access and/or support and certain add-on products. Additionally, we provide professional services, which better enable customers to successfully onboard and use our platform, including certain premium professional services such as email deliverability support and dedicated technical support staff.

We employ a land-and-expand business model centered around offering products that are easy to adopt and have a rapid time to value. We expand our reach within existing customers when our customers add new channels, purchase additional subscription products, implement new engagement strategies, or onboard new business units and geographies. We also grow as our customers grow because our pricing is based in large part on the number of consumers that our customers reach and the volume of messages our customers send. Accordingly, as our customers increase the use of our platform and increase the number of end users reached via our platform, the value of our contracts with such customers also increases.

We have grown significantly in recent periods. We generated revenue of $115.1 million and $86.1 million in the three months ended July 31, 2023, and 2022, respectively, representing year-over-year growth of 33.6%, and $216.9 million and $163.6 million in the six months ended July 31, 2023 and 2022, respectively, representing year-over-year growth of 32.6%. We had net losses of $32.0 million and $33.4 million in the three months ended July 31, 2023 and 2022, respectively, and $70.9 million and $73.0 million in the six months ended July 31, 2023 and 2022, respectively. We had net cash provided by operating activities of $5.0 million in the six months ended July 31, 2023 and net cash provided by operating activities of $1.6 million in the six months ended July 31, 2022, respectively. Our Non-GAAP free cash flow was $3.0 million and $(9.0) million in the six months ended July 31, 2023 and 2022, respectively. See the section titled "— Non-GAAP Free Cash Flow" for additional information about how we calculate free cash flow, a non-GAAP financial metric, and a reconciliation to net cash provided by operating activities, the most directly comparable measure calculated in accordance with accounting principles generally accepted in the United States, or GAAP.

Factors Affecting Our Performance

Acquiring New Customers

We believe there is substantial opportunity to continue to grow our customer base. We intend to continue to expand our customer base in verticals where we already have a strong presence, such as retail, eCommerce, media, entertainment and on-demand services, and to increase our presence in verticals where we are not yet strongly represented. Through our sales and marketing efforts, we plan to capitalize on the ongoing digital transformation in regulated industries like healthcare and financial services to further propel adoption of our technology. As of July 31, 2023, we had 1,958 customers across a broad range of sizes and industries. Our ability to attract new customers will depend on a number of factors, including the quality and pricing of our products, offerings of our competitors and the effectiveness of our marketing efforts.

We define a customer as the separate and distinct, ultimate parent-level entity that has an active subscription with us to use our products. A single organization could have multiple distinct contracting divisions or subsidiaries, all of which together would be considered a single customer.

Expanding Within Our Existing Customer Base

We believe we can achieve significant growth by expanding sales within our existing customer base. We expand the use of our platform by existing customers by, among others, adding new channels and increasing the messaging volume we sell to our customers as their businesses and needs continue to grow. We intend to continue to invest in developing and enhancing our products and functionality. Our ability to increase sales to existing customers will depend on a number of factors, including our customers' satisfaction with our solutions, the ability of our customers to attract new end users, competition, pricing and overall changes in our customers' spending levels.

Historically, we have experienced significant expansion within a customer's business once our platform is deployed, with customers typically increasing the number of monthly active users, channels and use cases as well as purchasing additional products. A monthly active user is an end user of a customer who has engaged with the customer's applications and websites in the previous calendar month. We include each distinguishable end user in our calculation of monthly active users, even though some users may access our customers' applications and websites using more than one device, and multiple users may gain access using the same device. As of July 31, 2023, we had 5.5 billion monthly active users, up from 4.8 billion monthly active users as of January 31, 2023.

Braze supports interactions across a broad range of both in-product and out-of-product messaging channels. The flexibility of our platform also allows us to add new channels quickly and efficiently as they become relevant to our customers. The breadth of channels we offer, and our ability to efficiently expand our offering of channels, allows us to expand our reach within existing customers as they purchase additional channels from us.

In addition to monthly active users, we have a history of increasing annual recurring revenue, or ARR, from our customers. We define ARR as the annualized value of customer subscription contracts, including certain premium professional services that are subject to contractual subscription terms, as of the measurement date, assuming any contract that expires during the next 12 months is renewed on its existing terms (including contracts for which we are negotiating a renewal). Our calculation of ARR is not adjusted for the impact of any known or projected future events (such as customer cancellations, expansion or contraction of existing customers relationships or price increases or decreases) that may cause any such contract not to be renewed on its existing terms. Our ARR may decline or fluctuate as a result of a number of factors, including customers' satisfaction or dissatisfaction with our products and professional services, pricing, competitive offerings, economic conditions or overall changes in our customers' spending levels. ARR should be viewed independently of revenue and does not represent our GAAP revenue on an annualized basis or a forecast of revenue, as it is an operating metric that can be impacted by contract start and end dates and renewal rates.

For clarity, we use annualized invoiced amounts per customer subscription contract, including certain premium professional services that are subject to contractual subscription terms, as compared to revenue calculated in accordance with GAAP, to calculate our ARR. Our invoiced amounts are not matched to the performance obligations associated with the underlying subscription contract and premium professional service obligations as they are with respect to our GAAP revenue. This can result in timing differences between our GAAP revenue and ARR calculations. For our revenue calculated in accordance with GAAP, we recognize revenue related to contracts with customers in an amount that reflects the consideration to which we expect to be entitled in exchange for subscription and professional services. See the section titled "— Critical Accounting Policies and Estimates" for additional information regarding how we recognize revenue on a GAAP basis. Investors should not place undue reliance on ARR as an indicator of our future or expected results. Moreover, ARR may differ from similarly titled metrics presented by other companies and may not be comparable to such other metrics.

A further indication of the propensity of our customer relationships to expand over time is our dollar-based net retention rate. We calculate our dollar-based net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period-end, or the Prior Period ARR. We then calculate the ARR from these same customers as of the current period-end, or the Current Period ARR. Current Period ARR includes any expansion and is net of contraction or attrition over the last 12 months but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the point-in-time dollar-based net retention rate. We then calculate the weighted average point-in-time dollar-based net retention rates as of the last day of each month in the current trailing 12-month period to arrive at the dollar-based net retention rate. Our dollar-based net retention rate for the trailing 12 months ended July 31, 2023 and July 31, 2022 was 120% and 126%, respectively, for all our customers, and 123% and 130%, respectively, for our customers with ARR of $500,000 or more. In addition, 173 and 139 of our customers had ARR of $500,000 or more as of July 31, 2023 and July 31, 2022, respectively.

Expanding Geographically

We believe there is a significant opportunity to continue to expand our presence in international markets we have already penetrated and by entering markets we have not yet penetrated. For the six months ended July 31, 2023 and 2022, approximately 43% and 42% of our revenue was generated outside of the United States, respectively. We expect to increase market penetration in regions including Europe and Asia-Pacific and to further capitalize on the greenfield opportunity in regions such as Latin America. Although these investments in geographic regions may negatively affect our operating results in the near term, we believe that they will contribute to our long-term growth.

Sustaining Innovation and Technology Leadership

Our success is dependent on our ability to sustain innovation and technology leadership in order to maintain our competitive advantage. We are focused on investing in research and development to continue to enhance our platform. For example, we continue to develop our artificial intelligence capabilities, to enable brands to better analyze and act on customer data, and expand our channel offerings. We believe our market-driven product development approach maximizes the return on new feature development and channel expansion. Our customers consistently volunteer to participate in the testing of new products, which indicates their appetite for new and innovative functionality. We believe our continued innovation will provide new avenues for growth through which we will continue to deliver differentiated outcomes for our customers. We intend to continue to invest in building additional products that expand our capabilities and facilitate the extension of our platform to new channels and use cases.

Macroeconomic Conditions on Our Business

Unfavorable conditions in the economy, both in the United States and abroad, may negatively affect the growth of our business and our results of operations. General macroeconomic and socioeconomic conditions such as, among others, instability in the banking and financial services sector, international and domestic supply chain risks, inflationary pressure, interest rate increases, declines in consumer confidence, international conflicts and domestic and foreign political unrest have recently led to increased economic uncertainty. We cannot predict if these trends will continue, and, accordingly, we are not able to estimate the ongoing effects on our results of operations, financial condition or liquidity as a result of these macroeconomic factors. For additional details, see the section titled “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q.

Components of Results of Operations

Revenue

Revenue is derived from two primary sources: (1) subscription services and (2) professional services and other.

Subscription services primarily consist of access to our customer engagement platform and related customer support. Our customers enter into a subscription for committed contractual entitlements. To the extent that our customers’ usage exceeds the committed contractual entitlements under their subscription plans, they are charged for excess usage, or they may exercise an option to purchase an incremental volume tier of committed contractual entitlements. Revenue associated with platform subscriptions is recognized ratably over the contract term, which is consistent with the period over which services are provided to the customer. Fees associated with excess usage and incremental volume are also treated as subscription revenue. To date, fees associated with excess usage have not been material.

Professional services and other revenue consists of fees for distinct services rendered in training and assisting our customers to configure our platform for their use at the onset of their initial contract or when a new product is purchased. Such revenue is generally recognized over a period of up to six months from providing access to the platform. We also provide additional platform and feature enhancement and optimization services which are generally recognized ratably over the contract term.

Deferred revenue consists of customer billings in advance of revenue being recognized. We generally invoice our customers for subscription services arrangements annually in advance and for professional services upfront.

Cost of Revenue

Cost of revenue consists of direct costs related to providing platform access to our customers and to performing onboarding and professional services including consulting services. These costs primarily include payments to third-party cloud infrastructure providers for hosting software solutions, costs associated with application service providers utilized to deliver the platform, personnel-related costs, including salaries, cash-based performance compensation, benefits and stock-based compensation, and overhead cost allocations, including rent, utilities, depreciation, information technology costs, amortization of internal use software and certain administrative personnel costs.

We intend to continue to invest additional resources in our platform infrastructure and our customer support and success organizations to expand the capabilities of our platform. The level, timing and relative investment in our infrastructure could affect our cost of revenue in the future. We expect our cost of revenue to increase for the foreseeable future as we continue to grow our business.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin may fluctuate from period to period as our revenue and cost of revenue fluctuates, including as a result of the timing and amount of resources we dedicate to improving our platform and expanding our products.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development and general and administrative expenses. Personnel costs, including salaries, cash-based performance compensation, benefits and stock-based compensation, are the most significant component of operating expenses. Operating expenses also include allocated overhead costs, which include rent, utilities, depreciation, information technology costs and certain administrative personnel costs. As we continue to expand our operations, we expect an increase in personnel headcount and expansion of our global footprint.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs for our sales and marketing organization, sales commissions, costs related to brand awareness, sponsorships, customer marketing events and advertising, agency costs, travel-related expenses and allocated overhead costs.

We intend to continue to invest in sales and marketing to help drive the growth of our business. We expect our sales and marketing expenses will increase in absolute dollars as we continue to invest in sales and marketing activities to acquire new customers and increase sales to existing customers.

Research and Development

Research and development expenses consist primarily of personnel costs for our engineering, service, design and information technology teams. Additionally, research and development expenses include allocated overhead costs and contractor fees. Research and development costs are expensed as incurred. Capitalized internal-use software development costs are excluded from research and development expenses as they are capitalized as a component of property and equipment, net and amortized to cost of revenue over the software's expected useful life, which is generally three years.

We expect to continue our investment in research and development to enhance the user experience of our current customers and attract new customers. We expect research and development expenses to increase in absolute dollars as we continue to invest in enhancing our platform.

General and Administrative

General and administrative expenses consist primarily of personnel costs for finance, legal, human resources and other administrative functions, as well as non-personnel costs such as legal, accounting and other professional service fees, software costs, certain tax, license and insurance-related expenses and allocated overhead costs. Additionally, from time to time general and administrative expenses may include expenses associated with our donation of shares of Class A common stock to a charitable donor-advised fund in connection with our Pledge 1% commitment.

We expect that general and administrative expenses will increase in absolute dollars and vary from period to period as a percentage of revenue for the foreseeable future but decrease as a percentage of revenue over the long term, as we focus on processes, systems, and controls to enable our internal support functions to scale with the growth of our business. We have incurred, and expect to continue to incur, additional expenses as a result of operating as a public company, including expenses to comply with the rules and regulations applicable to companies listed on The Nasdaq Stock Market LLC, expenses related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, and higher expenses for directors' and officers' insurance, investor relations and professional services.

Other Income, Net

Other income, net, primarily consists of net exchange gains or losses on foreign currency transactions and investment income consists primarily of income earned on our investments, cash and cash equivalents, and restricted cash.

Provision for Income Taxes

Provision for income taxes consists of state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance in jurisdictions where we had net deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized.

Results of Operations

The following table sets forth our unaudited condensed consolidated statements of operations data for each of the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Revenue	$ 115,107	$ 86,131	$ 216,887	$ 163,626
Cost of revenue [(1)]	35,474	27,352	68,161	53,258
Gross profit	79,633	58,779	148,726	110,368
Operating expenses:				
Sales and marketing [(1)]	60,417	50,007	117,679	96,051
Research and development [(1)]	29,132	23,336	58,877	44,956
General and administrative [(1)]	25,453	20,543	49,436	44,117
Total operating expenses	115,002	93,886	225,992	185,124
Loss from operations	(35,369)	(35,107)	(77,266)	(74,756)
Other income, net	3,865	1,729	7,324	1,759
Loss before provision for income taxes	(31,504)	(33,378)	(69,942)	(72,997)
Provision for income taxes	545	35	933	49
Net loss	$ (32,049)	$ (33,413)	$ (70,875)	$ (73,046)

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Cost of revenue	$ 901	$ 911	$ 1,790	$ 1,831
Sales and marketing	7,807	5,439	15,655	11,106
Research and development	9,929	6,921	19,772	13,094
General and administrative	6,139	3,842	11,705	8,053
Total stock-based compensation expense	$ 24,776	$ 17,113	$ 48,922	$ 34,084

The following table sets forth our unaudited condensed consolidated statements of operations data expressed as a percentage of revenue for each of the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(as a percentage of revenue)		(as a percentage of revenue)	
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	31 %	32 %	31 %	33 %
Gross profit	69 %	68 %	69 %	67 %
Operating expenses:				
Sales and marketing	53 %	58 %	54 %	59 %
Research and development	25 %	27 %	27 %	27 %
General and administrative	22 %	24 %	23 %	27 %
Total operating expenses	100 %	109 %	104 %	113 %
Loss from operations	(31)%	(41)%	(35)%	(46)%
Other income, net	3 %	2 %	3 %	1 %
Loss before provision for income taxes	(28)%	(39)%	(32)%	(45)%
Provision for income taxes	— %	— %	— %	— %
Net loss	(28)%	(39)%	(32)%	(45)%

Comparison of the Three Months Ended July 31, 2023 and July 31, 2022

Revenue

	Three Months Ended July 31,			
	2023	2022	Change	% Change
		($ in thousands)		
Revenue	$ 115,107	$ 86,131	$ 28,976	33.6 %

The increase in revenue of $29.0 million, or 33.6%, for the three months ended July 31, 2023 compared to the three months ended July 31, 2022 was primarily driven by a $28.0 million, or 34.2%, increase in subscription revenue. Approximately 51.7% of this increase in subscription revenue was attributable to the growth from existing customers due to an increase in monthly active users, expansion across channels and committed entitlements and features, and the remaining 48.3% was attributable to new customers. Total customers grew to 1,958 as of July 31, 2023 from 1,599 as of July 31, 2022. Professional services revenue increased $1.0 million, or 22.5%, due to an increase in deliverability services, technical account management, and support engagement services. These increases were partially offset by the accelerated engagement of new customers with third-party partner-led onboarding for configuration services. Additionally, in the three months ended July 31, 2023, our international revenue increased by $13.7 million as we continued to expand market penetration in regions such as Europe and Asia-Pacific.

Cost of Revenue, Gross Profit and Gross Margin

	Three Months Ended July 31,			
	2023	2022	Change	% Change
		($ in thousands)		
Cost of revenue	$ 35,474	$ 27,352	$ 8,122	29.7 %
Gross profit	$ 79,633	$ 58,779	$ 20,854	35.5 %
Gross margin	69.2 %	68.2 %		

The increase in cost of revenue of $8.1 million, or 29.7%, for the three months ended July 31, 2023 compared to the three months ended July 31, 2022 was primarily driven by an increase of $4.3 million in hosting, infrastructure and other third-party fees associated with delivering our platform and a $3.1 million increase in third-party messaging fees associated with growth in channel utilization. In addition, we had an increase in personnel costs and overhead costs of $0.5 million. The increased infrastructure, messaging, and personnel costs were incurred to support overall revenue growth.

Our gross profit increased $20.9 million, or 35.5%, in the three months ended July 31, 2023 compared to the three months ended July 31, 2022, and our gross margin increased 1.0% to 69.2% in the three months ended July 31, 2023 from 68.2% in the three months ended July 31, 2022. These increases were due primarily to economies of scale and the optimization of costs of our tech stack as our infrastructure costs to support our revenue growth did not increase at the same pace as our revenue.

Operating Expenses

Sales and Marketing Expense

	Three Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Sales and marketing	$ 60,417	$ 50,007	$ 10,410	20.8 %

The increase in sales and marketing expense of $10.4 million, or 20.8%, for the three months ended July 31, 2023, compared to the three months ended July 31, 2022, was primarily driven by an increase in personnel costs and overhead costs of $10.9 million, which included $2.4 million of stock-based compensation costs and $6.8 million of payroll, bonus, and employee benefit related costs, as a result of a period-over-period increase in headcount. Further, of the $10.9 million of personnel costs and overhead costs, $0.5 million was related to restructuring costs.

Research and Development Expense

	Three Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Research and development	$ 29,132	$ 23,336	$ 5,796	24.8 %

The increase in research and development expense of $5.8 million or 24.8%, for the three months ended July 31, 2023, compared to the three months ended July 31, 2022, was primarily driven by an increase of personnel and overhead costs of $6.2 million, which included $3.0 million of stock-based compensation costs. The increase in personnel costs was primarily due to a period-over-period increase in headcount to support our continued investment in the features and functionality of our platform. Increases in expenses were partially offset by a decrease in professional services costs of $0.3 million and a decrease in travel and entertainment expense of $0.3 million.

General and Administrative Expense

	Three Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
General and administrative	$ 25,453	$ 20,543	$ 4,910	23.9 %

The increase in general and administrative expenses of $4.9 million, or 23.9%, for the three months ended July 31, 2023, compared to the three months ended July 31, 2022, was primarily driven by an increase of personnel and overhead costs of $3.4 million, which included $2.3 million of stock-based compensation costs. Additionally, the increase was driven in part by a donation of shares of Class A common stock to a charitable donor-advised fund in connection with our Pledge 1% commitment, valued at $1.0 million, as the Company shifted cadence from a single tranche donation to multiple tranche donations, and an increase in software costs of $0.5 million due to an increase in software subscriptions to support the continued optimization of our administrative support functions.

Other Income

	Three Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Other income, net	$ 3,865	$ 1,729	$ 2,136	123.5 %

The increase in other income, net of $2.1 million, or 123.5%, for the three months ended July 31, 2023, compared to the three months ended July 31, 2022, was attributable to a $2.1 million increase in investment income from marketable securities. The investment income increase was driven primarily by the strengthening of interest rates.

Comparison of the Six Months Ended July 31, 2023 and July 31, 2022

Revenue

	Six Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Revenue	$ 216,887	$ 163,626	$ 53,261	32.6 %

The increase in revenue of $53.3 million, or 32.6%, for the six months ended July 31, 2023, compared to the six months ended July 31, 2022, was primarily driven by a $52.3 million, or 33.8%, increase in subscription revenue. Approximately 55.9% of the increase in subscription revenue was attributable to the growth from existing customers due to an increase in monthly active users, expansion across channels and committed entitlements and features, and the remaining 44.1% was attributable to new customers. Total customers grew to 1,958 as of July 31, 2023 from 1,599 as of July 31, 2022. Professional services revenue increased $1.0 million, or 10.7%, due to an increase in premium services, technical account management, and support engagement services. These increases were partially offset by the accelerated engagement of new customers with third-party partner-led onboarding for configuration services. Additionally, in the six months ended July 31, 2023, our international revenue increased by $24.9 million, or 36.4%, as we continued to expand market penetration in regions such as Europe and Asia-Pacific.

Cost of Revenue, Gross Profit and Gross Margin

	Six Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Cost of revenue	$ 68,161	$ 53,258	$ 14,903	28.0 %
Gross profit	$ 148,726	$ 110,368	$ 38,358	34.8 %
Gross margin	68.6 %	67.5 %		

The increase in cost of revenue of $14.9 million, or 28.0%, for the six months ended July 31, 2023, compared to the six months ended July 31, 2022, was primarily driven by an increase of $7.8 million in hosting, infrastructure and other third-party fees associated with delivering our platform and a $5.8 million increase in third-party messaging fees associated with growth in our channel utilization. In addition, we had an increase in personnel costs and overhead costs of $1.0 million. The increased infrastructure, messaging and personnel costs were incurred to support overall revenue growth.

Our gross profit increased $38.4 million, or 34.8%, in the six months ended July 31, 2023, compared to the six months ended July 31, 2022, and our gross margin increased 1.1% to 68.6% in the six months ended July 31, 2023, compared to the six months ended July 31, 2022. These increases were due primarily to economies of scale and the optimization of costs of our tech stack, as our infrastructure costs to support our revenue growth did not increase at the same pace as our revenue.

Operating Expenses

Sales and Marketing Expense

	Six Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Sales and marketing	$ 117,679	$ 96,051	$ 21,628	22.5 %

The increase in sales and marketing expense of $21.6 million, or 22.5%, for the six months ended July 31, 2023, compared to the six months ended July 31, 2022, was primarily driven by an increase in personnel costs and overhead costs of $21.1 million, which included $4.5 million of stock-based compensation costs, as a result of a period-over-period increase in headcount. Further, of the $21.1 million of personnel costs and overhead costs, $0.5 million was related to restructuring costs.

Research and Development Expense

	Six Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Research and development	$ 58,877	$ 44,956	$ 13,921	31.0 %

The increase in research and development expense of $13.9 million, or 31.0%, for the six months ended July 31, 2023, compared to the six months ended July 31, 2022, was primarily driven by an increase of personnel and overhead costs of $14.7 million, which included $6.7 million of stock-based compensation costs, and an increase in software costs of $0.3 million. The increase in personnel costs and software costs were primarily due to a period-over-period increase in headcount as we continue to invest in development of our platform. Increases in expenses were partially offset by a decrease of $0.7 million in professional services costs and a decrease of $0.5 million in travel and entertainment expenses.

General and Administrative Expense

	Six Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
General and administrative	$ 49,436	$ 44,117	$ 5,319	12.1 %

The increase in general and administrative expenses of $5.3 million, or 12.1%, for the six months ended July 31, 2023, compared to the six months ended July 31, 2022, was primarily driven by an increase in personnel and overhead costs of $6.6 million, which included $2.3 million of stock-based compensation costs, and an increase in software costs of $0.9 million. The increases were primarily due to a period-over-period increase in headcount as well as continued investments in our finance and administrative functions to build processes, systems, and controls to enable our ongoing compliance with public company legal and regulatory requirements. These increases were offset by a reduction in the donation of shares of Class A common stock to a charitable donor-advised fund in connection with our Pledge 1% commitment of $3.3 million as the Company shifted cadence from a single tranche donation to multiple tranche donations.

Other Income

	Six Months Ended July 31,			
	2023	2022	Change	% Change
	($ in thousands)			
Other income, net	$ 7,324	$ 1,759	$ 5,565	316.4 %

The increase in other income, net of $5.6 million, or 316.4%, for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, was primarily driven by a $5.3 million increase in investment income from marketable securities. The investment income increase was driven primarily by the strengthening of interest rates.

Liquidity and Capital Resources

Sources of Funds

As of July 31, 2023, our principal source of liquidity was cash, cash equivalents, and marketable securities of $476.2 million. Our cash and cash equivalents consist of deposit accounts, interest-bearing money market accounts and U.S. government securities that are stated at fair value. Our marketable securities positions consist mostly of highly liquid short-term investments. The investment income that we generate on these investments is not material to our overall cash balance, but may be adversely affected due to volatility in interest rates.

Since our inception, we have financed our operations primarily through the net proceeds received from the sales of equity securities and cash generated from the sale of subscriptions to our platform. We have generated losses from our operations as reflected in our accumulated deficit of $424.1 million as of July 31, 2023, and cash flows provided by operating activities for the six months ended July 31, 2023 of $5.0 million.

A substantial source of our cash provided by operating activities is our deferred revenue, which is included on our consolidated balance sheets as a liability. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is recorded as revenue over the term of the subscription agreement. As of July 31, 2023, we had total deferred revenue of $176.8 million, recorded as a current liability. Deferred revenue will be recognized as revenue when all of the revenue recognition criteria are met.

Cash Flows Overview

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

	Six Months Ended July 31,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	$ 5,032	$ 1,600
Net cash used in investing activities	$ (3,488)	$ (403,799)
Net cash provided by financing activities	$ 7,333	$ 5,411

Operating Activities

For the six months ended July 31, 2023, net cash provided by operating activities was $5.0 million, primarily due to a net loss of $70.9 million, adjusted for non-cash charges of $70.0 million, and net changes in our operating assets and liabilities of $5.9 million. The non-cash adjustments primarily relate to stock-based compensation of $49.0 million, amortization of deferred contract costs of $13.9 million. The cash inflow from changes in our operating assets and liabilities were primarily due to a decrease in accounts receivable of $8.9 million and increase in deferred revenue of $6.5 million as a result of billings for new bookings and renewals. The cash inflow was offset by cash outflows primarily from an increase in deferred contract costs of $21.0 million as a result of commissions on new bookings and renewals.

For the six months ended July 31, 2022, net cash provided by operating activities was $1.6 million, primarily due to a net loss of $73.0 million adjusted for non-cash charges of $51.7 million and net changes in our operating assets and liabilities of $22.9 million. The non-cash adjustments primarily relate to stock-based compensation of $34.3 million, amortization of deferred contract costs of $11.0 million and expense associated with the donation of shares of our Class A common stock to a charitable donor-advised fund of $4.3 million. The cash inflows from changes in our operating assets and liabilities were primarily due to a decrease in accounts receivable of $16.6 million and increase in deferred revenue of $9.7 million as a result of billings for new bookings and renewals. The cash inflows were offset by cash outflows primarily from an increase in deferred contract costs of $14.7 million as a result of commissions on new bookings and renewals and an overall decrease in accounts payable of $0.6 million.

Investing Activities

Net cash used in investing activities was $3.5 million for the six months ended July 31, 2023, primarily consisting of purchases of marketable securities of $121.4 million, cash paid for the acquisition of North Star of $16.3 million, and capitalization of internal-use software costs of $1.6 million, partially offset by maturities of marketable securities of $136.3 million.

Net cash used in investing activities was $403.8 million for the six months ended July 31, 2022, primarily consisting of purchases of marketable securities of $543.9 million, partially offset by maturities of marketable securities of $150.7 million.

Financing Activities

Net cash provided by financing activities was $7.3 million for the six months ended July 31, 2023, consisting solely of proceeds from the exercise of common stock options.

Net cash provided by financing activities was $5.4 million for the six months ended July 31, 2022, consisting solely of proceeds from the exercise of common stock options.

Non-GAAP Free Cash Flow

We report our financial results in accordance with GAAP. To supplement our unaudited condensed consolidated financial statements, we provide investors with the amount of free cash flow, which is a non-GAAP financial measure. Our management uses free cash flow to assess our operating performance and our progress towards our goal of positive free cash flow. We define free cash flow as net cash used in operating activities less cash used for purchases of property and equipment and amounts capitalized for internal-use software development costs. We believe that free cash flow is a useful indicator of liquidity as it measures our ability to generate cash, or our need to access additional sources of cash, to fund operations and investments.

Free cash flow has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are (1) it is not a substitute for net cash provided by/(used in) operating activities, (2) other companies may calculate free cash flow or similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a tool for comparison, and (3) the utility of free cash flow is further limited as it does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for any given period.

The following table presents a reconciliation of free cash flow to net cash provided by/(used in) operating activities, the most directly comparable measure calculated in accordance with GAAP, for the periods presented:

	Six Months Ended July 31,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	$ 5,032	$ 1,600
Less:		
Purchases of property and equipment	(427)	(9,844)
Capitalized internal-use software costs	(1,640)	(783)
Non-GAAP free cash flow	$ 2,965	$ (9,027)
Net cash used in investing activities	$ (3,488)	$ (403,799)
Net cash provided by financing activities	$ 7,333	$ 5,411

Our free cash flow increased for the six months ended July 31, 2023 from the six months ended July 31, 2022, primarily due to higher collections as a result of an increase in billings that is aligned with new contracts and contract renewals. We expect our free cash flow to fluctuate in future periods with changes in our operating expenses and as we continue to invest in our growth.

Liquidity Outlook

We assess our liquidity primarily through our cash on hand as well as the projected timing of billings under contracts with our paying customers and related collection cycles. While our future capital requirements will depend on many factors, including revenue growth and costs incurred to support customer usage and growth in our customer base, increased research and development expenses to support the growth of our business and related infrastructure, and increased general and administrative expenses to support being a publicly-traded company, we believe our current cash, cash equivalents, and marketable securities will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our most significant funding requirements are principally comprised of employee compensation and related taxes and benefits, non-cancelable purchase commitments, and operating lease obligations. Non-cancelable purchase commitments for business operations and operating lease obligations total $356.3 million and $61.3 million, respectively, as of July 31, 2023, due primarily over the next four years. Purchase commitments for business operations are primarily related to cloud hosting, infrastructure, and other software-based services. Our future funding requirements to settle our obligations in foreign jurisdictions are subject to fluctuations due to changes in foreign exchange rates.

While we anticipate being able to satisfy our commitments through a combination of our available current cash, cash equivalents, and marketable securities, and cash generated from the sale of subscriptions to our platform, if our estimates prove to be inaccurate we may seek to sell additional equity or other securities that may result in dilution to our stockholders, issue debt or seek other third-party funding, in order to satisfy our future funding requirements.

Seasonality

We have experienced seasonality in our cost of revenue as a result of our customers' increased usage of our platform based on their business demands. We typically experience the highest sequential increase in overall messaging volume and compute and storage requirements during the fourth quarter due to the increased activity related to the holiday season and general customer engagement efforts around the end of the calendar year.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no material changes to our critical accounting policies and estimates from those previously reported and disclosed in our Annual Report other than those referenced in Note 2. Summary of Significant Accounting Policies in this Quarterly Report on Form 10-Q. The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report provides a more complete discussion of our critical accounting policies and estimates.

Recently Adopted Accounting Pronouncements

Refer to Note 2. Summary of Significant Accounting Policies, to the unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements, if applicable..

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations, other than its impact on the general economy. Nonetheless, if our costs were to become subject to inflationary pressures, we might not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Interest Rate Risk and Market Risk

We had cash, cash equivalents, and marketable securities of $476.2 million as of July 31, 2023, of which $394.9 million was invested in U.S. government securities, foreign securities, and corporate debt securities. Our cash and cash equivalents are held for working capital and general corporate purposes. Our investments in marketable securities are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. As of July 31, 2023, a hypothetical 10% change in interest rates would not have had a material impact on our consolidated financial statements. Because we classify our debt securities as "available for sale," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or unless declines in fair value are determined to be non-temporary.

Foreign Currency Exchange Rate Risk

Our reporting and functional currency is the U.S. dollar, and the functional currency of our foreign subsidiaries is the respective local currency. Substantially all of our sales are denominated in U.S. dollars. Our only sales denominated in a currency other than the U.S. dollars are our sales in Japan, which are denominated in Yen. Therefore, our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily the United States, United Kingdom, Singapore and Japan. Our consolidated results of operations and cash flows are therefore subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. The assets and liabilities of each of our foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the consolidated statements of comprehensive loss. Gains or losses due to transactions in foreign currencies are included in interest and other income, net in our consolidated statements of operations.

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in foreign exchange gains and losses related to changes in foreign currency exchange rates. In the event our foreign currency denominated assets, liabilities, revenue, or expenses increase, our results of operations may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. To date we have not engaged in the hedging of foreign currency transactions, although we may choose to do so in the future. A hypothetical 10% change in the relative value of the U.S. dollar to other currencies during any of the periods presented would not have had a material effect on our realized and unrealized gains (losses) on foreign exchange transactions.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of July 31, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of July 31, 2023 because of the material weakness in our internal control, discussed below.

Notwithstanding the material weakness in internal control over financial reporting described below, our management has concluded that our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with 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 a company’s annual or interim financial statements will not be prevented or detected on a timely basis.

As previously disclosed in our Annual Report, we have one material weakness in our internal control that remains unremediated as of July 31, 2023. The material weakness is over the lack of properly designed controls related to accounting for revenue recognition in accordance with standards under Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. Specifically, adequate controls are not in place related to:

- Maintaining IT General controls over applications and tools used for order management, provisioning, and revenue recognition;
- Reviewing of information generated from application and tools that are used in operation of recording revenue; and
- Reconciling the provisioning of platform stand-ready access with underlying accounting records.

The material weakness did not result in any identified material misstatements in the current period consolidated financial statements, nor in any restatements of consolidated financial statements previously reported by us, and there were no changes in previously released financial results.

Remediation Plan

We are working to remediate the material weakness through the development and implementation of processes and controls over the revenue process. Specifically, we have begun:

- Developing user access, program change management and computer operation controls for revenue applications and tools;
- Enhancing review procedures over information generated from applications that are utilized in the operation of revenue schedules and controls; and
- Developing reporting to reconcile the provisioning of platform stand-ready access with underlying accounting records.

While we have performed certain remediation activities to strengthen our controls to address the identified material weakness, control weaknesses are not considered remediated until new internal controls have been operational for a period of time, are tested, and management concludes that these controls are operating effectively. We will continue to monitor the effectiveness of our remediation measures in connection with our future assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures, and we will make any changes to the design of our plan and take such other actions that we deem appropriate given the circumstances.

Changes in Internal Control Over Financial Reporting

Other than the remediation efforts noted above, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We are continuing to take steps to remediate the material weakness in our internal control over financial reporting, as discussed above.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various legal proceedings arising from the normal course of business activities. As of the date of this Quarterly Report on Form 10-Q, we are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings can be costly and can impose a significant burden on management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risk and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the events or circumstances described in the following risk factors is realized, our business, operating results, financial condition, cash flows, and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risk Factors Summary

Our business operations are subject to numerous risks, factors and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

- Unstable market and economic conditions may have serious adverse consequences on our business, financial condition, and share price.
- Our rapid revenue growth may not be indicative of our future revenue growth. Our rapid revenue growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.
- We have a limited history operating at our current scale, and our future results of operations may fluctuate significantly due to a wide range of factors, which make it difficult to forecast our future results of operations.
- We have a history of operating losses and may not achieve or sustain profitability in the future.
- The estimates of market opportunity and forecasts of market growth may prove to be inaccurate. Even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.
- We face intense competition, including from well-established companies that offer products that compete with ours.
- We may lack sufficient financial or other resources to maintain or improve our competitive position, which may harm our ability to add new customers, retain existing customers, and grow our business.
- If we are unable to attract new customers and renew existing customers, our business, financial condition and results of operations will be adversely affected.
- If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, or changing regulations, or to changing customer or consumer needs, requirements or preferences, our platform may become less competitive.
- We are substantially dependent upon customers renewing their subscriptions to, and expanding their use of, our platform to maintain and grow our revenue, which requires us to scale our platform infrastructure and business quickly enough to meet our customers' growing needs. If we are not able to grow in an efficient manner, our business, financial condition and results of operations could be harmed.
- Failure to effectively develop our sales and marketing capabilities could harm our ability to expand our customer base and achieve broader market adoption of our platform and products.
- We are dependent on a single platform, and the failure to achieve continued market acceptance of our platform could cause our results of operations to suffer.
- If our platform fails to perform properly or there are defects or disruptions in the rollout of our platform updates or enhancements, our reputation could be adversely affected, our market share could decline, and we could be subject to liability claims.
- We may need to reduce prices or change our pricing model to remain competitive.
- Our business depends on our ability to send consumer engagement messages, including email, SMS and mobile and web notifications, and any significant disruption in service with our third-party providers or on mobile operating

systems could result in a loss of customers or less effective consumer-brand engagement, which could harm our business, financial condition and results of operations.

- We rely upon third-party providers of cloud-based infrastructure, including Amazon Web Services, to host our products. Any disruption in the operations of these third-party providers or limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.
- We are subject to stringent and changing laws and regulations, industry standards and contractual obligations related to privacy, data security and data protection. The restrictions and costs imposed by these requirements and our actual or perceived failure to comply with them, could harm our business.
- If we or our third-party service providers experience a security breach or unauthorized parties otherwise obtain access to our customers' data, our data or our platform, our solution may be perceived as not being secure, our reputation may be harmed, demand for our platform and products may be reduced and we may incur significant liabilities.
- Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our platform and could have a negative impact on our business.
- We employ third-party licensed software for use in or with our platform, and the inability to maintain these licenses or errors or vulnerabilities in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.
- We have identified one material weakness in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected.
- The dual class structure of our common stock has the effect of concentrating voting control with our executive officers, directors and significant holders of our capital stock, which limits the ability of holders of our Class A common stock to influence the outcome of important transactions.

Risks Related to Our Growth and Capital Requirements

Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and share price.

The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, increases in inflation rates, higher interest rates and uncertainty about economic stability. These unfavorable conditions have been, and may continue to be, exacerbated in the United States and abroad by global and domestic socioeconomic events, including the failure of high-profile banking and other financial institutions, the Federal Reserve's attempts to combat inflation through interest rate increases, unrest in international trade relations, domestic and foreign political turmoil, natural catastrophes, pandemics related to highly infectious diseases, warfare and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, and international military conflicts and the related political and economic responses, such as the conflict in Ukraine and resulting sanctions on Russia. Continued volatility and disruptions may have adverse consequences on us or the third-parties on whom we rely. If the financial, equity or credit markets further deteriorate, including as a result of the measures taken to combat inflation, volatility in the banking and financial services sector, political unrest or war, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Increased inflation rates can adversely affect us by increasing our costs, including labor and employee benefits costs. In addition, higher inflation and macroeconomic turmoil and uncertainty could also adversely affect our customers, which could reduce demand for our products and services. For instance, we were founded in 2011, but our business and revenue have grown rapidly over the last several years. As a result of our limited history operating at our current scale, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth, particularly in a softening economic environment. Recent increases in inflation, economic volatility and related increases in interest rates have affected customer spending behavior. Significant continued increases in inflation, continued economic volatility and related increases in interest rates could have a material adverse effect on our business, financial condition and results of operations. To the extent there is a sustained general economic downturn and our customer engagement platform is perceived by customers and potential customers as too costly, or too difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general customer engagement technology spending. This perception has previously, and may continue to, result in an extension of our sales cycle with potential customers, thus increasing the time and cost associated with our sales process. Further, even if our customers choose to use our platform, they may nonetheless reduce their customer engagement technology spending and elect not to purchase additional products and services in the future due to budget limitations. Also, competitors may respond to market conditions by lowering prices and attempting to lure away our current and potential customers. In addition, macroeconomic uncertainty may result in an increased pace of consolidation in certain industries in which our customers operate. If this were to occur it may result in reduced overall spending on our services, particularly if our customers are acquired by organizations that do not use our services. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or the markets in which we operate worsen from present levels, our business, results of operations and financial condition could be materially and adversely affected.

Our rapid revenue growth may not be indicative of our future revenue growth. Our rapid revenue growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

Our revenue was $216.9 million and $163.6 million for the six months ended July 31, 2023 and 2022, respectively. You should not rely on our historical revenue growth as an indication of our future performance. Even if our revenue continues to increase, we expect that our annual revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. Overall growth of our revenue depends on several factors, including our ability to:

- expand subscriptions for additional functionality within our platform to our existing customers;
- expand the products for and functionality of our platform and achieve market acceptance for them;
- attract new customers, particularly in verticals and organizations where we have already experienced revenue growth;
- succeed in selling our products outside the United States;
- continue to partner with existing customers to improve our platform and its products and functionality;
- keep pace with technological developments;
- price our platform subscriptions effectively;
- provide our customers with support that meets their needs;
- successfully identify and acquire or invest in businesses, products or technologies that we believe could complement or expand our platform; and
- increase awareness of our brand on a global basis and successfully compete with other companies.

We may not successfully accomplish any of these objectives and, as a result, it is difficult for us to forecast our future results of operations. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain revenue growth, our stock price could be volatile, it may be difficult to achieve and maintain profitability, and our business, financial condition and results of operations may be adversely affected. The adverse effect on our results of operations resulting from a failure to achieve our revenue expectations may be particularly acute because of the significant research, development, marketing, sales and other expenses we expect to incur.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity financings, including through the public markets in our initial public offering, and sales of subscriptions to our platform. 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 to respond to business challenges, including the need to develop new features or enhance our platform, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. Additional financing may not be available on terms favorable to us, including as a result of inflationary pressure and a higher interest rate environment, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, financial condition and results of operations. If we incur debt, the debt holders would have rights senior to holders of our Class A and Class B common stock to make claims on our assets, and the terms of any debt could include restrictive covenants relating to our capital raising activities and other financial and operational matters, any of which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Furthermore, if we issue equity securities, our stockholders will experience dilution, and the new equity securities could have rights senior to those of our Class A common stock and Class B common stock. Because our decision to issue securities in the future 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.

We have a limited history operating at our current scale, and our future results of operations may fluctuate significantly due to a wide range of factors, which make it difficult to forecast our future results of operations.

Our results of operations may fluctuate significantly from period to period due to many factors, many of which are outside of our control, including:

- failure to execute on our growth strategies;
- the level of demand for our platform;
- the rate of renewal of subscriptions with, and extent of sales of additional subscriptions to, existing customers;
- the size, timing, duration and pricing, and other terms of our subscription agreements with existing and new customers;
- the introduction of new products and product enhancements by existing competitors or new entrants into our market, and changes in pricing for products offered by our competitors;
- network outages, security breaches and other cyber-attacks, technical difficulties with or interruptions to our platform;

- customers delaying purchasing decisions in anticipation of new developments or enhancements by us or our competitors or otherwise;
- changes in customers' budgets;
- seasonal variations related to sales and marketing and other activities, such as expenses related to our customers' increased usage of our platform and products during the fourth quarter;
- our ability to increase, retain and incentivize the strategic partners that market and sell our platform;
- the timing of growth of our business, in particular through our hiring of new employees and international expansion;
- our ability to control our operating expenses and other costs;
- our ability to hire, train and maintain our direct sales team;
- unforeseen litigation and inability to enforce, protect or defend our intellectual property, or claims of infringement by third-parties;
- the timing of our adoption of new or revised accounting pronouncements applicable to us and the impact on our results of operations;
- fluctuations in our effective tax rate; and
- general economic and political conditions, as well as economic conditions specifically affecting industries in which our customers operate.

Any one of these or other risks or uncertainties discussed elsewhere in this report or the cumulative effect of some of these factors may result in fluctuations in our revenue, results of operations and cash flows, meaning that quarter-to-quarter comparisons of our revenue, results of operations and cash flows may not necessarily be indicative of our future performance, may cause us to miss our guidance and analyst expectations and may cause the price of our Class A common stock to decline. Additionally, if our assumptions regarding these risks and uncertainties are incorrect or change, including as a result of global or domestic macroeconomic and socioeconomic conditions such as, among others, instability in the banking and financial services sector, international and domestic supply chain risks, inflationary pressure, interest rate increases, declines in consumer confidence, international conflicts and domestic and foreign political unrest, that impact us and our customers, or if we do not address these risks successfully, our revenue and results of operations could differ materially from our expectations, and our business, financial condition and results of operations may be adversely affected.

We have a history of operating losses and may not achieve or sustain profitability in the future.

We have experienced net losses in each of our last several fiscal years. We generated a net loss of $70.9 million and $73.0 million for the six months ended July 31, 2023 and 2022, respectively. As of July 31, 2023, we had an accumulated deficit of $424.1 million. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future results of operations if our revenue does not continue to increase. In particular, we intend to continue to expend substantial financial and other resources on:

- our technology infrastructure and operations, including systems architecture, scalability, availability, performance and security;
- our sales and marketing organization, to engage our existing and prospective customers, increase brand awareness and drive adoption of our products;
- platform development, including investments in our platform development team and the development of new products and functionality for our platform as well as investments in further improving our existing platform and infrastructure;
- acquisitions or strategic investments;
- international expansion; and
- general administration, including increased insurance, legal and accounting expenses associated with being a public company and transitioning from an emerging growth company to a large accelerated filer.

These investments may not result in increased revenue. If we are unable to maintain or increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial condition and results of operations will be adversely affected, and we may not be able to achieve or maintain profitability over the long term.

The estimates of market opportunity and forecasts of market growth may prove to be inaccurate. Even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market estimates and growth forecasts are uncertain and based on assumptions and estimates that may be inaccurate. Our addressable market depends on a number of factors, including businesses' desire to differentiate themselves through digital customer engagement, partnership opportunities, changes in the competitive landscape, technological changes, data security or privacy concerns, customer budgetary constraints, changes in business practices, changes in the regulatory environment and changes in economic conditions. Our estimates and forecasts relating to the size and expected growth of our market may prove to be inaccurate, and our ability to produce accurate estimates and forecasts may be impacted by economic uncertainty that is outside our control, including as a result of global or domestic macroeconomic and socioeconomic conditions such as, among others, instability in the banking and financial services sector, international and domestic supply chain risks, inflationary pressure, interest rate increases, declines in consumer confidence, international conflicts and domestic and foreign political unrest, that impact us and our customers. Any of these risks could have a significant impact on our business or the business of our customers, either of which could result in a material adverse effect on our results and operations and cause our current estimates and projections to be inaccurate. Even if the market in which we compete meets the size estimates and growth rates we forecast, our business could fail to grow at similar rates, if at all.

We track certain operational metrics with internal systems and tools and do not independently verify such metrics. Certain of our operational metrics are subject to inherent challenges in measurement, and any real or perceived inaccuracies in such metrics may adversely affect our business and reputation.

We track certain operational metrics, including the number of customers, monthly active users, platform enabled interactions, consumer generated data points, customer messages, annual recurring revenue and dollar-based net retention rate and Non-GAAP free cash flow. Our operational metrics are tracked with internal systems and tools that are not independently verified by any third party and which may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring how our platform is used across large populations. In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If our operating metrics are not accurate representations of our business, if investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, we expect that our business, reputation, financial condition, and results of operations would be adversely affected.

Risks Related to Our Business and Our Brand

We face intense competition, including from well-established companies that offer products that compete with ours. We may lack sufficient financial or other resources to maintain or improve our competitive position, which may harm our ability to add new customers, retain existing customers, and grow our business.

The market for customer engagement products is evolving and highly competitive. There are several established and emerging competitors that address specific aspects of customer engagement. We face intense competition from software companies that offer marketing solutions, such as legacy marketing clouds like Adobe and Salesforce, and point solutions like Airship, Iterable, CleverTap, MailChimp (Intuit) and MoEngage. Many of our existing competitors have, and our potential competitors could have, substantial competitive advantages, such as greater name recognition, longer operating histories, larger sales and marketing budgets and resources, greater customer support resources, lower labor and development costs, larger and more mature intellectual property portfolios and substantially greater financial, technical and other resources than we do. In addition, our competitors may have an advantage in markets where our policies regarding the use of customer data are more restrictive than local laws, regulations, policies and standards. For example, competitors willing to sell customer data in markets where such activity is permissible may have a pricing advantage over us in such markets. Any such pricing advantages that our competitors have may negatively affect our ability to gain new customers and retain existing customers. Additionally, to the extent there is a sustained general economic downturn, our customers and potential customers may experience delays and reductions in general customer engagement technology spending. As a result, our competitors have in the past responded, and may continue in the future to respond, to market conditions by lowering prices and attempting to lure away our current and potential customers. With the introduction of new technologies and the entry of new competitors into the market, we expect competition to persist and intensify in the future. In addition, in recent years, there has been significant merger and acquisition activity among our competitors, including the acquisition of MailChimp by Intuit and the acquisition of Leanplum by CleverTap. Continued merger and acquisition activity in the technology industry could further increase the likelihood that we compete with other large technology companies. This could harm our ability to increase sales, maintain or increase subscription renewals, and maintain our prices.

Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors or continuing market consolidation. Some of our larger competitors also have substantially broader product lines and market focus and therefore may not be as susceptible to downturns in a particular market. New start-up companies that innovate, and large companies that are making significant investments in research and development, may invent similar or superior products and technologies that compete with one or more of our platform offerings. In addition, some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with agency partners, technology and application providers in complementary categories, or other parties. Competitors may also consolidate with existing service providers or strategic partners that we rely on, and as a result we could lose partnerships that are difficult to replace. Any such consolidation, acquisition, alliance or cooperative relationship could lead to pricing pressure, a loss of market share or a smaller addressable share of the market and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our ability to compete.

Some of our larger competitors may use their broader product offerings to compete with us, including by bundling their competitive products with other products being purchased from that company by a customer or by restricting access to their technology platforms thereby making it more difficult for customers to integrate the use of our platform with other competitor products. Potential customers may prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. Furthermore, potential customers may be more willing to incrementally add solutions to their existing infrastructure from competitors than to replace their existing infrastructure with our platform and products. These competitive pressures in our market, or our failure to compete effectively, may result in price reductions, fewer sales, reduced revenue and gross margins, increased net losses and loss of, or failure to expand, our market share. Any failure to address these challenges could harm our business, financial condition and results of operations.

If we are unable to attract new customers and renew existing customers, our business, financial condition and results of operations will be adversely affected.

To increase our revenue, we must continue to attract new customers and retain, and sell more products to, existing customers. Our success will depend to a substantial extent on the widespread adoption of our platform and products as an alternative to existing products in which many enterprises have invested substantial personnel and financial resources and, therefore, may be reluctant or unwilling to abandon. In addition, as our market matures, our products evolve and competitors introduce lower cost or differentiated products that are perceived to compete with our platform, products and services, our ability to sell subscriptions for our products could be impaired. Similarly, our subscription sales could be adversely affected if customers or users within these organizations perceive that features incorporated into competitive products reduce the need for our products or if they prefer to purchase other products that are bundled with products offered by other companies that operate in adjacent markets and compete with our products. In addition, the value of our products and services to our customers depends, in part, on our customers' ability to use them as part of an overall effective marketing strategy. To the extent our customers' marketing strategies are not effective, they may reduce the use of our products and services or fail to renew their existing contracts. Further, to the extent there is a sustained general economic downturn and our customers and potential customers experience delays or reductions in general customer engagement technology spending, potential customers may be unwilling to take on the additional cost associated with adopting our platform as an alternative to their existing products or service providers, and if they choose to adopt our platform, they may not purchase additional products and services in the future due to budget limitations. As a result of these and other factors, we may be unable to attract new customers, which may have an adverse effect on our business, financial condition and results of operations.

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

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our platform and its products and functionality, increase adoption and usage of our platform, and introduce new products and functionality. The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards and changing regulations, as well as changing customer and consumer needs, requirements and preferences, including changes in the use of channels through which consumers desire to communicate with brands. For instance, the SEC has previously indicated that it may increase regulatory focus on the use of customer engagement tools in the financial services industry, and we cannot predict if other regulators will take similar actions in other markets in the future. Any regulatory restrictions on the use of customer engagement tools from the SEC or other domestic or foreign regulators could have the effect of reducing demand for our platform in this and other markets. Further, recent advances in, and the public availability of, generative artificial intelligence may be a significant disruptor in consumer engagement and marketing strategies. 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 were unable to enhance our platform offerings to keep pace with rapid technological and regulatory change, or if new technologies emerge that are able to deliver competitive products at lower prices, more efficiently, more conveniently or more securely than our platform, our business, financial condition and results of operations may be adversely affected. Further as we develop, acquire, and introduce new services and technologies, including those that may incorporate artificial intelligence and machine learning, we may be subject to new or heightened legal, ethical, and other challenges.

The success of our platform depends, in part, on our ability to continuously modify and enhance our platform to adapt to changes and innovation in existing and new technologies to maintain and grow our integrations. We expect that the number of integrations with our customers' infrastructure that we will need to support will continue to expand as developers adopt new software solutions, and we will have to develop new versions of our platform to work with those new solutions. This development effort may require significant engineering, sales and marketing resources, all of which could adversely affect our business. Any failure of our platform to operate effectively with customer infrastructures could reduce the demand for our platform, and our business, financial condition and results of operations may be adversely affected.

We are substantially dependent upon customers renewing their subscriptions to, and expanding their use of, our platform to maintain and grow our revenue, which requires us to scale our platform infrastructure and business quickly enough to meet our customers' growing needs. If we are not able to grow in an efficient manner, our business, financial condition and results of operations could be harmed.

As usage of our platform grows and as customers use it for more complex projects, we may need to devote additional resources to improving our platform architecture, updating our platform's products and functionality, integrating with third-party systems and maintaining infrastructure performance. In addition, we will need to appropriately scale our internal business as well as grow our partner services network to serve our growing customer base, particularly as our customer base expands over time. Our ability to scale our business is dependent on our ability to maintain and grow our revenue through new and renewed customer subscriptions to our platform, from which we derive substantially all of our revenue. We cannot assure you that we will be able to renew subscriptions with any of our customers at the same or higher contract value, particularly if our customers experience reductions or delays in general customer engagement technology spending in connection with a sustained general economic downturn. In addition, some customers have multiple order forms with different divisions of their entities, which could increase the complexity of negotiating renewals.

The market for customer engagement products is still evolving, and competitive dynamics may cause our pricing to change as the market matures and as existing and new market participants introduce new types of products and different approaches to enable customers to address their needs. As a result, we may be forced to reduce the prices we charge for our subscriptions and may be required to offer terms less favorable to us for new and renewal agreements, particularly for mid- to large-size enterprises that may demand substantial price discounts as part of the negotiation of subscription contracts.

Further, some of our contracts limit the amount we can increase prices from period to period or include pricing guarantees. Accordingly, these pricing restrictions may cause the revenue generated from these contracts to not keep pace with our costs, particularly if we are adversely affected by inflation increasing our costs, including labor and employee benefit costs In the past, we have also made certain pricing concessions for customers that were significantly negatively impacted by the COVID-19 pandemic, and we may be forced to make similar pricing concessions in the future if our customers face other economic challenges to their businesses. If our customers do not renew their agreements, require pricing concessions, terminate their agreements as a result of a change of control or otherwise, renew their agreements on terms less favorable to us or fail to purchase additional product subscriptions, our revenue may decline, and as a result our ability to scale our business may be impaired and our business, financial condition and results of operations would likely be harmed as a result.

Any failure of or delay in efforts to scale our business could cause difficulty or delay in deploying our products or functionality to customers, could lead to impaired performance, other declines in quality or customer satisfaction, increased costs, difficulty in introducing new features or other operational inefficiencies or failures. These issues could reduce the attractiveness of our platform to customers, resulting in decreased subscriptions with existing and new customers, lower subscription renewal rates, the issuance of service credits or requests for refunds, which could hurt our revenue growth and our reputation. Even if we can upgrade our systems and expand our staff, any such expansion will be expensive and complex, requiring management time and attention, as well as improvements to our operational and financial controls and reporting systems and procedures. Because of these risks and other inherent risks associated with upgrading, improving and expanding our information technology systems, any needed expansion and improvements to our infrastructure and systems may not be fully or effectively implemented on a timely basis, if at all. Any such expansion efforts may reduce revenue or may not bring the benefits we anticipate, and our business, financial condition and results of operations may be adversely affected.

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

Our ability to expand our customer base and achieve broader market adoption of our platform will depend on the productivity of our sales and marketing operations. We plan to continue expanding our sales team and strategic partners over the long term, both domestically and internationally; however, there is no assurance that we will be successful in attracting and retaining talented sales personnel or strategic partners or that any new sales personnel will be able to achieve productivity in a reasonable period of time or at all. We also plan to dedicate significant resources to sales and marketing programs to drive new customer acquisition, as well as engage with customers to promote upsell and cross-sell opportunities. We also engage with industry analysts, consulting firms, marketing service providers, data and technology partners, marketing agencies and other solution partners, business and trade press, and other industry experts who exert considerable influence in our market to promote our platform and our brand. Our business, financial condition and results of operations may be harmed if our sales and marketing efforts do not generate a corresponding increase in revenue. In addition, we may not achieve anticipated revenue growth from expanding our sales team if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective. If the cost of marketing our platform and products increases or competition reduces the effectiveness of our marketing efforts, our business, financial condition and results of operations may be adversely affected.

We are dependent on a single platform, and the failure to achieve continued market acceptance of our platform could cause our results of operations to suffer.

Substantially all of our revenue is attributable to subscriptions for our cloud-based platform. We expect that we will be substantially dependent on our platform to generate revenue for the foreseeable future. As a result, our results of operations could suffer due to:

- any decline in demand for our platform, including as a result of reductions or delays in general customer engagement technology spending by our customers and potential customers in connection with a sustained general economic downturn;
- the failure of our platform to achieve continued market acceptance;
- the market for our platform 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 platform;
- technological innovations or new standards that our platform does not address;
- incidents or interruptions with third-party service providers, including Apple or Google services, that affect the ability of our customers to use our platform;
- sensitivity to current or future prices offered by us or our competitors;
- our inability to release enhanced versions of our platform on a timely basis;
- the development of new communication channels with which we are not able to adequately integrate our platform; and
- changes to mobile devices and platforms that prevent or degrade the functionality of our platform, or our inability to maintain interoperability of our platform with such mobile devices and platforms.

If the market for our platform grows more slowly than anticipated or if demand for our products 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, we may not be able to grow our revenue, and our business, financial condition and results of operations may be adversely affected.

If our platform fails to perform properly or there are defects or disruptions in the rollout of our platform updates or enhancements, our reputation could be adversely affected, our market share could decline, and we could be subject to liability claims.

Our platform is inherently complex and may contain material defects or errors. Any defects or errors that impact functionality or that cause interruptions in the availability of our platform could result in:

- loss or delayed market acceptance and subscriptions;
- breach of warranty claims;
- breach of contract claims;
- sales credits or refunds for prepaid amounts;
- loss of customers;
- diversion of development and support resources; and
- injury to our reputation.

The costs we would be forced to incur to correct any material defects or errors could be substantial and could adversely affect our business, financial condition and results of operations.

Our customer agreements often provide service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability of our platform, we may be contractually obligated to provide these customers with service credits or we could face contract terminations. We outsource substantially all the infrastructure relating to our cloud-based platform to third-party hosting providers and, as a result, our services may be impacted in the future, and have been impacted in the past, by unscheduled downtime at such providers that is beyond our control. Our revenue could be significantly affected if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers.

Because of the large amount of data that we collect, process, transmit, store and manage, it is possible that hardware failures or errors in our systems could result in data loss or cause the information that we collect to be incomplete which may result in breach of contract claims, damage our reputation or subject us to regulatory fines or investigations. Furthermore, the availability or performance of our platform could be adversely affected by a number of factors outside our control, including customers' inability to access the internet, the failure of software systems caused by our third-party vendors, security breaches, cyberattacks or variability in user traffic for our services. For example, our customers access our platform through their internet service providers. If a customer's service provider fails to provide sufficient capacity to support our platform or otherwise experiences service outages, such failure could interrupt our customers' access to our platform and adversely affect their perception of our platform's reliability. In addition to potential liability, if we experience interruptions in the availability of our cloud-based platform, our reputation could be adversely affected, and we could lose customers or have difficulty acquiring new customers.

We also provide frequent incremental releases of updates and functional enhancements to our platform. Despite extensive pre-release testing, such new versions occasionally contain undetected errors when first introduced or released. We have, from time to time, found errors in our platform, and new errors in our platform may be detected in the future. Since our customers use our products for important aspects of their business, any errors, defects, disruptions in our platform or other performance problems with our solutions could hurt our reputation and may damage our customers' businesses. If that occurs, some of our customers may delay or withhold payment to us, elect not to renew their subscriptions with us, make service credit claims, warranty claims or other claims against us, and we could lose future sales. The occurrence of any of these events could result in an increase in our bad debt expense, an increase in collection cycles for accounts receivable or a decrease in future revenue and earnings, or could cause us to incur the risk or expense of litigation.

We may need to reduce prices or change our pricing model to remain competitive.

Our subscription fees are principally based on an upfront commitment by our customers for a specific number of monthly active users, messaging volume, platform access and/or support and certain add-on products. We expect that we may need to change our pricing from time to time. As new or existing competitors introduce products that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers. We also must determine the appropriate price to enable us to compete effectively internationally. Customers may demand substantial price discounts as part of the negotiation of subscription agreements. As a result, we may be required or choose to reduce our prices or otherwise change our pricing model, which could adversely affect our business, financial condition and results of operations.

Our sales cycle with large enterprise customers can be long and unpredictable, and our sales efforts require considerable time and expense.

The timing of our sales cycles with our large enterprise customers and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for these customers. Large enterprise customers may have a lengthy sales cycle for the evaluation and procurement of our platform. Work-from-home arrangements resulting from, and continuing after, the COVID-19 pandemic may cause a lengthening of these sales cycles or a reduction in sales cycle win rates as we have historically benefited from using face-to-face selling techniques and generating pipeline via in-person events. Additionally, to the extent there is a sustained general economic downturn resulting in delays or reductions in general customer engagement technology spending by large enterprise customers, we may experience an extension of our sales cycle with potential customers or a reduction in sales cycle win rates due to budgetary constraints. Any delays in our sales cycles may cause a delay between increasing operating expenses for such sales efforts and, upon successful sales, the generation of corresponding revenue. We are often required to spend significant time and resources to better educate our potential large enterprise customers and familiarize them with the platform. The length of our sales cycle for these customers, from initial evaluation to contract execution, is generally three to six months but can vary substantially and sometimes extend for over 12 months. Large enterprise customers often view a subscription to our platform and products as a strategic decision with significant investment. As a result, customers frequently require considerable time to evaluate, test and qualify our platform prior to entering into or expanding a subscription. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which may not result in a sale. Additional factors that may influence the length and variability of our sales cycle include:

- the effectiveness of our sales team as we hire and train our new salespeople to sell to large enterprise customers;
- our ability to meet with customers in person during a sales cycle;
- the discretionary nature of purchasing and budget cycles and decisions;
- the obstacles placed by customers' procurement process;
- economic conditions and other factors impacting customer budgets;
- customers' familiarity with our products;
- customers' evaluation of competing products during the purchasing process; and
- evolving customer demands.

Given these factors, it is difficult to predict whether and when a sale will be completed. Consequently, a shortfall in demand for our products and services or a decline in new or renewed contracts in a given period may not significantly reduce our revenue for that period but could negatively affect our revenue in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

Our business and reputation could be adversely affected if our customers are not satisfied with the integration, implementation, or services provided by us or our partners.

The success of our business depends on our customers' satisfaction with our platform, the support that we provide for our platform and the services that we provide to help integrate and utilize our platform. Onboarding services may be performed by our own staff, by a third party or by a combination of the two. We have partnered with third-parties to increase the breadth, capability and depth of capacity for delivery of these onboarding services to our customers, and third-parties provide a significant portion of such support. If a customer is not satisfied with the quality of work performed by us or a third party or with the solutions delivered, we could incur additional costs to address the deficiency, which would diminish the profitability of the customer relationship. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell new products to existing and new customers will suffer and our reputation with existing or potential customers will be harmed, even if the dissatisfaction is with services provided by a third party partner. Further, customer dissatisfaction with our services could impair our ability to expand the subscriptions within our customer base or adversely affect our customers' renewal of existing subscriptions. In addition, negative publicity related to our customer relationships, regardless of accuracy, may further damage our business by affecting our ability to compete for new business with actual and prospective customers.

Because we generally recognize revenue ratably over the term of each subscription agreement, downturns or upturns in our sales may not be immediately reflected in our financial condition and results of operations.

We recognize revenue ratably over the term of each subscription agreement. Consequently, while a decline in new sales or renewals in any one period may not be reflected in our revenue for that period, this decline will negatively affect our revenue in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our products and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. Our model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers generally is recognized over the term of the applicable agreement.

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

We believe that maintaining and enhancing our brand is important to support the marketing and sale of our existing and future products to new customers and expand sales of our platform and products to 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 use cases, and our ability to successfully differentiate our products and platform capabilities from competitive products. If we are not able to effectively differentiate our platform and its capabilities from those of our competitors, we may experience difficulty in attracting new customers. 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 incur in building our brand. If we fail to successfully promote and maintain our brand, our business, financial condition and results of operations may be adversely affected.

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction or adequately address competitive challenges.

We may continue to experience rapid growth and organizational change, which may continue to place significant demands on our management and our operational and financial resources. We have also experienced growth in the number of customers, the number of engagements we enable and the amount of data that our infrastructure supports. In particular, acquiring and supporting enterprise customers can require significant resources due to their size, volume of messaging and complexity. Our success will depend in part on our ability to manage this growth effectively. We will require significant capital expenditures and valuable management resources to grow without undermining our culture of innovation, teamwork and attention to customer success, which has been central to our growth so far.

We intend to continue to expand our international operations in the future. Our expansion will continue to place a significant strain on our managerial, administrative, financial and other resources. If we are unable to manage our growth successfully, our business, financial condition and results of operations may be adversely affected.

It is important that we maintain a high level of customer services, integration services, technical support and satisfaction as we expand our business. As our customer base continues to grow and as our penetration within existing customers expands, we will need to expand our account management, customer service and other personnel. Failure to manage growth could result in difficulty or delays in launching our platform, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features, or other operational difficulties. Any of these could adversely impact our business, financial condition and results of operations.

We anticipate that our operations will continue to increase in complexity as we grow, which will create management challenges.

Our business has experienced strong growth and is complex. We expect this growth to continue and for our operations to become increasingly complex. To manage this growth, we continue to make substantial investments to improve our operational, financial and management controls as well as our reporting systems and procedures. We may not be able to 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 results of operations. For example, we may not be able to effectively monitor certain contract requirements for specific products. We may have difficulty managing improvements to our systems, processes and controls or in connection with third-party software, which could impair our ability to provide our platform to our customers, causing us to lose customers, limiting our platform to less significant updates or increasing our technical support costs. If we are unable to manage this complexity, our business, financial condition and results of operations may be adversely affected.

As our customer base continues to grow, we will need to expand our services and other personnel, and maintain and enhance our partnerships, to provide a high level of customer service. We also will need to manage our sales processes as our sales personnel and partner network continue to grow and become more complex and as we continue to expand into new geographies and market segments. If we do not effectively manage this increasing complexity, the quality of our platform and customer service could suffer, and we may not be able to adequately address competitive challenges. These factors could impair our ability to attract and retain customers and expand our customers' use of our platform.

We depend on our senior management team and the loss of one or more key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our executive officers, particularly our chief executive officer. We rely heavily on our chief executive officer's vision, expertise and reputation. We rely on our leadership team for research and development, marketing, sales, services and general and administrative functions, and on mission-critical individual contributors. From time to time, our executive management team may change due to the hiring or departure of executives, which could disrupt our business. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period; therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers, particularly our chief executive officer, or key employees (including any limitation on the performance of their duties or short-term or long-term absences as a result of illness or disability) could have a serious adverse effect on our business.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for experienced software engineers and senior sales executives. We expect to continue to experience difficulty in hiring and retaining employees with appropriate qualifications. In addition, as a result of our hybrid work model, called "The Way Braze Works," we have a large, remote workforce, which adds to the complexity and costs of our business operations. We implemented our hybrid work model in September 2022, and it may impact our ability to identify, hire and train new personnel. Also, as a public company, potential candidates may not perceive our compensation package, including our equity awards, as favorably as employees hired prior to our initial public offering or as compared to our private competitors. In addition, our recruiting personnel, methodology and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner. Also, it is not uncommon for companies to see significant turnover in their workforce following an initial public offering, a trend which may only be further amplified by the competitive market for highly-skilled employees. If we fail to attract new personnel, experience significant turnover or the loss of key personnel or fail to retain and motivate our current personnel, it could adversely affect our business and future growth prospects. Further, many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources.

If we are unable to maintain our culture and core values as we grow, we could lose the innovation, teamwork, passion and focus on execution that we believe contribute to our success, and our business may be harmed.

We believe our culture and core values are critical to our success and have delivered tangible financial and operational benefits to our customers, employees and stockholders. We are a mission-driven company and have designed our core values as a guiding set of principles for our employees and business. Accordingly, we have invested substantial time and resources in building a team that reflects our culture and core values. As we grow and develop our infrastructure as a public company, our operations may become increasingly complex. We may find it difficult to maintain these important aspects of our culture and core values. In addition, the growth of our remote workforce may impact our ability to preserve our culture and core values.

Any failure to preserve our culture or core values could negatively affect our future success, including our ability to retain and recruit personnel, and to effectively focus on and pursue our corporate objectives.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, privacy law violations, data breaches and other losses.

Many of our agreements with customers and certain other third-parties include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, violation of privacy and other applicable law or breaches of information security obligations, or other liabilities relating to or arising from our platform, products or other contractual obligations. Some of these agreements provide for uncapped liability for losses caused by intellectual property infringement or gross negligence or willful misconduct, and some indemnity provisions survive termination or expiration of the applicable agreement. While we cap all other liabilities, in some instances, the cap may represent a significant amount of potential liability, and such large indemnity payments could harm our business, financial condition and results of operations. Although we normally contractually limit our liability with respect to these obligations, we may still incur substantial liability related to them and we may be required to cease use of certain functions of our platform or products as a result of any such claims. Additionally, while we maintain insurance related to these matters, this insurance might not cover all such claims, provide sufficient payments to cover all the costs to resolve one or more of such claims or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or under-insured could result in unanticipated costs, and our business, financial condition and results of operations may be adversely affected. Further, any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer, other existing customers and new customers, which could adversely affect our business, financial condition and results of operations.

Our current operations are international in scope, and we plan further geographic expansion. This will create a variety of operational challenges.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. We currently have customers in North America, Europe, the Middle East, the Asia-Pacific region and Latin America. We are continuing to adapt and develop strategies to address international markets, but such efforts may not be successful. In addition, any future stay-at-home, business closure and other restrictive orders and travel restrictions into and outside the United States as a result of international conflicts, domestic unrest or the emergence of new highly infectious diseases, if any, may pose additional challenges for international expansion and may impact our ability to launch new locations and further expand geographically.

We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new international markets. This and any other future expansion of our international activities and operations will require significant management attention and financial resources.

Our current international operations and future initiatives involve a variety of risks, including:

- changes in a country’s or region’s political or economic conditions;
- the need to adapt and localize our platform for specific countries;
- greater difficulty collecting accounts receivable and longer payment cycles;
- unexpected changes in laws, regulatory requirements, taxes or trade laws;
- more stringent regulations relating to privacy and data security and the unauthorized collection, processing, transmission or use of, or access to, commercial and personal information, particularly in Europe;
- differing labor regulations, especially in regions where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in some of these locations;
- 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 chose to do so in the future;
- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property;
- 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;
- risks related to global health epidemics and related restrictions on our ability and our customers’ ability to travel;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act of 2010, the U.K. Proceeds of Crime Act 2002 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.

Failure to overcome any of these difficulties could negatively affect our results of operations. If we invest substantial time and resources to expand our international operations and are unable to do so successfully, our business, financial condition and results of operations may be adversely affected.

We have a limited history of operating with a substantial remote workforce and the long-term impact of this workplace arrangement on our financial results and business operations is uncertain.

In September 2022, we implemented our hybrid work model, called "The Way Braze Works," pursuant to which each department may choose to have its employees function primarily as in-person, remote or hybrid workers. We have also hired a large number of employees who are permanently remote, regardless of their department's determination. As a result, remote work has become the primary experience for a large number of our employees, and our intention is for our workforce to continue to have remote work opportunities into the future. However, we have a limited history of operating with a large remote workforce and, while we anticipate that implementing The Way Braze Works will have a long-term positive impact on our financial results and business operations, the impact remains uncertain, particularly in the near term. Additionally, there is no guarantee that we will realize any anticipated benefits to our business, including any cost savings, operational efficiencies or productivity.

Our continuing shift to hybrid and remote work may make it increasingly difficult to manage our business and adequately oversee our employees and business functions, potentially resulting in harm to our company culture, increased employee attrition, the loss of key personnel, difficulty in properly classifying employees and a potentially negative impact on product research and development, and the growth of our business. We may also experience an increased risk of privacy and data security breaches and incidents involving our or our customers' data as a result of the decentralization of the technology used to operate our business. The mobility of our remote workers may also subject us to an increased risk of regulatory claims if our remote employees establish a nexus for our business in unanticipated jurisdictions. This could cause us to be subject to tax and employment claims in the applicable jurisdiction. Any of these factors could adversely affect our financial condition and operating results.

We may also face operational or other challenges as we and our customers, partners, suppliers and vendors and other parties with whom we do business continue to adjust to a hybrid model of remote and onsite work. These challenges may result in operational inefficiencies or employee dissatisfaction, either of which could harm our business.

Acquisitions, strategic investments, partnerships or alliances could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our business, financial condition and results of operations.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, products and platform capabilities, or technologies that we believe could complement or expand our products and platform capabilities, enhance our technical capabilities or otherwise offer growth opportunities. Further, our proceeds from our initial public offering increase the likelihood that we will devote resources to exploring larger and more complex acquisitions and investments than we have previously attempted. We may not be able to find and identify desirable acquisition targets or business opportunities or be successful in entering into an agreement with any particular strategic partner. Additionally, any such acquisition or investment may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products and platform capabilities, personnel or operations of any acquired companies, particularly if the key personnel of an acquired company choose not to work for us, their software is not easily adapted to work with our platform or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. These transactions may also disrupt our business, divert our resources and require significant management attention that would otherwise be available for development of our existing business. Any such transactions that we are able to complete may not result in any synergies or operational, financial or other benefits we had expected to achieve, which could result in impairment charges that could be substantial. These transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our business, financial condition and results of operations. In addition, if the resulting business from such a transaction fails to meet our expectations, our business, financial condition and results of operations may be adversely affected, or we may be exposed to unknown risks or liabilities.

Risks Related to Our Dependence on Third-Parties

Our business depends on our ability to send consumer engagement messages, including, among others, emails, SMS and mobile and web notifications, and any significant disruption in service with our third-party providers or on mobile operating systems could result in a loss of customers or less effective consumer-brand engagement, which could harm our business, financial condition and results of operations.

Our brand, reputation and ability to attract new customers depend on the reliable performance of our technology infrastructure and content delivery. Our platform engages with consumers through emails, SMS/MMS, mobile and web notifications (among other channels). We are dependent on third-party services for delivery of emails and SMS/MMS, and we are dependent on Apple services and Google services for delivery of mobile and web notifications. For example, unrelated third-parties are utilized throughout our industry to deliver email and SMS/MMS messages to consumers. If these third-party services change their policies regarding the delivery of certain email or SMS/MMS messages, some of our customers may no longer be able to use these channels through our platform. Further, if any of these third-party providers were to suffer extended service outages, then our customers may not be able to deliver email and SMS/MMS messages using our platform. If this were to occur, it could lead to customer dissatisfaction, harm to our reputation or subject us to liability, any of which may harm our business, financial condition and results of operations. We also encounter similar risks for any other channel we support that is delivered by third-party service providers, the occurrence of which could result in similar harm to our business. For instance, any incident broadly affecting the interaction of Apple or Android devices with necessary Apple or Google services (e.g., iCloud or Apple push notifications), including any delays or interruptions in such Apple or Google services, could adversely affect our business. Further, any cybersecurity events affecting Apple or Google Android devices could result in a disruption to Apple or Google services, regulatory investigations, reputational damage and a loss of sales and customers for Apple or Google, which could in turn impact our business. A prolonged disruption, cybersecurity event or any other negative event affecting Apple or Google could lead to customer dissatisfaction and could in turn damage our reputation with current and potential customers, expose us to liability and cause us to lose customers or otherwise harm our business, financial condition and results of operations. We will also face similar risks as we add new channels to our platform that are supported by third-parties if such third-parties were to face similar challenges or disruptions with regard to their respective channels.

We depend in part on mobile operating systems, such as Android and iOS, and their respective infrastructures, to send notifications through various applications that utilize our platform. Any changes in such systems that negatively impact the functionality of our platform could adversely affect our ability to interact with consumers in a timely and effective fashion, which could adversely affect our ability to retain and attract new customers. For example, any anti-tracking features adopted by Apple or Google that require applications to obtain additional permissions to track end user data may impact our customers' decisions relating to how to interact with users on our platform. While it is the contractual obligation of our customers to comply with these requirements and applicable laws when using our platform, we cannot guarantee that all customers will do so at all times. Accordingly, if any of our customers were to use our platform in violation of these policies or applicable law, even without our knowledge, we may be subject to financial penalties and reputational harm. Additionally, if such mobile operating systems change their policies or otherwise limit or prohibit us from sending notifications or otherwise make changes that degrade the functionality of our platform, such changes could adversely affect our business, financial condition and results of operations.

As new mobile devices and mobile, web and email platforms are released, there is no guarantee that these mobile devices and platforms will continue to support our platform or effectively roll out updates to our customers' applications. The parties that control the operating systems for mobile devices and mobile, web and email platforms. have no obligation to test the interoperability of new mobile devices or platforms with our platform, and third-parties may produce new products that are incompatible with or not optimal for the operation of our platform. Additionally, in order to deliver high-quality customer engagement, we need to ensure that our platform is designed to work effectively with a range of mobile technologies, systems, networks and standards. If consumers choose to use products or platforms that do not support our platform, or if we do not ensure our platform can work effectively with such products or platforms, our business and growth could be harmed. We also may not be successful in developing or maintaining relationships with key participants in the mobile industry that permit such interoperability. If we are unable to adapt to changes in popular operating systems, we expect that our customer retention and customer growth would be adversely affected.

We rely upon third-party providers of cloud-based infrastructure, including Amazon Web Services, to host our products. Any disruption in the operations of these third-party providers or limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.

We outsource substantially all the infrastructure relating to our cloud-based platform to third-party hosting providers. Our customers need to be able to access our platform at any time, without interruption or degradation of performance, and we provide many of them with service-level commitments with respect to uptime and, occasionally, throughput. Our products depend on protecting the virtual cloud infrastructure hosted by third-party hosting providers by maintaining its configuration, architecture, features and interconnection specifications, as well as the information stored in these virtual data centers, which is transmitted by third-party internet service providers. Any limitation on the capacity or availability of our third-party hosting providers could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition and results of operations. Currently, we rely on cloud computing infrastructure, particularly from Amazon Web Services, or AWS, to host our platform and support our operations and many of the internal products we use to operate our business. We do not have control over the operations of the facilities of AWS or other cloud providers. Each provider's respective facilities may be vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cybersecurity attacks, terrorist attacks, power losses, telecommunications failures and other events beyond our or their control. In the event that AWS's or any other third-party provider's systems or service abilities are hindered by any of the events discussed above, our ability to operate our platform may be impaired, our customers may be impacted, we may be subject to claims for refunds or terminations under our contracts, and our reputation and brand may be harmed. A decision to close these facilities without adequate notice, or other unanticipated problems, could result in lengthy interruptions to our platform. All of the aforementioned risks may be exacerbated if our or our partners' business continuity and disaster recovery plans prove to be inadequate in such a scenario.

Additionally, AWS or other cloud providers may experience threats or attacks from computer malware, ransomware, viruses, social engineering (including phishing attacks), denial of service or other attacks, employee error, theft or misuse and general hacking, including from state-sponsored or criminal hacking groups, which have become more prevalent in our industry. Any of these security incidents could result in unauthorized access or damage to, or the disablement, encryption, use or misuse, disclosure, modification, destruction or loss of our data or our partners' data, including personal information, or disrupt our ability to provide our platform or services. Our platform's continuing and uninterrupted performance is critical to our success. Users may become dissatisfied by any system failure that interrupts our ability to provide our platform to them and could make claims for refunds or terminations under our contracts. We may not be able to easily switch our AWS operations to another cloud or other data center provider if there are disruptions or interference with our use of any third-party provider's services, and even if we do switch our operations, the process can require significant time and expense and other cloud and data center providers are subject to the same risks. Sustained or repeated system failures would reduce the attractiveness of our platform to our partners, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our platform. We may not carry sufficient business interruption insurance or have sufficient contractual remedies to compensate us for losses that may occur as a result of any events that cause interruptions in our service.

In the event that our service agreements with our third-party hosting providers are terminated or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our cloud solution for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

Our agreement with AWS allows AWS to terminate for any reason with 30 days' advance notice or in case of a breach of contract if such breach is uncured for 30 days. AWS may also terminate immediately upon notice if (1) AWS determines that our use of its service poses a security risk to its services or any other third party, could otherwise adversely impact AWS's systems, could subject AWS to liability or could be fraudulent, (2) we fail to pay AWS in accordance with our agreement, (3) we cease to operate in the ordinary course, make an assignment for the benefit of creditors or become the subject of any bankruptcy, reorganization, liquidation, dissolution or other similar proceeding, (4) AWS's relationship with any third-party providers terminates or requires AWS to change the way it provides services or (5) termination is necessary to comply with the law or the requests of governmental entities. Although we expect that we could receive similar services from other third-parties if any of our arrangements with AWS are terminated, transitioning the cloud infrastructure currently hosted by AWS to alternative providers would likely be disruptive, and we could incur significant one-time costs. If we are unable to renew our agreement with AWS on commercially reasonable terms or at all, our agreement with AWS is prematurely terminated or we add additional infrastructure providers, we may experience costs or downtime in connection with the transfer to, or the addition of, new data center providers. If AWS or other infrastructure providers increase the costs of their services, our business, financial condition and results of operations could be adversely affected.

Our growth depends in part on the success of our strategic relationships with third-parties.

In order to grow our business, we anticipate that we will continue to depend on relationships with strategic partners, including cloud alliance/marketing, infrastructure and technology partners, to provide broader customer coverage and solution delivery capabilities, and also achieve product stickiness. While our strategic partners have not played a lead role in our customer generation process in the past, we intend to develop these relationships to rely more heavily on our partners to help us generate business going forward. Identifying partners, and negotiating, documenting and maintaining relationships with them, requires significant time and resources. Our agreements with our strategic partners are non-exclusive and do not prohibit them from working with our competitors or recommending competing products. Our competitors may be effective in providing incentives to such third-parties to favor their products or services or to prevent or reduce subscriptions to our services. If our partners choose to place greater emphasis on products of their own or those offered by our competitors or do not effectively market and sell our platform, our ability to grow our business and sell our products and services may be adversely affected. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our platform by potential customers.

We are highly dependent upon our relationship with the developer platforms, web browsers and operating systems provided by third-party technology companies such as Apple and Google. Changes to mobile device operating systems may diminish the usefulness of marketing providers or require significant modifications or demands on our business to continue supporting those operating systems. Changes to developer platform policies related to third-party software, such as Apple or Google, creating restrictions that limit the ability of our existing or potential customers to use software development kits or that further limit the use of cookies could similarly adversely affect our business.

If we are unsuccessful in establishing or maintaining our relationships with third-parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our business, financial condition and results of operations may suffer. Even if we are successful, it is not assured that these relationships will result in increased customer usage of our platform or increased revenue.

Risks Related to Privacy, Data Security and Data Protection Laws

We are subject to stringent and changing laws and regulations, industry standards and contractual obligations related to privacy, data security and data protection. The restrictions and costs imposed by these requirements and our actual or perceived failure to comply with them, could harm our business.

Operating our business and platform involves the collection, use, storage, transfer, sharing and other processing of sensitive, proprietary, confidential, regulated and personal information, including such information that we handle on behalf of our customers. These activities subject us to numerous privacy, data security and data protection obligations, such as various laws, regulations, guidance, industry standards, external and internal policies, contracts, and other obligations that govern the processing of personal information by us and on our behalf.

In the United States, federal, state, and local governments have enacted numerous privacy, data security and data protection laws, including data breach notification laws, personal data privacy laws, and consumer protection laws. For example, the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Federal laws also limit the processing of personal information of children under 13. Violations of these laws can lead to statutory penalties (up to $46,515 per violation in the case of the Children's Online Privacy Protection Act of 1998, or COPPA, for example). If a private plaintiff or regulator alleges that our privacy, data security or data protection policies and practices are either unfair or deceptive, we may be subject to litigation or regulatory enforcement. In the United States, there are federal and state laws that prohibit unfair and deceptive acts and practices, with federal enforcement typically arising out of Section 5 of the FTC Act. State analogs to the FTC Act often allow for a private right of action as well (such as the California Unfair Competition Law).

Similarly, the California Consumer Privacy Act (as amended by the California Privacy Rights Act), or the CCPA, imposes privacy, data security and data protection obligations on businesses to which it applies. These obligations include, but are not limited to, providing specific disclosures in privacy notices and affording California residents certain rights related to their personal information. The CCPA allows for statutory fines for noncompliance (up to $7,500 per violation). The CCPA authorized the establishment of a regulator, the California Privacy Protection Agency, or the CPPA, which increases the risk of an enforcement action. Other states also have enacted, or are considering enacting, comprehensive data privacy laws. If we become subject to further new privacy, data security or data protection 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, via a private right of action, and state actors).

Outside of the United States, an increasing number of laws, regulations, and industry standards apply with respect to privacy, data security and data protection. For example, the European Union's General Data Protection Regulation, or the EU GDPR, and the version thereof implemented into the laws of the United Kingdom, or the U.K. GDPR, impose strict requirements with respect to processing the personal data of individuals located within the European Economic Area, or the EEA, and the United Kingdom, or the U.K., respectively. Under the EU GDPR, government regulators may impose temporary or definitive bans on data processing, as well as fines of up to 20 million euros or 4% of annual global revenue, whichever is greater (and the U.K. GDPR currently imposes comparable penalties). Furthermore, individuals in the EEA and the U.K., may initiate litigation related to our processing of their personal data. In Canada, the Personal Information Protection and Electronic Documents Act and various related provincial laws, as well as Canada's Anti-Spam Legislation, also apply to our operations.

In addition, many jurisdictions have enacted data localization laws and cross-border personal data transfer laws. These laws may make it more difficult for us to transfer personal data across jurisdictions, which could impede our business. For example, pursuant to the Chapter V of the EU GDPR, transfers of personal data from the European Union to a 'third country' can only happen under certain conditions. In recent years, there have been challenges to the valid transfer mechanism relied upon by companies wishing to export personal data, most notably the decision by the Court of Justice of the European Union in 'Schrems II' which overturned the Privacy Shield. In response, the European Commission released a set of updated "Standard Contractual Clauses" in 2021, or the 2021 SCCs, that, together with certain additional safeguards, are designed to be a valid mechanism by which entities can transfer personal data out of the EEA to non-adequate countries. With respect to such additional safeguards, European Union, or EU, authorities have also stated that the party transferring data (the "data exporter") from the EEA to a jurisdiction without an adequate data protection regulatory environment must be satisfied that the party receiving the personal data (the "data importer") has in place sufficient "supplementary measures" to protect the personal data, including from access from sovereign states. Various legal challenges throughout the EEA have questioned what are acceptable "supplementary measures" that would allow data importers and data exporters to validly rely on the 2021 SCCs and sufficiently protect the personal data from public access. For example, on May 22, 2023, Ireland's Data Protection Commission, or the DPC, fined Meta Platforms Ireland Ltd. 1.2 billion Euro for violating the EU GDPR's data transfer requirements by unlawfully transferring the personal data of Facebook users from the EEA to the United States, and ordered Meta to suspend any future transfers of such personal data to the United States within five months and to stop further processing and storage in the U.S. of such personal data within six months. The DPC stated that Meta did not adequately protect the rights of its European users in connection with such personal data transfers because Meta did not have adequate supplementary measures in place in addition to the 2021 SCCs. This emerging case law sets a very high standard for acceptable supplementary measures. While the DPC's decision is subject to appeal and applies solely to Meta, it is still possible that, as a result of the Meta decision, the supplementary measures we have implemented will not be deemed to be adequate, and we could be required to stop transferring personal data from the EEA to the United States and to cease processing such personal data in the United States. The validity of relying on the 2021 SCCs as a transfer mechanism is expected to be the subject of further litigation in the EU. While the EU and US recently developed a framework to facilitate the flows of personal data across EU-US borders, which has resulted in the EU-U.S. Data Privacy Framework, and the European Commission's adoption of an adequacy decision thereof in July 2023, there are indications that EU authorities remain skeptical of the adequacy of the EU-U.S. Data Privacy Framework and, as a result, such adequacy decision may face legal challenge from EU privacy activists. Other jurisdictions around the world are also developing their own unique set of restrictions and mechanisms to allow cross border data flows. For instance, Switzerland and the UK are set to finalize their participation in the US Data Privacy Framework, and in March 2022, the U.K. adopted both its own "International Data Transfer Agreement" and a "UK Addendum" to the 2021 SCCs as the valid transfer mechanism for sending U.K. personal data to those countries that the U.K. does not recognize as providing an adequate level of protection.

In addition to EU and U.K. restrictions on cross-border transfers of personal data, other jurisdictions have enacted or are considering similar cross-border personal data transfer laws and data localization laws, any of which could increase the cost and complexity of doing business in those jurisdictions. If we cannot implement a workable, valid compliance mechanism for cross-border transfers of personal data, we may face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal data from the EEA or elsewhere. The inability to import personal data to the United States could significantly and negatively impact our business operations, including by limiting our ability to offer our full range of services in the EEA and elsewhere; limiting our ability to collaborate with parties that are subject to EU and other privacy, data security and data protection laws or requiring us to increase our personal data processing capabilities in the EEA and elsewhere at significant expense.

Our obligations related to privacy, data protection and data security are quickly changing in an increasingly stringent fashion. These obligations may be subject to differing applications and interpretations, which may be inconsistent or in conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources (including, without limitation, financial and time-related resources). These obligations may necessitate changes to our information technologies, systems and practices and to those of any third parties that process personal information on our behalf. In addition, these obligations may require us to change our business model. Although we endeavor to comply with all applicable privacy, data security and data protection obligations, we may at times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations which could impact our compliance posture. If we fail, or are perceived to have failed, to address or comply with privacy, data security and data protection obligations, we could face significant consequences. These consequences may include, but are not limited to, government enforcement actions (e.g., investigations, fines, penalties, audits, inspections, and similar actions), litigation (including class-related claims), additional reporting requirements or oversight, bans on processing personal information and orders to delete or not use personal information. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including, but not limited to, loss of customers, interruptions or stoppages in our business operations, inability to process personal information or to operate in certain jurisdictions, limited ability to develop or commercialize our products, expenditure of time and resources to defend any claim or action, adverse publicity or revision or restructuring of our operations.

If we or our third-party service providers experience a security breach or unauthorized parties otherwise obtain access to our customers' data, our data or our platform, our solution may be perceived as not being secure, our reputation may be harmed, demand for our platform and products may be reduced and we may incur significant liabilities.

Operating our business and platform involves the collection, processing, storage and transmission of sensitive, regulated, proprietary and confidential information, including personal information of our customers, their users and our personnel and our customers' proprietary and confidential information. We may rely upon third-parties (such as service providers) for our data storage- and data processing–related activities. We may share or receive sensitive data with or from third-parties. Cyberattacks, malicious internet-based activity, and online and offline fraud are prevalent and continue to increase. These threats are becoming increasingly difficult to detect. These threats come from a variety of sources. In addition to traditional computer "hackers," threat actors, personnel (such as through theft or misuse), sophisticated nation-states, and nation-state-supported actors now engage in cyberattacks, including, without limitation, nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. We may be subject to a variety of evolving threats, including, but not limited to, social-engineering attacks (including through phishing, vishing and hybrid phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), personnel misconduct or error by us or third-party service providers, ransomware attacks, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, earthquakes, fires, floods, and other similar threats. Additionally, our customers have been and may be in the future, targeted by similar cyberthreats, and bad actors have accessed, and may in the future, access our platform and services using such customer's credentials. Accordingly, the failure of our customers to use appropriate cybersecurity technology and practices can result in unauthorized parties obtaining access to our platform and customer data. Ransomware attacks, including those perpetrated by organized criminal threat actors, nation-states, and nation-state-supported actors, are 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 or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Any of the previously identified or similar threats could cause a security incident. Additionally, the risk of these threats may increase for us and our third-party service providers due to ongoing international instability. In the past, nation-states have sponsored cyberattacks against private companies in response to U.S. governmental actions or for other strategic purposes. We cannot guarantee that similar actions will not occur the future, including in connection with the ongoing conflict between Russia and the Ukraine. A security incident could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to data. A security incident could disrupt our ability (and that of third-parties upon whom we rely) to provide our platform.

We may expend significant resources or modify our business activities in an effort to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry-standard or reasonable security measures to protect our information technology systems and data. While we have taken steps designed to protect the proprietary, regulated, sensitive, confidential and personal information in our control, our security measures or those of the third-parties on which we rely may not be effective against current or future security risks and threats. Moreover, we or our third-party service providers may be more vulnerable to such attacks in remote work environments, which have increased in response to, and following, the COVID-19 pandemic and will likely continue into the foreseeable future.

If we, our customers or our third-party service providers suffer, or are perceived to have suffered, a security breach or other security incident, we may experience adverse consequences. Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosures or the failure to comply with such requirements could lead to adverse consequences. If we, our customers or a third party upon whom we rely experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences. These consequences may include, but are not limited to, government enforcement actions (for example, investigations, fines, penalties, audits, and inspections), additional reporting requirements or oversight, restrictions on processing data (including personal data), litigation (including class action claims), indemnification obligations, negative publicity, reputational harm, monetary fund diversions, interruptions in our operations (including availability of data to us and our customers), financial loss and other similar harms. Security incidents and attendant consequences may cause customers to stop using our platform, deter new customers for using our platform and negatively impact our ability to grow and operate our business.

Our inability to comply with agreements we enter into with our customers regarding the collection, processing, use and disclosure of personal information could result in additional costs and liabilities to us or inhibit sales of our products.

We enter into agreements with our customers regarding our collection, processing, use, and disclosure of personal information in relation to the services we provide to them. Although we endeavor to comply with such agreements, we may at times fail to do so or may be perceived to have failed to do so, including due to the errors or omissions of our personnel and third-party service providers. Such failures or perceived failures can subject us to customer lawsuits, termination of customer agreements and governmental enforcement actions. Even if we eventually prevail in any such dispute, resolving them could be expensive and time-consuming to defend and could result in adverse publicity and reputational harm that could adversely affect our business, financial condition and results of operations.

Risks Related to Other Laws and Litigation

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

The future success of our business depends upon the continued use of smart cell phones, other mobile devices and internet-connected devices as primary mediums for commerce, communication and business applications. Government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet and internet-connected devices and cell phones as commercial mediums. Changes in these laws or regulations could require us to modify our platform in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, resulting in reductions in the demand for internet-based solutions such as ours.

In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by "viruses," "worms" and similar malicious programs, along with distributed denial of service and similar attacks. As a result, the internet has experienced a variety of outages and other delays as a result of such damage to or attacks on portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our platform could suffer.

Any future litigation against us could be costly and time-consuming to defend.

We may become subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, financial condition and results of operations. Insurance might not cover such claims, provide sufficient payments to cover all the costs to resolve one or more of such claims or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or under-insured could result in unanticipated costs, and our business, financial condition and results of operations may be adversely affected.

If our platform fails to function in a manner that allows our customers to operate in compliance with regulations and/or industry standards, our revenue and results of operations could be harmed.

Since our customers are able to upload data into our platform, we may be hosting or otherwise processing substantial amounts of personally identifiable information. Some of our customers may require our platform to comply with certain privacy, security and other certifications and standards. Our cloud platform holds various security certifications from industry organizations, designed to meet, in all material respects, the ISO 27001 and various HIPAA standards. Governments and industry organizations may also adopt new laws, regulations or requirements, or make changes to existing laws or regulations, that could impact the demand for, or value of, our applications. If we fail to maintain our current security certifications and/or to continue to meet security standards, or if we are unable to adapt our platform to changing legal and regulatory standards or other requirements in a timely manner, our customers may lose confidence in our platform, and our revenue, business, financial condition and results of operations could be adversely affected.

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 or civil liability and harm our business, financial condition and results of operations.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act of 2010, the U.K. Proceeds of Crime Act 2002 and other anti-corruption laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit our company from authorizing, offering or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. We use third-party law firms, accountants and other representatives for regulatory compliance, sales and other purposes in several countries. We can be held liable for the corrupt or other illegal activities of these third-party representatives, our employees, contractors, partners and other agents, even if we do not explicitly authorize such activities. In addition, although we have implemented policies and procedures to ensure compliance with anti-corruption laws, our employees, representatives, contractors, partners and agents may not comply with these laws at all times.

Noncompliance with these laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/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, financial condition and results of operations could be materially 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, financial condition and results of operations.

Moreover, as an issuer of securities, we also are subject to the accounting and internal controls provisions of the FCPA. These provisions require us to maintain accurate books and records and a system of internal controls sufficient to detect and prevent corrupt conduct. Failure to abide by these provisions may have an adverse effect on our business, financial condition or results of operations.

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

Our platform is subject to U.S. export controls, including the Export Administration Regulations and economic sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control. We incorporate encryption technology into our platform. These encryption products and the underlying technology are currently considered "publicly available" by the Export Administration Regulations and may be exported outside of the United States. However, if they cease to be considered "publicly available," then these encryption products and underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception or other appropriate government authorizations.

Furthermore, our activities are subject to U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. embargoes or sanctions. Obtaining the necessary export license or other authorization for a particular sale may be time consuming and may result in the delay or loss of sales opportunities even if the export license ultimately may be granted. While we take precautions to prevent our platform from being exported in violation of these laws, including obtaining authorizations for our platform and performing geolocation IP blocking and screenings against United States and other lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. Additionally, U.S. embargoes and sanctions can change rapidly and unpredictably in response to international events, such as the application of new and broad sanctions against Russia and Belarus in connection with the invasion of Ukraine. Future embargoes or sanctions could have a significant impact on our business or the business of our customers, either of which could have a material adverse effect on our financial results and operations. Violations of U.S. sanctions or export control laws can result in incarceration for responsible employees and managers or the imposition of significant fines or penalties.

If our partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected through reputational harm as well as other negative consequences, including government investigations and penalties. We presently incorporate export control compliance requirements into our strategic partner agreements, however, our partners may not comply with such requirements.

Various countries regulate the import and export of certain encryption and other technology, including import and export licensing requirements. Some countries have enacted laws that could limit our ability to distribute our platform or could limit our customers' ability to implement our platform in those countries. Changes in our platform or future changes in export and import regulations may create delays in the introduction of our platform in international markets, prevent our customers with international operations from launching our platform globally or, in some cases, prevent the export or import of our platform to certain countries, governments or persons altogether. Various governmental agencies have proposed additional regulation of encryption technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons or technologies targeted by such regulations, could limit our ability to export or sell our platform to existing or potential customers with international operations. Any decreased use of our platform or limitation on our ability to export or sell our platform would adversely affect our business, results of operations and prospects.

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 (1) the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, (2) changes in tax rates, (3) new or revised tax laws or interpretations of existing tax laws and policies and (4) our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. Taxing authorities may challenge the pricing methodologies of 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 were not sustained, we could be required to pay additional taxes, interest and penalties. This 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.

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

As of January 31, 2023, we had net operating loss, or NOL, carryforwards for federal and state income tax purposes of approximately $281.6 million and $182.4 million, respectively, some of which may be available to offset taxable income in the future, and which expire in various years beginning in 2035 for federal purposes and 2026 for state purposes if not utilized. Under current law, U.S. federal NOLs incurred in tax years beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of federal NOLs is limited to 80% of taxable income in tax years beginning after December 31, 2020. Accordingly, $242.2 million of our NOLs may be carried forward indefinitely for federal tax purposes and various states have enacted tax policies or rules that conform to federal tax laws. A lack of future taxable income would adversely affect our ability to utilize NOLs incurred in tax years beginning on or before December 31, 2017, before they expire. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, the IRC or the Code, a corporation that undergoes an "ownership change" (which generally is defined under Section 382 of the Code and applicable Treasury Regulations as a greater than 50% change, by value, in its equity ownership over a three-year period) is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. We have experienced ownership changes in the past and we may experience a future ownership change under Section 382 of the Code that could affect our ability to utilize the NOLs to offset our income, some of which may be outside of 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. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities, including for state tax purposes. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheets, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our business, financial condition and results of operations.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

Our effective tax rate could increase due to 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;
- expansion to new jurisdictions;
- changes in tax laws, tax treaties and regulations or the interpretation of them;
- changes in our assessment of our ability to realize our deferred tax assets that are based on estimates of our future results, the advisability and feasibility of possible tax planning strategies and the economic and political environments in which we do business;
- the outcome of future tax audits, examinations or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our business, financial condition and results of operations.

We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our customers would have to pay for our products and adversely affect our results of operations.

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 ruled in 2018 in South Dakota v. Wayfair, Inc. et al, or 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, state or local governments have adopted and may continue to adopt, or begin to enforce, laws requiring us to calculate, collect and remit taxes on sales in their jurisdictions. In addition, we are subject to indirect taxes in foreign jurisdictions, such as value-added tax and goods and services tax, in connection with certain foreign sales transactions. A successful assertion by one or more tax authorities 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 that we otherwise have not accounted for in our financial statements. The imposition by tax authorities of indirect tax collection obligations on out-of-jurisdiction sellers also could create additional administrative burdens for us, put us at a competitive disadvantage if similar obligations are not imposed on our competitors and decrease our future sales, which could adversely affect our business, financial condition and results of operations.

Risks Related to Intellectual Property

We employ third-party licensed software for use in or with our platform, and the inability to maintain these licenses or errors or vulnerabilities in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.

Our platform incorporates certain third-party software obtained under licenses from third-parties. We anticipate that we will continue to rely on such third-party software and development tools from third-parties in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, including open-source software, this may not always be the case, or it may be difficult or costly to migrate to other third-party software. Our use of additional or alternative third-party software may require us to enter into new license agreements with third-parties, which may not be available on as favorable terms as our current licenses. In addition, integration of the third-party software used in our software with new third-party software may require significant work and require substantial investment of our time and resources, or require downtime affecting our service level commitments. Also, any undetected errors, defects or security vulnerabilities in third-party software could prevent the deployment or impair the functionality of our software, delay new updates or enhancements to our platform, result in a failure of our platform and injure our reputation.

We use open-source software in our products, which could negatively affect our ability to sell our services or subject us to litigation or other actions.

We use open-source software in our products, and we expect to continue to incorporate open-source software in our services in the future. Few of the licenses applicable to open-source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products or to maintain the confidentiality of our proprietary source code. Moreover, we may encounter instances in which we have incorporated additional open-source software in our proprietary software in a manner that is inconsistent with the terms of the applicable license or our current policies and procedures. While we have adopted guidelines for the appropriate use of, and regularly audit our use of, open-source software, these measures may not always be effective. If we were to combine or link our proprietary software products with open-source software in a certain manner, we could, under certain open-source licenses, be required to release the source code of our proprietary software products and allow others to use it at no cost. If an author or other third party that distributes such open-source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open-source software and required to comply with onerous conditions or restrictions on these products, which could disrupt the distribution and sale of these products or put our proprietary source code at risk.

From time to time, there have been claims challenging the ownership rights in open-source software against companies that incorporate it into their products and the licensors of such open-source software provide no warranties or indemnities with respect to such claims. As a result, we and our customers could be subject to lawsuits by parties claiming ownership of what we believe to be open-source software. Litigation could be costly for us to defend, have a negative effect on our business, financial condition and results of operations, or require us to devote additional research and development resources to change our products. Some open-source projects have known vulnerabilities and architectural instabilities and are provided on an “as-is” basis which, if not properly addressed, could negatively affect the performance of our product. If we inappropriately use or incorporate open-source software subject to certain types of open-source licenses that challenge the proprietary nature of our products, we may be required to re-engineer such products, discontinue the sale of such products or take other remedial actions.

Any failure to protect our proprietary technology and intellectual property rights could substantially harm our business, financial condition and results of operations.

Our success and ability to compete depend in part on our ability to protect our proprietary technology and intellectual property. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections, all of which provide only limited protection and may not now or in the future provide us with a competitive advantage.

As of July 31, 2023, we had 23 granted patents related to our platform and its technology and two patent applications pending for examination in the United States and no non-U.S. patents or patent applications pending. Our patent applications may not result in the issuance of a patent, or the examination process may require us to narrow our claims. Any patents that issue from any patent applications may not give us the protection that we seek or may be challenged, invalidated or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be valid and enforceable in actions against alleged infringers or provide us with a competitive advantage. Any patents we have obtained or may obtain in the future may be found to be invalid or unenforceable in light of recent and future changes in the law, or because of technology developed prior to the inventions we have sought to patent or because of defects in our patent prosecution process. The United States Patent and Trademark Office, or the USPTO, and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

We have registered the “Braze” name, logo, and/or other marks as trademarks in the United Kingdom, United States, EU, Japan, Singapore, Canada, Australia, New Zealand, and Tonga. However, any future trademark registrations for pending or future applications may not be issued, and any registered trademarks may not be enforceable or provide adequate protection of our proprietary rights. The USPTO and various foreign trademark offices also require compliance with a number of procedural, documentary, fee payment and other similar provisions during the trademark registration process and after a registration has issued. There are situations in which noncompliance can result in abandonment or cancellation of a trademark filing, resulting in partial or complete loss of trademark rights in the relevant jurisdiction. If this occurs, our competitors might be able to enter the market under identical or similar brands.

In order to protect our proprietary technologies and processes, we also rely on trade secret laws and confidentiality and invention assignment agreements with our employees, consultants, strategic partners, vendors and others. Also, despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, copy, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property is difficult, expensive and time-consuming, particularly in 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. For instance, in response to U.S. sanctions, the Russian government has adopted a decree which allows local companies and individuals to use inventions, utility models and industrial designs held by owners from “unfriendly countries” without the owner’s consent and without paying any compensation. If similar policies or laws are adopted in other jurisdictions, it may be difficult for us to enforce our intellectual property rights internationally and subject us to material risk of unauthorized use of our technologies, trade secrets and intellectual property. As we expand our activities outside of the United States, our exposure to unauthorized copying and use of our platform and proprietary information may increase. We may be unable to determine the extent of any unauthorized use or infringement of our platform, technologies or intellectual property rights.

The steps that we take may not be adequate to protect our proprietary technology and intellectual property, others may develop or patent similar or superior technologies, products or services, or our trademarks, patents and other intellectual property may be challenged, invalidated or circumvented by others. Furthermore, effective trademark, patent, copyright and trade secret protection may not be available or commercially feasible in every country in which our software is available or where we have employees or independent contractors.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management. 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 failure to secure, protect and enforce our intellectual property rights could materially adversely affect our brand and business. An adverse determination of any litigation proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our related patents, patent applications and trademark filings at risk of not issuing or being cancelled. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. 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 functionality to our platform, result in our substituting inferior or more costly technologies into our platform 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. If we fail to meaningfully protect our intellectual property and proprietary rights, our business, financial condition and results of operations could be adversely affected.

We may be subject to intellectual property rights claims by third-parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

We cannot guarantee that the operation of our business does not infringe the intellectual property rights of third-parties. Companies in the software and technology industries, including some of our current and potential competitors, own significant numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Further, patent litigation may involve patent holding companies, commonly known as patent “trolls,” or other adverse patent owners that have no relevant product revenue and against which our patents may therefore provide little or no deterrence. In the past, we have been subject to allegations of patent infringement that were unsuccessful, and we may in the future be subject to claims that we have misappropriated, misused, or infringed other parties’ intellectual property rights, and, to the extent we gain greater market visibility or face increasing competition, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to enterprise software companies. In addition, we may in the future be subject to claims that employees or contractors, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of our competitors or other parties. Because patent applications can take years to issue and are often afforded confidentiality for some period of time, there may currently be pending applications, unknown to us, that later result in issued patents that could cover one or more of our products. To the extent that intellectual property claims are made against our customers based on their usage of our technology, we have certain obligations to indemnify and defend such customers from those claims. The term of our contractual indemnity provisions often survives termination or expiration of the applicable agreement. Large indemnity payments, defense costs or damage claims from contractual breach could adversely affect our business, financial condition and results of operations.

Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate, could divert our management's attention and other resources and could result in adverse publicity. These claims could also subject us to making substantial payments for legal fees, settlement payments and other costs or damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. Intellectual property claims could also result in our having to stop making, selling, offering for sale or using technology found to be in violation of a third party's rights. We might be required to seek a license for the third-party intellectual property rights, which may not be available on reasonable terms or at all. Even if a license is available to us, we may be required to pay significant upfront fees, milestone payments or royalties, which would increase our operating expenses. Moreover, to the extent we only have a license to any intellectual property used in our platform, there may be no guarantee of continued access to such intellectual property, including on reasonable terms. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. 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 sales of our products or cease business activities covered by such intellectual property and may be unable to compete effectively. Any of these results would adversely affect our business, financial condition and results of operations.

We could face liability, or our reputation might be harmed, as a result of the activities of our customers, the content sent through our platform or the data they store on our servers.

As a provider of cloud-based solutions, we may be subject to potential liability for the activities of our customers on or in connection with the content or data they store on or send through our servers. Although our customer terms of use and our acceptable use policy, or AUP, prohibit (1) illegal use of our services by our customers, (2) the use of our services for certain activities that do not comply with industry standards and guidelines outlined in our AUP, or (3) the use of our services in any manner that would infringe, misappropriate or otherwise violate the intellectual property rights of third-parties, customers may nonetheless engage in prohibited activities or upload or store content with us in violation of our agreement, our AUP, applicable law or the customer's own policies, which could subject us to liability and/or harm our reputation.

We do not typically monitor the content, activities or messages of our customers in connection with their use of our services, so inappropriate content may be sent to third-parties, which could subject us to legal liability. Even if we comply with legal obligations to remove or disable certain content, our customers may continue to send messages through our platform that third-parties may find hostile, offensive or inappropriate. The activities of our customers or the content of our customers' messages may lead us to experience adverse political, business and reputational consequences, especially if such use is high profile. For instance, if our customers use our platform in violation of law it may subject us to increased regulatory scrutiny or direct financial penalties, either of which may have an adverse effect on our reputation and financial results, even if we have complied with our legal obligations. Conversely, actions we take in response to the activities of our customers or users, up to and including suspending their use of our products or services, may harm our brand and reputation.

There are certain statutory and common law frameworks and doctrines that offer defenses against liability for customer activities, including the Digital Millennium Copyright Act, the Communications Decency Act, the fair use doctrine in the United States and the Electronic Commerce Directive in the European Union. Although these and other statutes and case law in the United States offer certain defenses against liability from customer activities under U.S. copyright law or regarding secondary liability from the Telephone Consumer Protection Act or the Controlling the Assault of Non-Solicited Pornography and Marketing Act, they are subject to uncertain or evolving judicial interpretation and regulatory and legislative amendments, and in any event we cannot assure you that we will be successful in asserting them. In addition, pending or recently adopted legislation in the European Union may impose additional obligations or liability on us associated with content uploaded by users to our platform. Laws governing these activities are unsettled in many international jurisdictions, or may prove difficult or impossible for us to comply with in some international jurisdictions. Even if ultimately resolved in our favor, we may become involved in related complaints, lawsuits or investigations which add cost to our doing business and may divert management's time and attention or otherwise harm our reputation.

Risks Related to Socioeconomic Factors

Our future revenue and results of operations could be harmed if the increases in demand we have seen from certain industries as a result of the COVID-19 pandemic fail to continue after the pandemic ends.

In response to the COVID-19 pandemic, governments previously instituted shelter-in-place orders, social distancing requirements, travel restrictions and similar measures to slow infection rates. These restrictions prompted shifts from physical commerce to ecommerce, from in-room dining to take out and delivery, from gyms to at home health and fitness and from the theaters to in-home media streaming services. Despite our penetration in these industries that have benefited from increased demand during the COVID-19 pandemic, this trend may not continue. As the COVID-19 pandemic continues to abate, some of our customers may experience decreases or decreased growth rates in transactions, which would negatively affect our business, financial condition and results of operations. We may also experience decreases or decreased growth rates in sales of new subscriptions to some of our customers, which would adversely affect our business, financial condition and results of operations.

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

We rely heavily on our network infrastructure and information technology systems for our business operations. An online attack, damage as a result of civil unrest, earthquake, fire, terrorist attack, power loss, global pandemics, telecommunications failures, climate change-related events or other similar catastrophic event could cause system interruptions, delays in accessing our service, reputational harm and loss of critical data. Such events could prevent us from providing our platform and products to our customers. A catastrophic event that results in the destruction or disruption of our data centers, or our network infrastructure, or information technology systems, including any errors, defects, or failures in third-party hardware, could affect our ability to conduct normal business operations and adversely affect our results of operations. In addition, many companies that provide cloud-based services have reported a significant increase in cyberattack activity in recent years. Further, events outside of our control, including natural disasters, climate change-related events, pandemics or health crises may arise from time to time and be accompanied by governmental actions. Any such events and responses, including regulatory developments, may cause significant volatility and declines in the global markets, disproportionate impacts to certain industries or sectors, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage, and may materially and adversely affect the global economy or capital markets, as well as our business and results of operations.

Risks Related to Public Company Reporting

We have an unremediated material weakness in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected.

Prior to our initial public offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. In connection with the audit and preparation of our audited consolidated financial statements for the fiscal year ended January 31, 2023, and the review and preparation of our unaudited condensed consolidated financial statements for the three and six months ended July 31, 2023, we determined that our material weakness related to the lack of properly designed controls related to accounting for revenue recognition in accordance with standards under Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, was unremediated as of July 31, 2023.

While we are working to remediate the material weakness through the development and implementation of processes and controls over the revenue process, they have not been in operation for a sufficient period of time to demonstrate that the material weakness has been remediated. We cannot assure you that the measures we have taken to date will be sufficient to remediate the material weakness we identified or avoid the identification of additional material weaknesses in the future. If the steps we take do not remediate the material weakness in a timely manner, there could continue to be a reasonable possibility that our internal control deficiencies or others could result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis.

As a public company, we are required to further design, document and test our internal control over financial reporting to comply with Section 404. We cannot be certain that additional material weaknesses and control deficiencies will not be discovered in the future. If material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately on a timely basis or adequately reduce the risk of fraud, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting and cause the market price of our Class A common stock to decline. If we have material weaknesses in the future, it could affect the financial results that we report or create a perception that those financial results do not fairly state our financial position or results of operations. Either of those events could have an adverse effect on the value of our Class A common stock.

Further, even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our future reporting obligations.

Risks Related to Ownership of Our Class A Common Stock

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our Class A or Class B common stock and we do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors and governed by the limitations of any credit agreements we may become party to. 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.

The dual class structure of our common stock has the effect of concentrating voting control with our executive officers, directors and significant holders of our capital stock, which limits the ability of holders of our Class A common stock to influence the outcome of important transactions.

Our Class B common stock has ten votes per share and our Class A common stock, which is the stock listed on the Nasdaq Global Select Market, has one vote per share. As a result, as of July 31, 2023, holders of our Class B common stock collectively beneficially owned, in the aggregate, shares representing approximately 82.6% of the voting power of our outstanding capital stock, and our executive officers, directors and holders of 5% or more of our common stock (by voting power) collectively beneficially owned, in the aggregate, outstanding shares representing approximately 84.0% of the total voting power of our outstanding capital stock. As a result, the holders of our Class B common stock, and in particular our executive officers, directors and holders of 5% or more of our common stock (by voting power), will be able to exercise considerable influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or our assets, even if their stock holdings represent less than 50% of the outstanding shares of our capital stock. This concentration of ownership will limit the ability of other stockholders to influence corporate matters and may cause us to make strategic decisions that could involve risks to holders of our Class A common stock or that may not be aligned with the interests of holders of our Class A common stock. This control may adversely affect the market price of our Class A common stock.

Further, future transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for tax or estate planning purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

We cannot predict the impact our dual class structure may have on the market price of our Class A common stock.

We cannot predict whether our dual class structure, combined with the concentrated control of certain stockholders, including our executive officers, employees and directors, investors and their affiliates, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple class share structures in certain of their indexes, and our dual class capital structure may make it more difficult for us, or make us ineligible, to be included in certain stock indexes. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

An active public trading market for our Class A common stock may not develop or be sustained.

Prior to the closing of our initial public offering, no public market for our Class A common stock existed. An active public trading market for our Class A common stock may not continue to develop or, if further developed, it may not be sustained. The lack of an active market may impair the ability of holders of our Class A common stock to sell their shares at the time they wish to sell them or at a price that the holders of our Class A common stock consider reasonable. The lack of an active market may also reduce the fair value of shares of our Class A common stock. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Anti-takeover provisions in our charter documents 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, each as currently in effect, may have the effect of delaying or preventing a change of control or changes in our management. Such 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 at least 66 2/3% of our outstanding shares of voting stock;
- 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; and
- require the approval of our board of directors or the holders of at least 66 2/3% of our outstanding shares of voting stock to amend our bylaws and certain provisions of our certificate of incorporation.

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, or DGCL, 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 of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our Class A common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that holders of our Class A common stock would receive a premium for their shares of our Class A common stock in an acquisition.

The provision of our amended and restated certificate of incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware and the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our amended and restated certificate of incorporation as currently in effect provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware be the sole and exclusive forum for:

- any derivative claim or cause of action brought on our behalf;
- any claim or cause of action asserting a breach of fiduciary duty;
- any claim or cause of action against us arising under the DGCL;
- any claim or cause of action arising under or seeking to interpret our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any claim or cause of action against us that is governed by the internal affairs doctrine.

Our amended and restated certificate of incorporation as currently in effect further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolutions of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, or the Securities Act, including all causes of action asserted against any defendant named in such complaint. The exclusive forum clauses described above shall not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying any offering.

Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and there is uncertainty as to whether a court would enforce such provisions. In addition, investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. It is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our currently effective amended and restated certificate of incorporation to be inapplicable or unenforceable in such action. If so, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition and results of operations.

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.

Future 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. Many of our existing equity holders have substantial unrecognized gains on the value of the equity they hold, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the effect that such sales may have on the prevailing market price of our Class A common stock.

We have registered all of our common stock issuable upon exercise of outstanding stock options, settlement of outstanding restricted stock units, or RSUs, or otherwise issuable pursuant to the terms of the purchase rights under our employee stock purchase plan or any equity incentives we may grant in the future, for public resale under the Securities Act. Such underlying common stock will become eligible for sale in the public market to the extent such options or purchase rights are exercised or RSUs are settled, subject to compliance with applicable securities laws.

Further, the holders of Class A and Class B common stock issued in connection with the conversion of our previously outstanding convertible preferred stock immediately prior to the completion of our initial public offering have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

General Risk Factors

The price of our Class A common stock may be volatile, and you may lose some or all of your investment.

The market price of our Class A common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors. Factors that may affect the market price of our Class A common stock include:

- actual or anticipated fluctuations in our financial condition and results of operations;
- variance in our financial performance from expectations of securities analysts;
- changes in the prices of our products and services;
- changes in our projected financial condition and results of operations;
- changes in laws or regulations applicable to the provision of our products and services;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- security breaches impacting us or similar companies;
- our involvement in any material litigation;
- future sales of our Class A common stock by us or our stockholders or our sales of other securities in the future;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- changes in the anticipated future size and growth rate of our market;
- general economic, regulatory and market conditions; and
- technical factors in the public trading market for our Class A common stock that may produce price movements that may or may not comport with macro, industry, or company-specific fundamentals, including, without limitation, the sentiment of retail investors, the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our Class A common stock and other technical trading factors.

Accordingly, we cannot assure you of the liquidity of an active trading market, your ability to sell your shares of our Class A common stock when desired, or the prices that you may obtain for your shares of our Class A common stock. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

The stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Additionally, the recent and acute volatility among certain financial institutions have raised questions regarding the stability of the banking sector and, while such volatility has not adversely affected our operations, it has had an adverse impact on the equity and credit markets. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our Class A common stock. 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.

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

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

If securities or industry analysts do not publish research or reports about our business or publish negative reports about our business, our share 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 our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. Our business results may vary significantly from such analyst estimates or any analyst consensus due to a number of factors, many of which are outside of our control, including due to the global economic uncertainty and financial market conditions, including as a result of global or domestic macroeconomic and socioeconomic conditions such as, among others, instability in the banking and financial services sector, international and domestic supply chain risks, inflationary pressure, interest rate increases, declines in consumer confidence, international conflicts and domestic and foreign political unrest, that impact us and our customers, which could adversely affect our business, financial condition and results of operations. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

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

Unregistered Sales of Equity Securities

The following sets forth information regarding all of our unregistered securities sold in the fiscal quarter ended July 31, 2023:

- On May 15, 2023, we issued 32,155 shares of our Class A common stock to a charitable donor-advised fund for no consideration in connection with our Pledge 1% commitment pursuant to Section 4(a)(2) of the Securities Act as this issuance did not involve a public offering.

- On June 1, 2023, we issued 190,283 shares of our Class A common stock to the stockholders of North Star Y, Pty Ltd, or North Star, pursuant to the terms of that certain stock purchase agreement, dated as of March 27, 2023, as partial consideration for our acquisition of all outstanding equity securities of North Star. The aggregate consideration value prescribed to such shares, under the terms of the stock purchase agreement, was $6.0 million. These shares were issued in compliance with Regulation S under the Securities Act, as the transaction was deemed to have occurred outside of the United States.

Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**
3.1	Amended and Restated Certificate of Incorporation of Braze, Inc.	8-K	001-41065	3.1	November 23, 2021
3.2	Amended and Restated Bylaws of Braze, Inc.	8-K	001-41065	3.2	November 23, 2021
31.1+	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2+	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32*+	Certifications of Chief Executive Officer and 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				
101.SCH+	Inline XBRL Taxonomy Extension Schema Document				
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104+	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* The certifications attached as Exhibit 32 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Braze, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

+ Indicates an Exhibit filed herewith.

SIGNATURES

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

Braze, Inc.

By: /s/ William Magnuson
William Magnuson
Chief Executive Officer
(Principal Executive Officer)

Date: September 7, 2023

By: /s/ Isabelle Winkles
Isabelle Winkles
Chief Financial Officer
(Principal Financial Officer)

Date: September 7, 2023

Exhibit 31.1

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

I, William Magnuson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Braze, 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: September 7, 2023

BRAZE, INC.

By:	/s/ William Magnuson
Name:	William Magnuson
Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

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

I, Isabelle Winkles, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Braze, 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: September 7, 2023

BRAZE, INC.

By:	/s/ Isabelle Winkles
Name:	Isabelle Winkles
Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 32

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Braze, Inc., does hereby certify, to such officer's knowledge that the Quarterly Report on Form 10-Q of Braze, Inc. for the fiscal quarter ended July 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Braze, Inc.

Date: September 7, 2023

By:	/s/ William Magnuson
Name:	William Magnuson
Title:	Chief Executive Officer (Principal Executive Officer)

Date: September 7, 2023

By:	/s/ Isabelle Winkles
Name:	Isabelle Winkles
Title:	Chief Financial Officer (Principal Financial Officer)

This certification accompanies the Quarterly Report on Form 10-Q, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of Braze, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.