

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

**FORM 10-K/A**

(Amendment No. 1)

(Mark One)

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

**For the fiscal year ended June 30, 2022**

OR

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

**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**

Commission File Number: 001-39149

**BILL HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

83-2661725

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**6220 America Center Drive, Suite 100, San Jose, CA**

**95002**

(Address of principal executive offices)

(Zip Code)

**(650) 621-7700**

(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

**Common Stock, \$0.00001 par value**

**BILL**

**The New York Stock Exchange**

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

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on December 31, 2021 (the last business day of the registrant's most recently completed second fiscal quarter) as reported by The New York Stock Exchange on December 31, 2021, was approximately \$24.7 billion.

The number of shares of registrant's common stock outstanding as of August 12, 2022 was 104,840,348.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2022 Annual Meeting of Stockholders (Proxy Statement) filed on October 25, 2022, are incorporated by reference in Part III. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement shall not be deemed to be filed as part hereof.

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## EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this Amendment) amends the Annual Report on Form 10-K for the fiscal year ended June 30, 2022 (the Original Form 10-K), originally filed by BILL Holdings, Inc. (formerly, Bill.com Holdings, Inc.) (BILL, the Company, we, us or our) with the Securities and Exchange Commission (the SEC) on August 22, 2022. Unless otherwise indicated or unless the context requires otherwise, all references herein to this Annual Report on Form 10-K, this Form 10-K, this Annual Report and similar names refer to the Original Form 10-K, as amended by this Amendment.

Subsequent to the filing of the Original Form 10-K, Ernst & Young LLP (EY), our external auditor, conducted a routine internal audit quality review of its integrated audit of our consolidated financial statements for the fiscal year ended June 30, 2022 and determined that additional evidence of our internal control over financial reporting related to certain information systems and applications within the quote-to-cash process was required. Management and EY determined that previously unidentified deficiencies existed in our internal control over financial reporting related to certain information systems and applications within the quote-to-cash process as of June 30, 2022 because insufficient testing, documentation, and evidence had been retained to conclude on the effectiveness of internal controls. Solely as a result of these deficiencies, on May 15, 2023, the Company concluded that it had a material weakness in internal controls over financial reporting as of June 30, 2022.

The material weakness did not result in any misstatement of our consolidated financial statements for the year ended June 30, 2022 included in our Original Form 10-K, and accordingly, we have concluded that the consolidated financial statements and other financial information included in our Original Form 10-K present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented. Furthermore, we have determined that given the material weakness, the Company's disclosure controls and procedures were not effective at a reasonable assurance level as of June 30, 2022.

Accordingly, this Amendment is being filed to (i) amend Part II, Item 9A—Controls and Procedures to address management's re-evaluation of disclosure controls and procedures and reflect the identification of a material weakness in internal control over financial reporting, (ii) amend EY's opinion on our internal control over financial reporting, and (iii) amend EY's opinion on the consolidated financial statements included in Part II, Item 8—Financial Statements and Supplementary Data of the Original Form 10-K solely to include a reference to EY's updated report on internal control over financial reporting.

Part IV, Item 15—Exhibits and Financial Statement Schedules also has been amended to include currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer as required by sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2. We are also filing an updated Consent of Independent Registered Public Accounting Firm, attached as Exhibit 23.1.

This Amendment is limited in scope to the portions of this Amendment set forth above, and does not modify, amend, or update in any way the any other items or disclosures contained in the Original Form 10-K, including the consolidated financial statements set forth in the Original Form 10-K.

Except as noted above, this Amendment has not been updated for other events or information subsequent to the date of the filing of the Original Form 10-K (including, without limitation, the change of the Company's corporate name from "Bill.com Holdings, Inc." to "BILL Holdings, Inc.," effective as of February 27, 2023), and should be read in conjunction with the Original Form 10-K and our other filings with the SEC.

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**BILL.COM HOLDINGS, INC.  
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## PART II

### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of BILL Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BILL Holdings, Inc. (the Company) as of June 30, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 22, 2022, except for the effect of the material weakness described in the third and fourth paragraphs of that report, as to which the date is May 25, 2023, expressed an adverse opinion thereon.

### Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Funds Held for Customers and Customer Fund Deposits***

#### *Description of the Matter*

As discussed in Note 1 to the consolidated financial statements, funds held for customers and the corresponding customer fund deposits liability represent the Company's contractual obligations to remit funds to customers or customers' suppliers, to satisfy customers' fund obligations and are recorded as an asset and corresponding liability at the time the Company collects funds from customers or on behalf of customers. At June 30, 2022, the Company reported a funds held for customers and corresponding customer fund deposit liability of \$3.1 billion. The Company processes a high volume of transactions comprising of funds that are collected from customers for payments to their suppliers and funds that are collected on behalf of customers.

Auditing the funds held for customers and corresponding customer fund deposits liability was complex and involved increased audit effort due to the subjectivity in applying audit procedures, the significance of the balances, and the high volume of transactions and the complexity of the account reconciliations.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's funds held for customers and customer funds deposits. For example, we tested controls over management's review of the completeness and accuracy of the account reconciliations.

To test the funds held for customers and corresponding customer fund deposits liability, our audit procedures included, among others, obtaining external confirmations for the cash and investment balances and testing the account reconciliations. We sampled funding and disbursement transactions prior to and subsequent to period end and evaluated whether funds were properly included or excluded from the funds held for customers and customer fund deposit balances and evaluated the aging of balances. We evaluated the reasonableness of the customer fund deposits liability balance by performing analytical procedures using transactional data for a period of time prior to and subsequent to period end.

### ***Valuation of an Acquired Customer Relationships Intangible Asset***

#### *Description of the Matter*

As described in Note 3 to the consolidated financial statements, in September 2021, the Company completed the acquisition of Invoice2go for net consideration of \$674.3 million. The transaction was accounted for as a business combination. The Company's accounting for the acquisition included determining the fair value of an acquired customer relationships intangible asset.

Auditing the Company's accounting for its acquisition of Invoice2go was complex due to the significant estimation in determining the fair value of the customer relationships intangible asset of \$61 million. The significant estimation was primarily due to the judgmental nature of the underlying significant assumptions of the valuation method used to measure the fair value of the customer relationships intangible asset, as well as the sensitivity of the fair value to the underlying significant assumptions. The Company used an income approach by applying the discounted cash flow method to measure the fair value of the customer relationships. The significant assumptions used to estimate the fair value of the customer relationships included projected revenue and the discount rate. These significant assumptions are forward-looking and could be affected by future economic and market conditions

*How We Addressed  
the Matter in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for determining the fair value of the acquired customer relationships intangible asset. For example, we tested controls over management's review of the valuation of the customer relationships intangible asset, including the review of the valuation method and the significant assumptions used in the valuation, as described above.

To test the fair value of the customer relationships intangible asset, our audit procedures included, among others, evaluating the appropriateness of the Company's selected valuation method, evaluating the reasonableness of the projected revenue and discount rate and testing the completeness and accuracy of underlying data. We involved our valuation specialists to assist in testing the significant assumptions described above. For example, we evaluated the projected revenue by comparing it to the historical results of the acquired business. We evaluated the discount rate by comparing the rate to those of the acquired business's weighted average cost of capital, internal rate of return and weighted-average return on assets. We also performed sensitivity analyses of the significant assumptions described above to evaluate the change in the fair value resulting from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.  
San Mateo, California

August 22, 2022 except for the effect of the material weakness described in the second paragraph above, as to which date is May 25, 2023

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of BILL Holdings, Inc.

### Opinion on Internal Control Over Financial Reporting

We have audited BILL Holdings, Inc.'s internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, BILL Holdings, Inc. (the Company) has not maintained effective internal control over financial reporting as of June 30, 2022, based on the COSO criteria.

As indicated in the accompanying "Management's Report on Internal Control over Financial Reporting," management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Invoice2go, Inc., which is included in the June 30, 2022 consolidated financial statements of the Company and constituted 5% and 11% of total and net assets, respectively, as of June 30, 2022 and 5% and 6% of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Invoice2go, Inc.

In our report dated August 22, 2022, we expressed an unqualified opinion that the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on the COSO criteria. Management has subsequently identified deficiencies in controls related to certain information systems and applications within the quote-to-cash process and has further concluded that the aggregation of such deficiencies represented a material weakness as of June 30, 2022. As a result, management has revised its assessment, as presented in the accompanying Management's Report on Internal Control over Financial Reporting, to conclude that the Company's internal control over financial reporting was not effective as of June 30, 2022. Accordingly, our present opinion on the effectiveness of internal control over financial reporting as of June 30, 2022, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls over certain information systems and applications within the quote-to-cash process.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2022, and the related notes. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2022 consolidated financial statements, and this report does not affect our report dated August 22, 2022, except for the effect of the material weakness described in the third and fourth paragraphs above, as to which date is May 25, 2023, which expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Mateo, California

August 22, 2022, except for the effect of the material weakness described in the third and fourth paragraphs above, as to which date is May 25, 2023

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share amounts)

	June 30,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,596,542	\$ 509,615
Short-term investments	1,108,493	655,314
Accounts receivable, net	24,045	18,222
Acquired card receivables, net	256,392	147,093
Prepaid expenses and other current assets	151,258	67,195
Funds held for customers	3,142,660	2,208,598
Total current assets	<u>6,279,390</u>	<u>3,606,037</u>
Non-current assets:		
Operating lease right-of-use assets, net	76,445	71,925
Property and equipment, net	56,985	48,902
Intangible assets, net	432,583	417,341
Goodwill	2,362,893	1,772,043
Other assets	47,730	52,925
Total assets	<u>\$ 9,256,026</u>	<u>\$ 5,969,173</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,948	\$ 11,904
Accrued compensation and benefits	29,004	20,287
Deferred revenue	31,868	12,848
Other accruals and current liabilities	120,080	72,022
Borrowings from credit facilities, net	75,097	—
Customer fund deposits	3,142,660	2,208,598
Total current liabilities	<u>3,408,657</u>	<u>2,325,659</u>
Non-current liabilities:		
Deferred revenue	2,159	2,926
Operating lease liabilities	82,728	86,639
Borrowings from credit facilities, net	—	79,534
Convertible senior notes, net	1,697,985	909,847
Other long-term liabilities	20,803	34,978
Total liabilities	<u>5,212,332</u>	<u>3,439,583</u>
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock: \$0.00001 par value per share; 10,000 shares authorized; none issued and outstanding	—	—
Common stock; \$0.00001 par value per share; 500,000 shares authorized; 104,731 and 94,504 shares issued and outstanding at June 30, 2022 and 2021, respectively	2	2
Additional paid-in capital	4,598,737	2,777,155
Accumulated other comprehensive loss	(10,217)	(100)
Accumulated deficit	(544,828)	(247,467)
Total stockholders' equity	<u>4,043,694</u>	<u>2,529,590</u>
Total liabilities and stockholders' equity	<u>\$ 9,256,026</u>	<u>\$ 5,969,173</u>

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)

	Year ended June 30,		
	2022	2021	2020
Revenue	\$ 641,959	\$ 238,265	\$ 157,600
Cost of revenue			
Service costs	105,496	56,576	37,049
Depreciation and amortization of intangible assets <sup>(1)</sup>	39,508	5,230	2,095
Total cost of revenue	145,004	61,806	39,144
Gross profit	496,955	176,459	118,456
Operating expenses			
Research and development	219,818	89,503	52,996
Sales and marketing	307,151	67,935	45,070
General and administrative	241,174	128,116	53,450
Depreciation and amortization of intangible assets <sup>(1)</sup>	45,630	4,872	1,138
Total operating expenses	813,773	290,426	152,654
Loss from operations	(316,818)	(113,967)	(34,198)
Other income (expense), net	(13,861)	(25,370)	3,160
Loss before (benefit from) provision for income taxes	(330,679)	(139,337)	(31,038)
(Benefit from) provision for income taxes	(4,318)	(40,617)	53
Net loss	\$ (326,361)	\$ (98,720)	\$ (31,091)
Net loss per share attributable to common stockholders:			
Basic and diluted	\$ (3.21)	\$ (1.19)	\$ (0.70)
Weighted-average number of common shares used to compute net loss per share attributable to common stockholders:			
Basic and diluted	101,753	82,813	44,106

<sup>(1)</sup> Depreciation expense does not include amortization of capitalized internal-use software costs.

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands)

	Year ended June 30,		
	2022	2021	2020
Net loss	\$ (326,361)	\$ (98,720)	\$ (31,091)
Other comprehensive (loss) income:			
Net unrealized (loss) gain on investments in available-for-sale securities	(10,117)	(2,520)	2,094
Comprehensive loss	<u>\$ (336,478)</u>	<u>\$ (101,240)</u>	<u>\$ (28,997)</u>

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK**  
**AND STOCKHOLDERS' EQUITY (DEFICIT)**  
(In thousands)

	Redeemable convertible preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total stockholders' (deficit) equity
	Shares	Amount	Shares	Amount				
<b>Balance at June 30, 2019</b>	52,435	\$ 276,307	8,154	\$ 1	\$ 14,672	\$ 326	\$ (117,656)	\$ (102,657)
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(52,435)	(276,307)	52,435	1	276,306	—	—	276,307
Reclassification of redeemable convertible preferred stock warrant liabilities to additional paid-in capital upon initial public offering	—	—	—	—	1,405	—	—	1,405
Issuance of common stock upon initial public offering, net of underwriting discounts and commissions and other offering costs	—	—	11,297	—	225,481	—	—	225,481
Issuance of common stock upon follow-on public offering, net of underwriting discounts and commissions and other offering costs	—	—	4,330	—	307,512	—	—	307,512
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	3,298	—	13,460	—	—	13,460
Issuance of common stock upon exercise of stock warrants	—	—	121	—	144	—	—	144
Stock-based compensation	—	—	—	—	18,064	—	—	18,064
Other comprehensive income	—	—	—	—	—	2,094	—	2,094
Net loss	—	—	—	—	—	—	(31,091)	(31,091)
<b>Balance at June 30, 2020</b>	—	—	79,635	2	857,044	2,420	(148,747)	710,719
Issuance of common stock as consideration for an acquisition, net of issuance costs	—	—	10,767	—	1,603,031	—	—	1,603,031
Fair value of replacement awards	—	—	—	—	55,275	—	—	55,275
Equity component of 2025 Notes, net of issuance costs and taxes	—	—	—	—	245,066	—	—	245,066
Purchase of capped calls	—	—	—	—	(87,860)	—	—	(87,860)
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	3,656	—	26,981	—	—	26,981
Issuance of common stock under the employee stock purchase plan	—	—	446	—	8,864	—	—	8,864
Stock-based compensation	—	—	—	—	68,754	—	—	68,754
Other comprehensive loss	—	—	—	—	—	(2,520)	—	(2,520)
Net loss	—	—	—	—	—	—	(98,720)	(98,720)
<b>Balance at June 30, 2021</b>	—	—	94,504	2	2,777,155	(100)	(247,467)	2,529,590
Cumulative effect of the accounting change upon the adoption of ASU 2020-06	—	—	—	—	(245,066)	—	29,000	(216,066)
Issuance of common stock upon public offering, net of underwriting discounts and other offering costs	—	—	5,074	—	1,341,122	—	—	1,341,122
Issuance of common stock as consideration for the acquisition, net of issuance costs	—	—	1,788	—	488,263	—	—	488,263
Fair value of replacement awards	—	—	—	—	26,710	—	—	26,710
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	3,283	—	34,024	—	—	34,024
Issuance of common stock under the employee stock purchase plan	—	—	82	—	12,849	—	—	12,849
Purchase of capped calls	—	—	—	—	(37,893)	—	—	(37,893)
Stock-based compensation	—	—	—	—	201,573	—	—	201,573
Other comprehensive loss	—	—	—	—	—	(10,117)	—	(10,117)
Net loss	—	—	—	—	—	—	(326,361)	(326,361)
<b>Balance at June 30, 2022</b>	—	\$ —	104,731	\$ 2	\$ 4,598,737	\$ (10,217)	\$ (544,828)	\$ 4,043,694

See accompanying notes to consolidated financial statements

**BILL.COM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year ended June 30,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net loss	\$ (326,361)	\$ (98,720)	\$ (31,091)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Stock-based compensation	197,157	68,290	18,064
Amortization of intangible assets	75,977	5,659	—
Depreciation and amortization	9,161	4,443	3,233
Amortization of capitalized internal-use software costs	2,366	907	1,024
Amortization of debt discount (accretion of debt premium) and issuance costs	4,777	27,531	—
Amortization of premium (accretion of discount) on investments in marketable debt securities	11,386	4,692	(3,815)
Provision for losses on acquired card receivables	19,879	741	—
Non-cash operating lease expense	8,601	3,813	—
Deferred income taxes	(4,075)	(40,617)	—
Other	(726)	—	717
Changes in assets and liabilities:			
Accounts receivable	(3,032)	(6,535)	(1,608)
Prepaid expenses and other current assets	(12,970)	706	(10,434)
Other assets	5,105	(12,525)	(4,928)
Accounts payable	(3,771)	7,417	(1,596)
Other accruals and current liabilities	7,460	22,980	9,755
Operating lease liabilities	(7,877)	8,395	—
Other long-term liabilities	(6,749)	592	12,991
Deferred revenue	5,599	6,854	3,258
Net cash (used in) provided by operating activities	<u>(18,093)</u>	<u>4,623</u>	<u>(4,430)</u>
<b>Cash flows from investing activities:</b>			
Cash paid for acquisition, net of acquired cash and cash equivalents	(144,349)	(556,090)	—
Purchases of corporate and customer fund short-term investments	(2,801,697)	(2,070,296)	(1,088,611)
Proceeds from maturities of corporate and customer fund short-term investments	1,902,474	1,104,532	806,000
Proceeds from sale of corporate and customer fund short-term investments	55,744	142,665	46,159
Increase in acquired card receivables and other	(130,537)	(26,495)	(959)
Purchases of property and equipment	(5,377)	(18,902)	(11,437)
Capitalization of internal-use software costs	(10,259)	(2,304)	(639)
Proceeds from beneficial interest	6,699	—	—
Net cash used in investing activities	<u>(1,127,302)</u>	<u>(1,426,890)</u>	<u>(249,487)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock upon public offering, net of underwriting discounts and other offering costs	1,341,122	—	—
Proceeds from issuance of convertible senior notes, net of discounts and issuance costs	560,075	1,129,379	—
Purchase of capped calls	(37,893)	(87,860)	—
Proceeds from issuance of common stock upon initial public offering, net of underwriting discounts and commissions and other offering costs	—	—	225,481
Proceeds from issuance of common stock upon follow-on public offering, net of underwriting discounts and commissions and other offering costs	—	—	308,176
Increase in customer fund deposits liability and other	970,889	563,291	314,937
Proceeds from line of credit borrowings	37,500	—	2,300
Payments on line of credit and bank borrowings	(40,000)	(2,300)	—
Proceeds from exercise of stock options	34,024	28,209	12,232
Proceeds from issuance of common stock under the employee stock purchase plan	12,849	8,864	—
Net cash provided by financing activities	<u>2,878,566</u>	<u>1,639,583</u>	<u>863,126</u>
<b>Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<u>(149)</u>	<u>—</u>	<u>—</u>
<b>Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<u>1,733,022</u>	<u>217,316</u>	<u>609,209</u>
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year</b>	<u>1,809,693</u>	<u>1,592,377</u>	<u>983,168</u>
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year</b>	<u>\$ 3,542,715</u>	<u>\$ 1,809,693</u>	<u>\$ 1,592,377</u>
<b>Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents within the consolidated balance sheets to the amounts shown in the consolidated statements of cash flows above:</b>			
Cash and cash equivalents	\$ 1,596,542	\$ 509,615	\$ 573,643
Restricted cash included in other current assets	85,252	10,977	35
Restricted cash included in other assets	6,724	6,875	—
Restricted cash and restricted cash equivalents included in funds held for customers	1,854,197	1,282,226	1,018,699
<b>Total cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year</b>	<u>\$ 3,542,715</u>	<u>\$ 1,809,693</u>	<u>\$ 1,592,377</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 4,867	\$ 112	\$ 174
<b>Noncash investing and financing activities:</b>			
Fair value of shares issued as consideration for acquisition	\$ 488,494	\$ 1,603,543	\$ —
Fair value of stock-based awards assumed in acquisition	\$ 21,724	\$ 55,275	\$ —
Recognition of beneficial interest	\$ 4,690	\$ —	\$ —
Payable on purchases of property and equipment	\$ 1,936	\$ 664	\$ —
Conversion of redeemable convertible preferred stock into common stock upon initial public offering	\$ —	\$ —	\$ 276,307
Reclassification of redeemable convertible preferred stock warrant liabilities into additional paid-in capital upon initial public offering	\$ —	\$ —	\$ 1,405
Receivable from broker-assisted exercises of stock options	\$ —	\$ —	\$ 1,228
Accrued stock and debt issuance costs	\$ —	\$ 120	\$ 664

*See accompanying notes to consolidated financial statements.*

**BILL.COM HOLDINGS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES**

Bill.com, Inc. was incorporated in the State of Delaware in April 2006. In November 2018, Bill.com, Inc. consummated a reorganization with Bill.com Holdings, Inc., which resulted in the latter becoming the parent entity of Bill.com, Inc. Bill.com, Inc. was subsequently converted into a limited liability company and renamed Bill.com, LLC. Bill.com Holdings, Inc., which was incorporated in the State of Delaware in August 2018, and its subsidiaries are collectively referred to as the “Company.”

The Company is a provider of software-as-a-service, cloud-based payments and spend and expense management products, which allow users to automate accounts payable and accounts receivable transactions, enable businesses to easily connect with their suppliers and/or customers to do business, eliminate expense reports, manage cash flows and improve back office efficiency.

**Initial Public Offering and Follow-on Offering**

On December 16, 2019, the Company closed its initial public offering (IPO), in which it issued 11,297,058 shares of common stock at a public offering price of \$22.00 per share, which included 1,473,529 shares of common stock issued pursuant to the exercise in full of the over-allotment option by the underwriters. The Company received \$225.5 million in net proceeds from the IPO, after deducting underwriting discounts and commissions of \$17.4 million and other offering costs of \$5.6 million. Upon the completion of the IPO, all shares of the Company’s outstanding redeemable convertible preferred stock were converted into 52,434,505 shares of common stock. Additionally, the Company’s redeemable convertible preferred stock warrants were converted into common stock warrants and the associated redeemable convertible preferred stock warrant liabilities were re-measured to its fair value of \$1.4 million and reclassified to additional paid-in capital.

On June 15, 2020, the Company closed a follow-on public offering in which it issued 4,330,000 shares of common stock at a public offering price of \$74.25 per share, which included 1,080,000 shares of common stock issued pursuant to the exercise in full of the over-allotment option by the underwriters. The Company received \$307.5 million in net proceeds from the follow-on public offering, after deducting underwriting discounts and commissions of \$12.9 million and other offering costs of \$1.1 million.

On September 24, 2021, the Company closed a public offering in which the Company issued and sold a total of 5,073,529 shares of common stock at a public offering price of \$272.00 per share. The Company received \$1.3 billion in net proceeds from this public offering, after deducting underwriting discounts, commissions and other offering costs of \$38.9 million.

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and were prepared in conformity with U.S. generally accepted accounting principles (GAAP). All intercompany accounts and transactions have been eliminated.

**Reclassification**

Certain accounts in the prior period consolidated statements of operation were reclassified to conform with the current year presentation.

**Segment Reporting**

The Company operates as one operating segment because its chief operating decision maker, who is the Chief Executive Officer, reviews its financial information on a consolidated basis for purposes of making decisions regarding allocating resources and assessing performance. The Company’s long-lived assets are mainly located in the United States (U.S.) and revenue is mainly generated in the U.S. Long-lived assets and revenue generated outside the U.S. are not material.

## **Business Combination**

The Company accounts for acquisitions using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of the identifiable assets and liabilities is recorded as goodwill.

The determination of the fair value of assets acquired and liabilities assumed involves assessments of factors such as the expected future cash flows associated with individual assets and liabilities and appropriate discount rates at the date of the acquisition. Significant management inputs used in the estimation of fair value of assets acquired and liabilities assumed include, but are not limited to, expected future cash flows, future changes in technology, estimated replacement costs, discount rates and assumptions about the period of time the brand will continue to be used in the Company's product portfolio. Where appropriate, external advisers are consulted to assist in the determination of fair value. For non-observable market values, fair value has been determined using acceptable valuation methods (e.g., relief from royalty methods). The results of operations for businesses acquired are included in the financial statements from the acquisition date. Acquisition-related expenses and post-acquisition integration costs are recognized separately from the business combination and are expensed as incurred. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the tangible and intangible assets acquired and liabilities assumed, including the fair value of acquired intangible assets, an indemnification asset related to certain assumed liabilities, net lease liabilities, uncertain tax positions, tax-related valuation allowances and pre-acquisition contingencies with a corresponding offset to goodwill. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations.

## **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make various estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Management regularly assesses these estimates, including, but not limited to useful lives of long-lived assets; capitalization of internal-use software costs; incremental borrowing rates for right-of-use operating lease assets and operating lease liabilities; the estimate of credit losses on accounts receivable, acquired card receivables and other financial assets; accrual for rewards; variable consideration used in revenue recognition for certain contracts; benefit periods used to amortize deferred commissions; reserve for losses on funds held for customers; inputs used to value certain stock-based compensation awards; inputs used to estimate beneficial interest derivative on card receivables sold, and valuation of deferred income tax assets. The Company evaluates these estimates and assumptions and adjusts them accordingly. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

## **Funds held for customers and customer fund deposits**

Funds held for customers and the corresponding liability on customer fund deposits represent funds that are collected from customers for payments to their suppliers and funds that are collected on behalf of customers. Generally, these funds held for customers are initially deposited in separate bank accounts until remitted to the customers' suppliers or to the customers. Funds held for customers also include amounts that are held by or deposited into the accounts of payment processing companies and receivables from customers. The funds held for customers are restricted for the purpose of satisfying the customers' fund obligations and are not available for general business use by the Company. The Company partially invests funds held for customers in highly liquid investments with maturities of three months or less and in marketable debt securities with maturities of more than three months up to thirteen months at the time of purchase. Funds held for customers that are invested in marketable debt securities are classified as available-for-sale. These investments are carried at fair value, with unrealized gains or losses included in accumulated other comprehensive (loss) income on the consolidated balance sheets and as a component of the consolidated statements of comprehensive loss. The Company contractually earns interest on funds held for customers with associated counterparties.

### **Cash, cash equivalents, restricted cash and restricted cash equivalents**

Cash and cash equivalents consist of cash in banks, highly liquid investments with maturities of three months or less at the time of purchase, and securities purchased under overnight reverse repurchase agreements.

Restricted cash consists of (i) amounts restricted under deposit account control agreements, (ii) minimum cash balances that are required to be maintained by certain banks, (iii) cash collateral required by the Company's lessors to satisfy letter of credit requirements under its lease agreements, (iv) cash collateral required by a bank in connection with the Company's money transmission activities, and (v) cash in bank and cash deposits held by payment processing companies included in funds held for customers.

Restricted cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase that are included in funds held for customers.

Except for the restricted cash included in funds held for customers, the current and non-current portion of the restricted cash is included in prepaid expenses and other current assets and in other assets, respectively, in the accompanying consolidated balance sheets.

### **Short-term investments**

The Company invests excess cash in marketable debt securities with maturities of more than three months. These securities are classified as available-for-sale and recorded at fair value. The Company determines the appropriate classification of investments in marketable debt securities at the time of purchase and reevaluates such designation at each balance sheet date. After consideration of risk versus reward attributes and liquidity requirements, the Company may sell these debt securities prior to their stated maturities. As the Company views these securities as available to support current operations, the Company classifies highly liquid securities with maturities beyond 12 months as current assets. Unrealized gains or losses are included in accumulated other comprehensive income (loss) on the consolidated balance sheets and as a component of the consolidated statements of comprehensive loss. An impairment loss is recognized when the decline in fair value of the marketable debt securities is determined to be other than temporary. The Company periodically evaluates its investments to determine if impairment charges are required. The Company determined that there was no other-than-temporary impairment on short-term investments during the years ended June 30, 2022, 2021 and 2020.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, restricted cash, restricted cash equivalents, short-term investments, accounts receivable, acquired card receivables, and card receivables held for sale (collectively referred to as Financial Assets). The Company maintains its cash, cash equivalents, restricted cash, restricted cash equivalents, and short-term investments with major financial institutions that may at times exceed federally insured limits. Management believes that these financial institutions are financially sound with minimal credit risk.

The Company performs credit evaluations to verify the credit quality of its financial assets and determine any at-risk receivables. An allowance for potential credit losses on Financial Assets is recognized, if material. As of June 30, 2022 and 2021, the allowance for potential credit losses related to accounts receivable and acquired card receivables totaled approximately \$5.8 million and \$1.9 million, respectively. These amounts do not include the immaterial allowance for potential credit losses on purchase of card receivables that have been authorized but not cleared at the end of the periods (see Note 15).

There were no customers that exceeded 10% of the Company's total revenue during the years ended June 30, 2022, 2021 and 2020.

### **Foreign Currency**

The Company has a foreign subsidiary whose functional currency is the U.S. dollar, which is the Company's reporting currency. Gains and losses from the remeasurement of transactions denominated in foreign currencies other than the functional currency of the foreign subsidiary are included in other (expense) income, net in the accompanying statements of operations.

## Accounts receivable and unbilled revenue

Accounts receivable, which consist primarily of fees from customers, including accounting firm and financial institution customers, are recorded at the invoiced amount, net of an allowance for credit losses. Unbilled revenue is recorded based on amounts that the Company expects to invoice to customers in the subsequent period. The allowance for credit losses related to accounts receivable and unbilled revenue is based on the Company's assessment of the collectability of the receivables. The Company regularly reviews the adequacy of the allowance for credit losses by considering the age of each outstanding invoice and the collection history of each customer to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectable are charged against the allowance for credit losses when identified. For all periods presented, the allowance for credit losses related to accounts receivable and unbilled revenue was not material.

## Acquired card receivables

The portfolios of acquired card receivables are commercial accounts diversified across various geographies and industries. The Company manages credit risk based on common risk characteristics including macroeconomic factors such as unemployment rates and financial condition of the users of the spend and expense management application.

Acquired card receivables are reported at their principal amounts and include uncollected fees outstanding net of allowance for credit losses. Acquired card receivables are deemed to be held for investment when such receivables are not acquired specifically for resale.

As part of the onboarding process, users of the Company's free spend and expense management application are provided with a credit limit subject to a credit policy and underwriting process which is periodically re-performed based on risk indicators and the size of the credit limit.

Spending businesses may over fund their accounts through payments in excess of the outstanding balance. Such over funded amounts are recorded as prepaid card deposits, which are included in other accruals and current liabilities in the accompanying consolidated balance sheets.

Acquired card receivables represent amounts due on card transactions integrated with the spend and expense management application. The Company is contractually obligated to purchase all card receivables from U.S. based card Issuing Banks (Issuing Banks) including authorized transactions that have not cleared at the Issuing Banks. Acquired card receivables are recorded at the time a transaction clears the Issuing Banks and generally payment for the card receivables is made on the day the transaction clears the Issuing Banks.

The acquired card receivables portfolio consists of a large group of smaller balances from spending businesses across a wide range of industries. The allowance for credit losses reflects the Company's estimate of uncollectible balances resulting from credit and fraud losses and is based on the determination of the amount of expected losses inherent in the acquired card receivable as of the reporting date. An estimate of lifetime expected credit losses is performed by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period beyond the balance sheet date. In estimating expected credit losses, the Company uses models that entail a significant amount of judgment. The primary areas of judgment used in measuring the quantitative components of the Company's reserves relate to the attributes used to segment the portfolio, the determination of the historical loss experience look-back period, and the weighting of historical loss experience by monthly cohort. The Company uses these models and assumptions to determine the reserve rates applicable to the outstanding acquired card receivable balances to estimate reserves for expected credit losses. Based on historical loss experience, the probability of default decreases over time, therefore the attribute used to segment the portfolio is the length of time since an account's credit limit origination. The Company's models use past loss experience to estimate the probability of default and exposure at default by aged balances. The Company also estimates the likelihood and magnitude of recovery of previously written off loans based on historical recovery experience. Additionally, management evaluates whether to include qualitative reserves to cover losses that are expected but may not be adequately represented in the quantitative methods or the economic assumptions. The qualitative reserves address possible limitations within the models or factors not included within the models, such as external conditions, changes in underwriting strategies, the nature and volume of the portfolio, and the volume and severity of past due accounts. In general, acquired card receivables are written off after substantially the entire balance

becomes 120 days delinquent. Assumptions regarding expected losses are reviewed periodically and may be impacted by actual performance of the acquired card receivables and changes in any of the factors discussed above. As of June 30, 2022 and 2021, the allowance for potential credit losses on acquired card receivables shown on the consolidated balance sheets totaled \$5.4 million and \$1.7 million, respectively. These amounts do not include the immaterial allowance for potential credit losses on purchase of card receivables that have been authorized but not cleared at the end of the periods (see Note 15).

### **Derivative Instruments**

The Company retains a beneficial interest derivative in the form of a deferred purchase price on card receivables sold. This derivative is not designated as a hedging instrument, and is initially recorded at fair value, with subsequent changes in fair value recorded through other gains and losses. The Company does not use derivative instruments for speculative or trading purposes. The beneficial interest derivative is a residual interest in collections on card receivables sold, and serves to align the economic interests of the Company as servicer with those of the Purchasing Bank.

### **Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, generally one to four years. Leasehold improvements are amortized over the shorter of estimated useful lives of the assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is reflected in the consolidated statements of operations.

The Company capitalizes internal and external direct costs incurred related to obtaining or developing internal-use software. Costs incurred during the application development stage are capitalized and are amortized using the straight-line method over the estimated useful lives of the software, generally three years commencing on the first day of the month following when the software is ready for its intended use. Costs related to planning and post-implementation activities are expensed as incurred.

### **Goodwill**

Goodwill represents the excess of the purchase price of the acquisition over the net fair value of identifiable assets acquired and liabilities assumed. Goodwill amounts are not amortized.

### **Intangible Assets**

The Company generally recognizes assets for customer relationships, developed technology, and finite-lived trade names from an acquisition. Finite-lived intangible assets are carried at acquisition cost less accumulated amortization. Such amortization is recorded on a straight-line basis over the estimated useful lives of the respective assets, generally from 3 to 10 years. Amortization for developed technology is recognized in cost of revenue. Amortization for customer relationships and trade names is recognized in sales and marketing expenses.

### **Impairment**

The valuation of goodwill at the reporting unit level is reviewed annually during the fourth fiscal quarter or more frequently if facts or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The Company has one reporting unit; therefore, all of its goodwill is associated with the entire company. Management has the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the Company is less than the carrying amount, including goodwill. If it is determined that it is more likely than not that the fair value of the Company is less than the carrying amount, a quantitative assessment is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. The Company also has the option to bypass the qualitative assessment and perform the quantitative assessment.

Intangible assets with indefinite useful lives are not amortized but are evaluated for impairment annually during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. Impairment exists if the fair value of the indefinite-lived intangible asset is less than the carrying value.

The Company reviews the valuation of long-lived assets, including property and equipment and finite-lived intangible assets, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverability of long-lived assets or asset groups is calculated based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. Impairment testing is performed at the asset group level.

Based on management's assessment, the Company did not recognize any impairment losses on its goodwill, finite-lived intangible assets, or other long-lived assets during the periods presented herein.

## **Leases**

The Company determines if an arrangement is a lease, or contains a lease, by evaluating whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. The Company determines the classification of the lease, whether operating or financing, at the lease commencement date, which is the date the leased assets are made available for use.

The Company uses the non-cancelable lease term when recognizing the right-of-use (ROU) assets and lease liabilities, unless it is reasonably certain that a renewal or termination option will be exercised. The Company accounts for lease components and non-lease components as a single lease component. Modifications are assessed to determine whether incremental differences result in new contract terms and accounted for as a new lease or whether the additional right of use should be included in the original lease and continue to be accounted with the remaining ROU asset.

Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Lease payments consist of the fixed payments under the arrangement, less any lease incentives. Variable costs, such as common area maintenance costs, are not included in the measurement of the ROU assets and lease liabilities, but are expensed as incurred. As the implicit rate of the leases is not determinable, the Company uses an incremental borrowing rate in determining the present value of the lease payments. Lease expenses are recognized on a straight-line basis over the lease term.

The Company does not recognize ROU assets on lease arrangements with a term of 12 months or less. Lease expense for such arrangements is recognized on a straight-line basis over the term of the lease.

## **Accrued Rewards**

Spending businesses participate in rewards programs based on card transactions. The Company records a rewards liability that represents the estimated cost for rewards owed to spending businesses. Rewards liabilities are impacted over time by redemption costs and by spending businesses meeting eligibility requirements. Changes in the rewards liabilities during the period are recognized as an increase or decrease to sales and marketing expense in the accompanying consolidated statements of operations. The accrued rewards liability, which was \$36.2 million and \$19.2 million as of June 30, 2022 and 2021, respectively, is included in other accruals and current liabilities in the accompanying consolidated balance sheets. The rewards expense, which was \$95.2 million and \$4.5 million during the years ended June 30, 2022 and 2021, respectively, is included in sales and marketing expenses in the accompanying consolidated statements of operations.

## **Revenue recognition**

### ***Arrangements with SMBs and Accounting Firms***

The Company enters into contracts with SMB and accounting firm customers to provide access to the functionality of the Company's cloud-based payments platform to process transactions. These contracts are either monthly contracts paid in arrears or upfront, or annual arrangements paid up front. The Company charges

its SMB and accounting firm customers subscription fees for access to its platform either based on the number of users or per customer account and the level of service. The Company generally also charges these customers transaction fees based on transaction volume and the category of transaction. The contractual price for subscription and transaction services is based on either negotiated fees or the rates published on the Company's website.

The Company accounts for its annual and monthly contracts as a series of distinct services that are satisfied over time. The Company determines the transaction price for such contracts by estimating the total consideration to be received over the contract term from subscription and transaction fees. The Company recognizes the transaction price as a single performance obligation based on the proportion of transactions processed to the total estimated transactions to be processed over the contract period. Revenues recognized exclude amounts collected on behalf of third parties, such as sales taxes collected and remitted to governmental authorities.

### ***Arrangements with Spending Businesses***

The Company facilitates the extension of credit to spending businesses through the Divvy product in the form of Divvy cards, which are originated through agreements with its Issuing Banks. The agreements with the Issuing Banks allow for card transactions on the MasterCard and Visa networks. Spending businesses utilize the credit on the Divvy cards as a means of payment for goods and service provided by their suppliers. For each transaction, the suppliers are required to pay interchange fees to the issuer of the credit. Based on the Company's agreements with its Issuing Banks, the Company recognizes the interchange fees as revenue gross or net of rebates received from the Issuing Bank based on the Company's determination of whether it is the principal or agent under the agreements.

### ***Arrangements with Financial Institutions***

The Company enters into multi-year contracts with financial institution customers to provide access to the Company's cloud-based payments platform to process transactions. These contracts typically include fees for initial implementation services that are paid during the period the implementation services are provided as well as fees for subscription and transaction processing services, which are subject to guaranteed monthly minimum fees that are paid monthly over the contract term. These contracts enable the financial institutions to provide their customers with access to online bill pay services through the financial institutions' online platforms. Implementation services are required up-front to establish an infrastructure that allows the financial institutions' online platforms to communicate with the Company's online platform. A financial institution's customers cannot access online bill pay services until implementation is complete.

Initial implementation services and transaction processing services are not capable of being distinct from the subscription for online bill pay services and are combined into a single performance obligation. The total consideration in these contracts varies based on the number of users and transactions to be processed. The Company has determined it meets the variable consideration allocation exception and therefore recognizes guaranteed monthly payments and any overages as revenue in the month they are earned. Implementation fees are recognized based on the proportion of transactions processed to the total estimated transactions to be processed over the contract period. The ability of the financial institution customers to renew their contracts without having to pay up-front implementation fees again could provide them a material right. Material rights, which have not been significant to date, are treated as separate performance obligations and are recognized over the expected period of benefit. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price.

### **Deferred revenue**

Subscription and transaction fees from customers for which the Company has annual or multi-year contracts are generally billed in advance. These fees are initially recorded as deferred revenue and subsequently recognized as revenue as the performance obligation is satisfied.

### **Deferred costs**

Deferred costs consist of (i) deferred sales commissions that are incremental costs of obtaining customer contracts and (ii) deferred service costs, primarily direct payroll costs, for implementation services

provided to customers prior to the launching of the Company's products for general availability (go-live) to customers. Sales commissions paid on renewals are not material and are not commensurate with sales commissions paid on the initial contract. Deferred sales commissions are amortized ratably over 4 to 10 years, taking into consideration the initial contract term and expected renewal periods. Deferred service costs are amortized ratably over the estimated benefit period of the capitalized costs starting on the go-live date of the service.

### **Service Costs**

Service costs consist primarily of personnel-related costs, including stock-based compensation expenses, for the Company's customer success and payment operations teams, outsourced support services for our customer success team, costs that are directly attributed to processing customers' and spending businesses' transactions (such as the cost of printing checks, postage for mailing checks, fees associated with the issuance and processing of card transactions, fees for processing payments, such as ACH, check and cross-border wires), direct and amortized costs for implementing and integrating the Company's platform into the customers' systems, costs for maintaining, optimizing, and securing the Company's cloud payments infrastructure, amortization of capitalized internal-use software, fees on the investment of customer funds, and allocation of overhead costs.

### **Research and development**

Costs incurred in research and development, excluding development costs eligible for capitalization as internal-use software, are expensed as incurred.

### **Stock-based compensation**

The Company measures stock-based compensation for stock options and purchase rights issued under the Employee Stock Purchase Plan (ESPP) at fair value on the date of grant using the Black-Scholes option-pricing model. The Company measures stock-based compensation for restricted stock units (RSUs) and market-based RSUs based on the closing price of the Company's stock and using the Monte Carlo simulation model, respectively, on the date of grant. The Company measures stock-based compensation for performance-based awards at fair value on the date of grant by using the Black-Scholes valuation option-pricing model or other valuation technique depending on the nature of the award. Awards that are classified as liabilities are remeasured at fair value at the end of each reporting period.

The Company recognizes compensation costs on a straight-line basis over the requisite service period, which is generally the vesting term of four years for stock options and RSUs, the offering period of one year for purchase rights under the ESPP, and the requisite period of one to three years for market-based RSUs. Stock compensation costs are reduced by the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates the forfeiture rate based on its historical experience for annual grant years where the majority of the vesting terms have been satisfied. The Company recognizes compensation costs for performance-based awards over the vesting period if it is probable that the performance condition will be achieved.

The Black-Scholes option-pricing model and Monte Carlo simulation model require the use of highly subjective assumptions which determine the fair value of stock-based awards.

The main assumptions used in the Black-Scholes option-pricing model include:

*Expected term* – The expected term represents the period that stock-based awards are expected to be outstanding. The expected term for option grants is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.

*Expected volatility* – Prior to the Company's IPO, the expected volatility was estimated based on the average volatility for comparable publicly traded companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle or area of specialty. For grants made after the Company's IPO, the expected volatility was estimated based on the historical volatility of the Company's common stock.

*Risk-free interest rate* – The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

*Expected dividend yield* – The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

The main assumptions used in the Monte Carlo simulation model include (i) expected volatility, (ii) risk-free interest rate, and (iii) performance period of the market-based RSU award, which represents the period that the Company's stock price condition has to be achieved in order for the award to vest.

## **Advertising**

The Company expenses the costs of advertising, including promotional expenses, as incurred. Advertising expenses during the years ended June 30, 2022, 2021 and 2020 were \$29.4 million, \$8.5 million and \$5.8 million, respectively.

## **Income taxes**

The Company accounts for income taxes using the asset and liability method, which requires that deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the Company's assets and liabilities, net operating loss (NOL) and tax credit carryforwards. A valuation allowance is established to reduce deferred tax assets to the amount expected to be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies any liabilities for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

## **Net loss per share attributable to common stockholders**

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration of potentially dilutive securities. Diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders for all periods presented since the effect of potentially dilutive securities is anti-dilutive given the net loss of the Company.

## **New accounting pronouncements:**

### ***Adopted***

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-08, Business Combinations (Topic 805)—*Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this ASU address diversity and inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination. The amendments in this ASU require that an acquirer recognize and measure contract assets and contract liabilities (e.g., deferred revenue) acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. Upon adoption, an acquirer should account for the related revenue contracts of the acquiree as if it had originated the contracts.

For public business entities, the amendments in ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. An entity that early

adopts in an interim period should apply the amendments (i) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (ii) prospectively to all business combinations that occur on or after the date of initial application. The Company early-adopted this ASU on October 1, 2021, retrospectively to September 1, 2021, the date of the Company's acquisition of Invoice2go, Inc. (Invoice2go), the Company's only acquisition since July 1, 2021, the beginning of the fiscal year of adoption.

The adoption of ASU 2021-08 resulted in an increase in deferred revenue assumed and a related increase to goodwill as of September 1, 2021 with a consequent increase in revenue during the year ended June 30, 2022, in connection with the Invoice2go acquisition.

The adoption of ASU 2021-08 had the following impact on the Company's previously reported interim condensed consolidated balance sheet as of the periods presented (in thousands):

	As previously reported, September 30, 2021	ASU 2021-08 adjustments	As adjusted, October 1, 2021
<b>Assets</b>			
Goodwill	\$ 2,354,812	\$ 8,278	\$ 2,363,090
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Deferred revenue	\$ 21,328	\$ 8,080	\$ 29,408
Non-current liabilities:			
Deferred income tax liability	\$ 3,877	\$ (1,228)	\$ 2,649
Stockholders' equity:			
Accumulated deficit	\$ (294,152)	\$ 1,426	\$ (292,726)

The adoption of ASU 2021-08 had the following impact on the Company's previously reported interim condensed consolidated statement of operations for the period presented (in thousands):

	As previously reported, three months ended September 30, 2021	ASU 2021-08 adjustments	As adjusted, three months ended September 30, 2021
Revenue	\$ 116,403	\$ 1,946	\$ 118,349
Benefit from income taxes	\$ (3,941)	\$ 520	\$ (3,421)
Net loss	\$ (75,685)	\$ 1,426	\$ (74,259)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.79)	\$ 0.01	\$ (0.78)

These adjustments are reflected in the Company's consolidated statement of operations during the year ended June 30, 2022.

On July 1, 2021, the Company early-adopted FASB ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, *Debt—Debt with Conversion and Other Options* for convertible instruments. Under this ASU, the embedded conversion features are not required to be separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument is accounted for as a single liability measured at its amortized cost and a convertible preferred stock is accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. In addition, this ASU amends the requirement for calculating diluted earnings per share for convertible instruments by using the "if-converted" method instead of the treasury stock method. The

use of the "if-converted" method will not impact the Company's diluted earnings per share because of the Company's net losses.

The Company elected to follow the modified retrospective method upon adopting this ASU with respect to the 2025 Notes, which is the convertible debt that existed at that date. As a result of the adoption, the Company accounts for the 2025 Notes as a single liability and no longer separately accounts for the liability and equity components. The adoption of this ASU also resulted in the derecognition of a deferred tax liability, which represented a basis difference in the face value of the 2025 Notes due to the previous allocation of a portion of the proceeds to the equity component. Additionally, the Company recorded a cumulative adjustment to decrease the beginning balance of the accumulated deficit at July 1, 2021, which represented a reduction in previously recorded amortization of debt discount through June 30, 2021. The following table summarizes the adjustments made to the consolidated balance sheet as of July 1, 2021 as a result of applying the modified retrospective method in adopting this ASU:

	As previously reported, June 30, 2021	ASU 2020-06 adjustments		
		Account for the 2025 Notes as single liability	Cumulative effect of adjustments	As adjusted, July 1, 2021
Convertible senior notes, net (2025 Notes)	\$ 909,847	\$ 247,231	\$ (25,316)	\$ 1,131,762
Deferred income tax liability <sup>(1)</sup>	\$ 9,090	\$ (2,165)	\$ (3,684)	\$ 3,241
Additional paid-in capital	\$ 2,777,155	\$ (245,066)	\$ —	\$ 2,532,089
Accumulated deficit	\$ (247,467)	\$ —	\$ 29,000	\$ (218,467)

<sup>(1)</sup> The balance at June 30, 2021 included \$5.8 million of deferred tax liability associated with the allocation of the 2025 Notes into equity.

On July 1, 2021, the Company adopted FASB ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provide optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting in response to concerns about structural risks of the cessation of LIBOR. It also provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. This ASU applies only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The Company's credit agreements reference both LIBOR and an alternative rate to replace LIBOR; therefore, the adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

On July 1, 2021, the Company adopted ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the second step of the goodwill impairment test that required a calculation of the implied fair value of goodwill following the procedures that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Accordingly, a goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

### **Not Yet Adopted**

In March 2022 the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminates the accounting guidance for Troubled Debt Restructurings (TDRs) by creditors in Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, this ASU requires a company to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. This ASU is effective for the Company beginning July 1, 2023, and shall be applied

prospectively, except for the transition method related to the recognition and measurement of TDRs, which may be applied following a modified retrospective method. Early adoption is permitted. The Company is currently assessing the impact of this ASU on the consolidated financial statements and related disclosures.

## NOTE 2 – REVENUE

The Company generates revenue primarily from subscription and transaction fees. The Company's customers include small and midsize businesses (SMB), accounting firms, and financial institutions. The table below shows the Company's revenue from subscription and transaction fees, which are disaggregated by customer category, and revenue from interest on funds held for customers (in thousands).

	Year ended June 30,		
	2022	2021	2020
Small-to-midsize business, accounting firm customers and other	\$ 603,171	\$ 218,227	\$ 126,035
Financial institution customers	30,194	14,028	10,370
Subscription and transaction fees	633,365	232,255	136,405
Interest on funds held for customers	8,594	6,010	21,195
Revenue	\$ 641,959	\$ 238,265	\$ 157,600

### **Deferred revenue**

Fees from customers with which the Company has annual or multi-year contracts are generally billed in advance. These fees are initially recorded as deferred revenue and subsequently recognized as revenue as the performance obligation is satisfied. During the year ended June 30, 2022, the Company recognized \$13.0 million of revenue that was included in the deferred revenue balance as of June 30, 2021.

### **Remaining performance obligations**

The Company has performance obligations associated with commitments in customer contracts for future services that have not yet been recognized as revenue. As of June 30, 2022, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied), including deferred revenue, was approximately \$150.3 million. Of the total remaining performance obligations, the Company expects to recognize approximately 66% within two years and 34% over the next three to five years thereafter. The Company determines remaining performance obligations at a point of time. Actual amounts and timing of revenue recognized may differ due to subsequent contract modifications, renewals and/or terminations.

### **Unbilled revenue**

Unbilled revenue, which is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets, consists of revenue recognized that has not been billed to the customers yet. The unbilled revenue amounted to \$11.4 million and \$8.1 million as of June 30, 2022 and 2021, respectively.

### Deferred costs

Deferred costs consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Deferred sales commissions:		
Current	\$ 5,460	\$ 4,169
Non-current	9,187	6,542
Total deferred sales commissions	<u>\$ 14,647</u>	<u>\$ 10,711</u>
Deferred service costs:		
Current	\$ 1,706	\$ 1,539
Non-current	13,862	15,260
Total deferred service costs	<u>\$ 15,568</u>	<u>\$ 16,799</u>

The current portion of deferred costs is included in prepaid expenses and other current assets and the non-current portion is included in other assets in the accompanying consolidated balance sheets. The amortization of deferred sales commissions, which is included in sales and marketing in the accompanying consolidated statements of operations, was \$5.2 million, \$3.6 million and \$2.3 million during the years ended June 30, 2022, 2021 and 2020, respectively. The amortization of deferred service costs, which is included in the service costs in the accompanying consolidated statements of operations, was \$1.6 million, \$0.6 million and \$0.4 million during the years ended June 30, 2022, 2021 and 2020, respectively.

### NOTE 3 – BUSINESS COMBINATION

#### Fiscal 2022 acquisition

On September 1, 2021, the Company acquired 100% of the outstanding equity interests of Invoice2go. The results of Invoice2go's operations have been included in the accompanying consolidated financial statements since the acquisition date. Invoice2go provides mobile-first accounts receivable software that empowers SMBs and freelancers to grow their client base, manage invoicing and payments, and build their brand. Invoice2go has operations in the U.S. and in Australia, and serves a large global customer base of SMBs. The acquisition of Invoice2go will enhance the Company's ability to provide an expanded product solution to enable SMBs to manage accounts payable, corporate card spend, and accounts receivable all in one place. Additionally, the acquisition will expand the market opportunity for the Company by offering Invoice2go's product to its existing customers and network members and vice versa.

The acquisition purchase consideration totaled \$674.3 million, which consisted of the following (in thousands):

Equity consideration <sup>(1)</sup>	\$ 510,218
Cash	164,087
Total	<u>\$ 674,305</u>

<sup>(1)</sup> This includes 1,788,372 shares of the Company's common stock issued with a fair value based upon the opening market price on the acquisition date. This also includes the stock options assumed to replace stock options that were outstanding on the acquisition date under Invoice2go's 2014 Equity Incentive Plan (Invoice2go 2014 Plan). The fair value of these stock options was \$21.7 million, which was the amount attributable to the pre-combination requisite service period.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash and cash equivalents	\$ 19,738
Accounts receivable and other assets	4,518
Intangible assets	<u>91,219</u>

Total identifiable assets acquired	115,475
Accounts payable and other liabilities	(26,618)
Net identifiable assets acquired	88,857
Goodwill	585,448
Net assets acquired	\$ 674,305

The preliminary fair values allocated to the identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

	Preliminary fair value	Weighted average useful life (in years)
Customer relationships	\$ 61,269	10.0
Developed technology	15,908	3.0
Trade name	14,042	3.0
Total	\$ 91,219	7.7

Customer relationships were measured at fair value using the multiple-period excess earnings method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue and costs associated with existing customers, and a discount rate of 12.3%.

Developed technology was measured at fair value using the relief-from-royalty method of the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from existing technology, a pre-tax royalty rate of 15.0% and a discount rate of 12.3%.

Trade name was measured at fair value using the relief-from-royalty method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from the trade name, a pre-tax royalty rate of 2.5% and a discount rate of 12.3%.

The \$585.4 million goodwill is attributable primarily to the expected synergies and economies of scale expected from combining the operations of both entities, and intangible assets that do not qualify for separate recognition, including assembled workforce acquired through the acquisition. None of the goodwill is expected to be deductible for income tax purposes. As a result of ASU 2021-08 adoption on October 1, 2021, retrospectively to September 1, 2021, the Company recorded adjustments of \$8.0 million to increase goodwill and deferred revenue, and an immaterial amount to deferred income tax liability. The amounts recorded as measurement period adjustments from the acquisition date through June 30, 2022 were not material.

The Company recognized \$3.7 million of acquisition-related costs that were expensed during the year ended June 30, 2022. These costs are shown as part of general and administrative expenses in the accompanying consolidated statements of operations.

The amount of Invoice2go's revenue and net loss, which includes amortization of intangible assets, from the acquisition date of Invoice2go that were included in the Company's consolidated statements of operations during the year ended June 30, 2022 were approximately \$32.9 million and \$32.0 million, respectively.

#### *Unaudited Pro Forma Financial Information*

The unaudited pro forma information below summarizes the combined results (in thousands) of the Company and Invoice2go as if the Company's acquisition of Invoice2go closed on July 1, 2020, but does not necessarily reflect the combined actual results of operations of the Company and Invoice2go that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Invoice2go, including additional depreciation and amortization adjustments for the fair value of the assets acquired and liabilities assumed. The pro forma net loss for the year ended June 30, 2022 was adjusted to exclude nonrecurring acquisition-related costs of \$19.0 million. The pro forma net loss for the year ended June 30, 2021 was adjusted to exclude nonrecurring acquisition-related costs of \$20.6 million.

	Year ended June 30,	
	2022	2021
Revenue	\$ 648,476	\$ 274,842
Net loss	\$ (327,136)	\$ (149,003)

### Fiscal 2021 acquisition

On Jun 1, 2021, the Company acquired 100% of the outstanding equity interests of DivvyPay, Inc. (Divvy). The results of Divvy's operations have been included in the consolidated financial statements since the acquisition date. Divvy offers a cloud-based spend management application and smart corporate cards to SMBs in the U.S. The acquisition of Divvy will enhance the Company's ability to provide an expanded solution to enable SMBs to manage accounts payable, corporate card spend, and accounts receivable all in one place. Additionally, the acquisition will expand the market opportunity for the Company by offering a spend management application combined with smart corporate cards to its existing customers and network members.

The acquisition purchase consideration totaled \$2.3 billion, which consisted of the following (in thousands):

Equity consideration <sup>(1)</sup>	\$ 1,658,818
Cash	664,779
<b>Total</b>	<b>\$ 2,323,597</b>

<sup>(1)</sup> This includes 10,767,140 shares of the Company's common stock issued with a fair value based upon the opening market price on the acquisition date. This also includes the stock options assumed to replace stock options that were granted after May 1, 2019 under Divvy's 2016 Equity Incentive Plan (Divvy 2016 Plan) and were outstanding on the acquisition date. The fair value of these stock options was \$55.3 million, which was the amount attributable to the pre-combination requisite service period.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash	\$ 108,689
Acquired card receivables	159,784
Accounts receivable	7,435
Card receivables held for sale	12,730
Property and equipment	15,805
Intangible assets	423,000
Prepaid expenses and other assets	57,669
<b>Total identifiable assets acquired</b>	<b>785,112</b>
Accounts payable and other liabilities	(153,855)
Outstanding borrowings from credit facilities	(79,703)
<b>Total liabilities assumed</b>	<b>(233,558)</b>
<b>Net identifiable assets acquired</b>	<b>551,554</b>
Goodwill	1,772,043
<b>Net assets acquired</b>	<b>\$ 2,323,597</b>

The fair values allocated to the identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

	Fair value	Weighted average useful life (in years)
Customer relationships	\$ 198,000	10.0
Developed technology	191,000	6.0
Trade name	34,000	3.0
Total	<u>\$ 423,000</u>	7.6

Following the acquisition of Divvy, the Company had a period of not more than 12 months to finalize the fair values of assets acquired and liabilities assumed, including valuations of identifiable intangible assets and indemnification asset related to certain assumed liabilities at the acquisition date. During the 12-month measurement period, the Company remeasured the fair value of the leases acquired and the replacement stock based awards included in the purchase consideration. The effect of these measurement period adjustments resulted in a decrease of goodwill by \$2.7 million. There were no other material adjustments made during the 12-month measurement period related to the acquisition of Divvy.

Customer relationships were measured at fair value using the multiple-period excess earnings method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue and costs associated with existing customers, and a discount rate of 16.0%.

Developed technology was measured at fair value using the relief-from-royalty method of the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from existing technology, a pre-tax royalty rate of 15.0% and a discount rate of 16.0%.

Trade name was measured at fair value using the relief-from-royalty method under the income approach. Significant inputs used to measure the fair value include an estimate of projected revenue from the trade name, a pre-tax royalty rate of 1.0% and a discount rate of 16.0%.

The \$1.8 billion goodwill is attributable primarily to the expected synergies and economies of scale expected from combining the operations of both entities, and intangible assets that do not qualify for separate recognition, including assembled workforce acquired through the acquisition. Goodwill is not expected to be deductible for income tax purposes.

As of the acquisition date, the fair value of card receivables held for sale, which approximates the gross contractual amount, was \$12.7 million. These receivables were substantially settled as of June 30, 2021.

Pursuant to the terms of the merger agreement, the Company recognized an indemnification asset of \$13.4 million and \$20.4 million related to certain assumed liabilities at the acquisition date as of June 30, 2022 and 2021, respectively. The indemnification asset was measured and recognized on the same basis and at the same time as the indemnified liabilities.

The Company recognized \$15.5 million of acquisition-related costs that were expensed during the year ended June 30, 2021. These costs are shown as part of general and administrative expenses in the accompanying consolidated statements of operations.

The amounts of Divvy's total revenues and net loss that were included in the Company's consolidated statement of operations from the acquisition date through June 30, 2021 were \$10.3 million and \$11.4 million, respectively.

#### *Unaudited Pro Forma Financial Information*

The unaudited pro forma information does not necessarily reflect the actual results of operations of the combined entities that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Divvy, including additional depreciation and amortization adjustments for the fair value of the assets acquired and liabilities assumed. The pro forma net loss for the year ended June 30, 2021 was adjusted to exclude nonrecurring acquisition related costs of \$2.3 million. The pro forma net loss for the year ended

Jun 30, 2020 was adjusted to include nonrecurring acquisition-related costs of \$75.3 million. Below is the unaudited pro forma financial information of the combined results of operations of the Company and Divvy as if the acquisition occurred on July 1, 2019 (in thousands).

	Year ended June 30,	
	2021	2020
Total revenue	\$ 307,618	\$ 192,770
Net loss	\$ (223,470)	\$ (206,166)

#### NOTE 4 – FAIR VALUE MEASUREMENT

The Company measures and reports its cash equivalents, short-term investments, funds held for customers that are invested in money market funds and marketable debt securities, and beneficial interest derivative on card receivables sold at fair value. Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity for the related assets or liabilities and typically reflect management's estimate of assumptions that market participants would use in pricing the assets or liabilities.

In determining fair value, the Company utilizes quoted market prices, or valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and also considers counterparty credit risk in its assessment of fair value.

The following tables set forth the fair value of assets that were measured at fair value on a recurring basis based on the three-tier fair value hierarchy as of the dates presented (in thousands):

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents:				
Money market funds	\$ 1,424,259	\$ —	\$ —	\$ 1,424,259
Corporate bonds	—	11,430	—	11,430
	<u>1,424,259</u>	<u>11,430</u>	<u>—</u>	<u>1,435,689</u>
Short-term investments:				
Corporate bonds	—	597,204	—	597,204
U.S. treasury securities	421,728	—	—	421,728
Asset-backed securities	—	51,406	—	51,406
Certificates of deposit	—	38,155	—	38,155
	<u>421,728</u>	<u>686,765</u>	<u>—</u>	<u>1,108,493</u>
Funds held for customers:				
Restricted cash equivalents				
Money market funds	34,703	—	—	34,703
Corporate bonds	—	133,557	—	133,557
	<u>34,703</u>	<u>133,557</u>	<u>—</u>	<u>168,260</u>
Short-term investments				
Corporate bonds	—	807,685	—	807,685
Certificates of deposit	—	397,533	—	397,533
Municipal bonds	—	6,516	—	6,516
Asset-backed securities	—	69,912	—	69,912
U.S. treasury securities	3,072	—	—	3,072
	<u>3,072</u>	<u>1,281,646</u>	<u>—</u>	<u>1,284,718</u>
Beneficial interest derivative on card receivables sold	—	—	398	398
<b>Total assets measured at fair value</b>	<u>\$ 1,883,762</u>	<u>\$ 2,113,398</u>	<u>\$ 398</u>	<u>\$ 3,997,558</u>

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents:				
Money market funds	\$ 365,550	\$ —	\$ —	\$ 365,550
Corporate bonds	—	15,499	—	15,499
	<u>365,550</u>	<u>15,499</u>	<u>—</u>	<u>381,049</u>
Short-term investments:				
Corporate bonds	—	466,459	—	466,459
U.S. treasury securities	155,674	—	—	155,674
Asset-backed securities	—	26,406	—	26,406
Certificates of deposit	—	6,775	—	6,775
	<u>155,674</u>	<u>499,640</u>	<u>—</u>	<u>655,314</u>
Funds held for customers:				
Restricted cash equivalents				
Money market funds	6,887	—	—	6,887
Corporate bonds	—	79,435	—	79,435
	<u>6,887</u>	<u>79,435</u>	<u>—</u>	<u>86,322</u>
Short-term investments				
Corporate bonds	—	516,350	—	516,350
Certificates of deposit	—	326,927	—	326,927
Municipal bonds	—	42,957	—	42,957
Asset-backed securities	—	25,085	—	25,085
U.S. treasury securities	3,009	—	—	3,009
	<u>3,009</u>	<u>911,319</u>	<u>—</u>	<u>914,328</u>
Beneficial interest derivative on card receivables sold	—	—	2,252	2,252
<b>Total assets measured at fair value</b>	<u>\$ 531,120</u>	<u>\$ 1,505,893</u>	<u>\$ 2,252</u>	<u>\$ 2,039,265</u>

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

The fair values of the Company's Level 1 instruments were derived from quoted market prices and active markets for these specific instruments.

The valuation techniques used to measure the fair values of Level 2 instruments were derived from non-binding market consensus prices that were corroborated with observable market data, quoted market prices for similar instruments, or pricing models.

The initial and recurring fair value of the beneficial interest derivative on card receivables sold is estimated using a discounted cash flow model, which uses Level 3 inputs including a discount rate and a default rate. The default rate estimate is based upon the expected transferred card receivables that will ultimately default. The default rate is calculated using historical trends and ages of the outstanding card receivable balances. The default rate did not have a material impact in the estimation of fair value of the beneficial interest derivative as of June 30, 2022 and 2021. Other inputs, such as the discount rate and expected repayments, are generally considered but had no material impact in the estimation of fair value of the beneficial interest derivative as of June 30, 2022 and 2021. A ten percent increase or decrease in the discount rate or default rate used would not result in a significantly higher or lower fair value measurement.

The Company has \$575 million and \$1.15 billion in aggregate principal amount of its 0% convertible senior notes due in 2027 (2027 Notes) and in 2025 (2025 Notes, together with the 2027 Notes, the Notes), respectively, outstanding as of June 30, 2022. The Company carries the Notes at par value, less the unamortized debt discount and issuance costs in the accompanying consolidated balance sheets. The estimated fair value of the 2027 Notes and 2025 Notes, which is presented for disclosure purposes only, was approximately \$446.4 million and \$1.19 billion, respectively, as of June 30, 2022. The fair value was based on a market approach, which represents a Level 2 valuation estimate. The market approach was determined based on the actual bids and offers of the Notes in an over-the-counter market as of the last day of trading prior to the end of the period.

#### NOTE 5 – SHORT-TERM INVESTMENTS

Short-term investments consisted of the following as of the dates presented (in thousands):

	June 30, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 601,987	\$ 3	\$ (4,786)	\$ 597,204
U.S. treasury securities	424,644	1	(2,917)	421,728
Asset-backed securities	51,622	—	(216)	51,406
Certificates of deposit	38,155	—	—	38,155
	<u>\$ 1,116,408</u>	<u>\$ 4</u>	<u>\$ (7,919)</u>	<u>\$ 1,108,493</u>

  

	June 30, 2021			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 466,403	\$ 111	\$ (55)	\$ 466,459
U.S. treasury securities	155,663	16	(5)	155,674
Asset-backed securities	26,391	16	(1)	26,406
Certificates of deposit	6,775	—	—	6,775
	<u>\$ 655,232</u>	<u>\$ 143</u>	<u>\$ (61)</u>	<u>\$ 655,314</u>

The amortized cost and fair value amounts include accrued interest receivable of \$3.0 million and \$2.5 million at June 30, 2022 and 2021, respectively. See Note 4 for additional information about the fair value measurement of short-term investments.

As of June 30, 2022, the fair value of the Company's short-term investments that mature within one year and thereafter was \$961.8 million and \$146.7 million, respectively, or 87% and 13%, respectively, of the Company's total short-term investments. As of June 30, 2021, the fair value of the Company's short-term investments that mature within one year and thereafter was \$495.8 million and \$159.5 million, respectively, or 76% and 24%, respectively, of the Company's total short-term investments.

As of June 30, 2022, approximately 270 of about 360 investment positions were in an unrealized loss position. The following table presents the gross unrealized losses and fair values of those investments that were in an unrealized loss position as of the dates presented (in thousands):

	June 30, 2022	
	Fair value	Unrealized losses
Corporate bonds	\$ 392,699	\$ (4,786)
U.S. treasury securities	411,787	(2,917)
Asset backed securities	51,406	(216)
Total	<u>\$ 855,892</u>	<u>\$ (7,919)</u>

  

	June 30, 2021	
	Fair value	Unrealized losses
Corporate bonds	\$ 152,485	\$ (55)
U.S. treasury securities	85,466	(5)
Asset backed securities	8,089	(1)
Total	<u>\$ 246,040</u>	<u>\$ (61)</u>

Most of the Company investments with unrealized losses had been in a continuous unrealized loss position for less than 12 months. Investments with unrealized losses that had been in a continuous unrealized loss position for more than 12 months have been immaterial. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity. Therefore, the Company does not consider those unrealized investment losses as other-than-temporary impairment of the investments. There have been no significant realized gains or losses on the short-term investments during the years ended June 30, 2022, 2021 and 2020.

The Company has not recorded an allowance for credit losses on investments that were in an unrealized loss position as of June 30, 2022 and 2021 because they were not material.

#### NOTE 6 – FUNDS HELD FOR CUSTOMERS

Funds held for customers consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Restricted cash	\$ 1,685,937	\$ 1,195,904
Restricted cash equivalents	168,260	86,322
Funds receivable	6,747	12,694
Corporate bonds	807,685	516,350
Certificates of deposit	397,533	326,927
Municipal bonds	6,516	42,957
Asset backed securities	69,912	25,085
U.S. treasury securities	3,072	3,009
Total funds held for customers	<u>3,145,662</u>	<u>2,209,248</u>
Less - income earned by the Company included in other current assets	(3,002)	(650)
Total funds held for customers, net of income earned by the Company	<u>\$ 3,142,660</u>	<u>\$ 2,208,598</u>

Income earned by the Company that is included in other current assets represents interest income, accretion of discount (offset by amortization of premium), and net unrealized gains on customer funds that were invested in money market funds and short-term marketable debt securities. Earnings from these investments

are contractually earned by the Company and are either transferred into the Company's corporate deposit account or reinvested in the funds held for customers portfolios upon sale or settlement of the associated investment.

Below is a summary of the fair value of funds held for customers that were invested in short-term marketable debt securities as of the dates presented (in thousands):

June 30, 2022				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 809,113	\$ 1	\$ (1,429)	\$ 807,685
Certificates of deposit	397,533	—	—	397,533
Municipal bonds	6,542	—	(26)	6,516
Asset backed securities	70,574	—	(662)	69,912
U.S. treasury securities	3,082	—	(10)	3,072
Total	<u>\$ 1,286,844</u>	<u>\$ 1</u>	<u>\$ (2,127)</u>	<u>\$ 1,284,718</u>

  

June 30, 2021				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 516,364	\$ 24	\$ (38)	\$ 516,350
Certificates of deposit	326,927	—	—	326,927
Municipal bonds	42,952	5	—	42,957
Asset backed securities	25,081	4	—	25,085
U.S. treasury securities	3,010	—	(1)	3,009
Total	<u>\$ 914,334</u>	<u>\$ 33</u>	<u>\$ (39)</u>	<u>\$ 914,328</u>

The amortized cost and estimated fair value amounts include accrued interest receivable of \$3.0 million and \$1.9 million at June 30, 2022 and 2021, respectively. See Note 4 for additional information about the fair value measurement of short-term investments.

As of June 30, 2022, approximately 95%, or \$1.2 billion, of the total funds held for customers invested in marketable debt securities mature within one year and approximately 5% or \$69.9 million mature thereafter. As of June 30, 2021, 97%, or \$882.4 million, of the funds held for customers invested in short-term marketable debt securities matured within one year and approximately 3% or \$31.9 million mature thereafter.

As of June 30, 2022, approximately 180 of the more than 400 investment positions were in an unrealized loss position. The following tables present the gross unrealized losses and fair values of those investments that were in an unrealized loss position as of the dates presented (in thousands):

June 30, 2022		
	Fair value	Unrealized losses
Corporate bonds	\$ 301,625	\$ (1,429)
Municipal bonds	6,516	(26)
Asset backed securities	64,361	(662)
U.S. treasury securities	3,072	(10)
Total	<u>\$ 375,574</u>	<u>\$ (2,127)</u>

	June 30, 2021	
	Fair value	Unrealized losses
Corporate bonds	\$ 79,359	\$ (38)
U.S. treasury securities	2,501	(1)
Total	\$ 81,860	\$ (39)

Investments with unrealized losses have been in a continuous unrealized loss position for less than 12 months. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity. Therefore, the Company does not consider those unrealized investment losses as other-than-temporary impairment of the investments. There have been no significant realized gains or losses on the short-term investments during the years ended June 30, 2022, 2021 and 2020.

The Company has not recorded an allowance for credit losses on investments that were in an unrealized loss position as of June 30, 2022 and 2021 because they were not material.

## NOTE 7 – ACQUIRED CARD RECEIVABLES

### Acquired Card Receivables

Acquired card receivables consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Gross amount of acquired card receivables	\$ 261,806	\$ 148,833
Less: allowance for credit losses	(5,414)	(1,740)
Total	\$ 256,392	\$ 147,093

Certain lines of credit and acquired card receivable balances are collateralized by cash deposits held by the Issuing Banks. Before an account is charged off, the Company obtains any available cash collateral from the Issuing Banks. As of June 30, 2022, approximately \$115.8 million of the acquired card receivable balance served as collateral for the Company's borrowings from the 2021 Revolving Credit Agreement (see Note 10).

The Company also incurred losses related to card transactions disputed by spending businesses, which amounted to \$4.3 million during the year ended June 30, 2022 and an immaterial amount during the year ended June 30, 2021.

The acquired card receivable balances above do not include purchases of card receivables from the Issuing Banks that have not cleared at the end of the reporting period. Purchases of card receivables that have not cleared as of June 30, 2022 totaled \$55.2 million. The Company recognized an immaterial amount of expected credit losses on the purchased card receivables that have not cleared yet as of June 30, 2022 and 2021 (see Note 15).

### Credit Quality Information

The Company regularly reviews collection experience, delinquencies, and net charge-offs in determining allowance for credit losses related to acquired card receivables. Historical collections rates have shown that days past due is the primary indicator of the likelihood of loss. The Company elected to use the delinquency trends or past due status of the acquired card receivables as the credit quality indicator. Acquired card receivables are considered past due if full payment is not received on the bill date or within a grace period,

which is generally limited to five days. Below is a summary of the acquired card receivables by class (i.e., past due status) as of the dates presented (in thousands):

	June 30,	
	2022	2021
Current and less than 30 days past due	\$ 257,618	\$ 145,993
30 ~ 59 days past due	1,677	1,188
60 ~ 89 days past due	1,199	580
90 ~ 119 days past due	1,186	713
Over 119 days past due	126	359
Total	<u>\$ 261,806</u>	<u>\$ 148,833</u>

The amount of outstanding balance of acquired card receivables that is (i) 90 days or more past due that continue to accrue fees and have an allowance for outstanding balance and fees, and (ii) classified as nonperforming was not material as of June 30, 2022 and 2021.

#### *Allowance for Credit Losses*

Below is a summary of the allowance for credit losses as of the dates presented and the changes during the years ended June 30, 2022 and 2021 (in thousands):

	June 30,	
	2022	2021 <sup>(1)</sup>
Balance, beginning	\$ 1,740	\$ —
Initial allowance for credit losses on purchased card receivables with credit deterioration	313	2,082
Provision for expected credit losses	19,566	462
Charge-off amounts	(18,005)	(828)
Recoveries collected	1,800	24
Balance, ending	<u>\$ 5,414</u>	<u>\$ 1,740</u>

<sup>(1)</sup> Amounts from the acquisition date of Divvy on June 1, 2021.

Card receivables acquired from the Issuing Banks and held for investment during the years ended June 30, 2022 and 2021 were \$6.6 billion and \$370.6 million, respectively. The allowance for credit losses related to acquired card receivables increased during the year ended June 30, 2022 due to portfolio growth, a decrease in the estimate of recoveries of previously written off card receivables based on current collection performance, and due to qualitative assumptions for macroeconomic factors.

#### *Purchased Financial Assets with Credit Deterioration*

A financial asset acquired is considered a purchased credit deteriorated (PCD) asset if, as of the acquisition date, such financial asset has experienced a more-than-insignificant deterioration in credit quality since origination. The Company used certain indicators, such as the past due status and charge-off status of the balances, in identifying and assessing whether the acquired card receivables are considered PCD assets.

The acquired card receivables that were considered PCD assets were not material during the year ended June 30, 2022. Below is a summary of the acquired card receivables that were considered PCD assets from the acquisition of Divvy on June 1, 2021 through June 30, 2021 (in thousands):

Purchase price	\$	3,855
Allowance for credit losses		2,082
Less: discount attributable to other factors		(79)
Par value	\$	<u>5,858</u>

### Card Receivables Held for Sale

The Company sells a portion of acquired card receivables to a Purchasing Bank at a discount. Card receivables held for sale, which are carried at the lower of cost or estimated market value at the individual user account level based on pricing agreed upon with the Purchasing Bank plus an estimate of the deferred purchased card receivables held for sale, are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets, amounted to \$8.7 million and \$2.6 million as of June 30, 2022 and 2021, respectively.

### Card Receivables Sold and Related Servicing and Beneficial Interest Derivative Retained

The Company accounts for the transfer of card receivables as a sale if all of the following conditions are met:

- the financial asset is isolated from the transferor and its consolidated affiliates as well as its creditors, even in bankruptcy or other receivership;
- the transferee or beneficial interest holders have the right to pledge or exchange the transferred financial asset; and
- the transferor, its consolidated affiliates and its agents do not maintain effective control over the transferred financial asset

The card receivables that the Company transferred to the Purchasing Bank during the years ended June 30, 2022 and 2021 met all of the requirements described above; therefore, the Company accounted for the transfer as a sale of financial assets. Accordingly, the Company measures gain or loss on the sales of financial assets as the net proceeds less the carrying amount of the card receivables sold. The net proceeds represent the fair value of any assets obtained or liabilities incurred as part of the transfer, including, but not limited to, servicing assets, servicing liabilities, or beneficial interest derivatives.

The Company has an agreement with the Purchasing Bank to sell its acquired card receivables. The Company has continuing involvement under this agreement as servicer, and by retaining a beneficial interest derivative in the form of a deferred purchase price. The beneficial interest derivative represents the Company's right to receive a portion of collections based on the performance of each cohort of card receivables sold to the Purchasing Bank. The fair value of the beneficial interest derivative was immaterial as of June 30, 2022 and 2021, respectively, and is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. The servicing fee income was not material during the years ended June 30, 2022 and 2021. The initial fair value of the beneficial interest derivative includes key inputs and assumptions that qualify as Level 3 inputs in the fair value hierarchy including discount rates and delinquency rates. See Note 4 for additional information about the fair value measurement of the beneficial interest derivative as of June 30, 2022 and 2021.

Below is a summary of the fair value of consideration received from the transfer of card receivables accounted for as a sale during the periods presented (in thousands):

	Year ended June 30,	
	2022	2021 <sup>(1)</sup>
Initial fair value of consideration received:		
Cash	\$ 1,483,481	\$ 59,105
Beneficial interest derivative	4,690	187
Total	\$ 1,488,171	\$ 59,292

<sup>(1)</sup> Amounts from the acquisition date of Divvy on June 1, 2021.

The Company could experience losses on the beneficial interest derivative if the performance of the cohorts of card receivables sold to the Purchasing Bank is less than expected. The Company could also experience losses on card receivables sold if it were required to repurchase delinquent receivables due to a breach in representations and warranties associated with its sales of receivables.

Card receivable repurchases during the years ended June 30, 2022 and 2021 were not material.

Below is a summary of outstanding transferred card receivables by class (i.e., past due status) that have not been charged-off and have not been recorded on the Company's consolidated balance sheets, but with which the Company has a continuing involvement through its servicing agreements, as of the dates presented (in thousands):

	June 30,	
	2022	2021
Current and less than 30 days past due	\$ 56,162	\$ 25,098
30 ~ 59 days past due	292	240
60 ~ 89 days past due	375	165
90 ~ 119 days past due	422	301
Over 119 days past due	30	132
Total	\$ 57,281	\$ 25,936

The difference between the outstanding balance of transferred card receivables as of June 30, 2022 and 2021 and the amount derecognized for which the Company has a continuing involvement as a servicer as of June 30, 2022 and 2021 was not material.

## NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Software and equipment	\$ 20,102	\$ 17,508
Capitalized software	21,457	6,794
Furniture and fixtures	10,608	8,926
Leasehold improvements	35,105	34,606
Property and equipment, gross	87,272	67,834
Less: accumulated depreciation and amortization	(30,287)	(18,932)
Property and equipment, net	\$ 56,985	\$ 48,902

Depreciation and amortization expense, which includes the amortization of capitalized software, during the years ended June 30, 2022, 2021 and 2020 was \$11.5 million, \$5.4 million and \$4.3 million, respectively.

As of June 30, 2022 and 2021, the unamortized capitalized software cost was \$15.7 million and \$3.7 million, respectively.

## NOTE 9 – GOODWILL AND INTANGIBLE ASSETS

### Goodwill

Goodwill, which is primarily attributable to expected synergies from acquisitions and is not deductible for U.S. federal and state income tax purposes, consisted of the following as of the dates presented (in thousands):

	June 30,	
	2022	2021
Balance, beginning	\$ 1,772,043	\$ —
Addition related to acquisition during the period	585,448	1,772,043
Measurement period adjustments	(2,876)	—
Adoption of ASU 2021-08	8,278	—
Balance, ending	<u>\$ 2,362,893</u>	<u>\$ 1,772,043</u>

### Intangible Assets

Intangible assets consisted of the following as of the dates presented (amounts in thousands):

	June 30, 2022			Weighted average remaining useful life (In years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 259,269	\$ (26,556)	\$ 232,713	9.0
Developed technology	206,908	(38,909)	167,999	4.7
Trade name	48,042	(16,171)	31,871	2.0
Total	<u>\$ 514,219</u>	<u>\$ (81,636)</u>	<u>\$ 432,583</u>	6.8

  

	Jun 30, 2021			Weighted average remaining useful life (In years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 198,000	\$ (2,062)	\$ 195,938	9.9
Developed technology	191,000	(2,653)	188,347	5.9
Trade name	34,000	(944)	33,056	2.9
Total	<u>\$ 423,000</u>	<u>\$ (5,659)</u>	<u>\$ 417,341</u>	7.5

Amortization of finite-lived intangible assets was as follows during the years ended June 30, 2022 and 2021 (in thousands):

	June 30,	
	2022	2021
Cost of revenue	\$ 36,256	\$ 2,653
Sales and marketing	39,721	3,006
Total	<u>\$ 75,977</u>	<u>\$ 5,659</u>

As of June 30, 2022, future amortization of finite-lived intangible assets that will be recorded in cost of revenue and operating expenses is estimated as follows (in thousands):

<b>Fiscal years ending June 30:</b>	<b>Amount</b>
2023	\$ 79,075
2024	78,147
2025	59,425
2026	57,763
2027	55,094
Thereafter	103,079
<b>Total</b>	<b>\$ 432,583</b>

## NOTE 10 – DEBT AND BANK BORROWINGS

Debt and borrowings consisted of the following as of the dates present (in thousands):

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Convertible senior notes:</b>		
2027 Notes, principal	\$ 575,000	\$ —
2025 Notes, principal	1,150,000	1,150,000
Total principle amount of convertible senior notes	1,725,000	1,150,000
<b>Credit facilities:</b>		
2021 revolving credit agreement (Class A)	75,000	37,500
2021 revolving credit agreement (Class B)	—	10,000
2019 credit agreement	—	30,000
Total principal borrowings from credit facilities	75,000	77,500
Total principal amount of debt and borrowings	1,800,000	1,227,500
Less: unamortized debt discount and issuance costs	(26,918)	(238,119)
Net carrying value of debt and borrowings	<u>\$ 1,773,082</u>	<u>\$ 989,381</u>
<b>Net carrying value of debt and borrowings consisted of:</b>		
<b>Current liabilities:</b>		
Borrowings from credit facilities (including unamortized debt premium)	\$ 75,097	\$ —
<b>Non-current liabilities:</b>		
2027 Notes, net	562,127	—
2025 Notes, net	1,135,858	909,847
Borrowings from credit facilities (including unamortized debt premium)	—	79,534
<b>Total</b>	<u>\$ 1,773,082</u>	<u>\$ 989,381</u>

### 2027 Notes

On September 24, 2021, the Company issued \$575.0 million in aggregate principal amount of its 0% convertible senior notes due on April 1, 2027, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2027 Notes are subject to the terms and conditions of the Indenture governing the 2027 Notes between the Company and Wells Fargo Bank, N.A., as

trustee (Trustee). The net proceeds from the issuance of the 2027 Notes were \$560.1 million, after deducting debt discount and debt issuance costs totaling \$14.9 million.

The 2027 Notes are senior, unsecured obligations of the Company, and will not accrue interest unless the Company determines to pay special interest as a remedy for failure to timely file any reports required to be filed with the SEC, certain trading restrictions, or failure to deliver reports to the Trustee. The 2027 Notes rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated to the 2027 Notes and rank equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated, including the 2025 Notes. In addition, the 2027 Notes are subordinated to any of the Company's secured indebtedness and to all indebtedness and other liabilities of the Company's subsidiaries.

The 2027 Notes have an initial conversion rate of 2.4108 shares of common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$414.80 per share of the Company's common stock and approximately 1.4 million shares issuable upon conversion. The conversion rate is subject to customary adjustments for certain events as described below. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at its election. The Company's current intent is to settle conversions of the 2027 Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock.

The Company may redeem for cash, all or any portion of the 2027 Notes, at the Company's option, on or after October 5, 2024 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid special interest to, but excluding, the redemption date. No sinking fund is provided for the 2027 Notes.

The holders of the 2027 Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2027 in multiples of 100% principal amount, under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, and only during such calendar quarter, if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day periods after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2027 Notes for each trading day of that period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls such notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

The conversion rate is subject to adjustment upon the occurrence of certain events or if the Company's Board of Directors determines it is in the best interest of the Company. Additionally, holders of the 2027 Notes that convert their notes in connection with a make-whole fundamental change or during the redemption period, may be eligible to receive a make-whole premium through an increase of the conversion rate based on the estimated fair value of the 2027 Notes for the given date and stock price. The make-whole premium is designed to compensate the holder for lost "time-value" of the conversion option. The maximum number of additional shares that may be issued under the make-whole premium is 1.2656 per \$1,000 principal (the lowest price of \$272.00 in the make whole).

The Indenture governing the 2027 Notes contains customary events of default with respect to the 2027 Notes and provides that upon certain events of default occurring and continuing, the holders of the 2027 Notes will have the right, at their option, to require the Company to repurchase for cash all or a portion of their outstanding notes, at a price equal to 100% of the principal amount of the 2027 Notes to be repurchased, plus any accrued and unpaid interest.

## 2025 Notes

On November 30, 2020, the Company issued \$1.15 billion in aggregate principal amount of its 0% convertible senior notes due on December 1, 2025, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2025 Notes are subject to the terms and conditions of the Indenture governing the 2025 Notes between the Company and the Trustee. The net proceeds from the issuance of the 2025 Notes were \$1.13 billion, after deducting debt discount and debt issuance costs totaling \$20.6 million.

The 2025 Notes are senior, unsecured obligations of the Company, and will not accrue interest unless the Company determines to pay special interest as a remedy for failure to timely file any reports required to be filed with the SEC, certain trading restrictions, or failure to deliver reports to the Trustee. The 2025 Notes rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated to the 2025 Notes and rank equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated, including the 2027 Notes. In addition, the 2025 Notes are subordinated to any of the Company's secured indebtedness and to all indebtedness and other liabilities of the Company's subsidiaries.

The 2025 Notes have an initial conversion rate of 6.2159 shares of common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$160.88 per share of the Company's common stock and approximately 7.1 million shares issuable upon conversion. The conversion rate is subject to customary adjustments for certain events as described below. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at its election. The Company's current intent is to settle conversions of the 2025 Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock.

The Company may redeem for cash, all or any portion of the 2025 Notes, at the Company's option, on or after December 5, 2023 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid special interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Notes.

The holders of the 2025 Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding September 1, 2025 in multiples of \$1,000 principal amount, under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2021, and only during such calendar quarter, if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day periods after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2025 Notes for each trading day of that period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls such notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

The conversion rate is subject to adjustment upon the occurrence of certain events or if the Company's Board of Directors determines it is in the best interest of the Company. Additionally, holders of the 2025 Notes that convert their notes in connection with a make-whole fundamental change or during the redemption period, may be eligible to receive a make-whole premium through an increase of the conversion rate based on the estimated fair value of the 2025 Notes for the given date and stock price. The make-whole premium is designed to compensate the holder for lost "time-value" of the conversion option (i.e., the difference between the

conversion option's fair value and the intrinsic value). The maximum number of shares that may be issued under the make-whole premium is 2.9525 per \$1,000 principal (the lowest price of \$109.07 in the make whole).

The Indenture governing the 2025 Notes contains customary events of default with respect to the 2025 Notes and provides that upon certain events of default occurring and continuing, the holders of the 2025 Notes will have the right, at their option, to require the Company to repurchase for cash all or a portion of their outstanding notes, at a price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus any accrued and unpaid interest.

#### **Additional Information About the Notes**

Prior to the adoption of ASU 2020-06 on July 1, 2021, the Company separated the 2025 Notes into liability and equity components upon the issuance of the 2025 Notes. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature using a discounted cash flow model with a discount rate determined using observable yields for stand-alone debt instruments with a comparable credit rating and term. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the 2025 Notes as a whole. The difference between the principal amount of the 2025 Notes and the liability component was initially recorded as a debt discount and was amortized as interest expense using the effective interest method over the term of the 2025 Notes. The equity component of the 2025 Notes, which was included in additional paid-in capital, was not required to be remeasured. The total amount of debt issuance costs of \$20.6 million was allocated between the liability and equity components based on the respective values of the liability and equity components. The debt issuance costs allocated to the liability component was amortized as interest expense over the term of the 2025 Notes using the effective interest method. The debt issuance costs allocated to the equity component were included as a reduction of additional paid-in capital.

As discussed in Note 1, effective July 1, 2021, the Company early-adopted ASU 2020-06 using the modified retrospective method which resulted in the accounting for the 2027 Notes and 2025 Notes as a single liability and no longer required to be accounted for separately between liability and equity components.

As of June 30, 2022 and 2021, the Notes consisted of the following (in thousands):

	June 30, 2022		June 30, 2021
	2027 Notes	2025 Notes	2025 Notes
Liability component:			
Principal	\$ 575,000	\$ 1,150,000	\$ 1,150,000
Less: unamortized debt discount and issuance costs	\$ (12,873)	\$ (14,142)	\$ (240,153)
Net carrying amount	<u>\$ 562,127</u>	<u>\$ 1,135,858</u>	<u>\$ 909,847</u>
Amount allocated to equity component, net of issuance costs and tax	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 245,066</u>

The debt discount and issuance costs of the Notes are being amortized using the effective interest method. During the years ended June 30, 2022 and 2021, the Company recognized \$6.1 million and \$27.7 million, respectively, of interest expense related to the amortization of the debt discount and issuance costs of the Notes. The effective interest rates during the year ended June 30, 2022, which consisted of the 2027 Notes and the 2025 Notes after the adoption of ASU 2020-06 beginning July 1, 2021 were 0.48% and 0.36%, respectively. The effective interest rate during the year ended June 30, 2021, which includes the 2025 Notes and prior to the adoption of ASU 2020-06 was 5.37% and was based on the interest rate of similar debt instruments, at the time of the offering, that do not have associated convertible features.

As of June 30, 2022, the weighted-average remaining life of the Notes was 3.9 years.

The "if-converted" value of the Notes did not exceed the principal amount of \$1.7 billion as of June 30, 2022.

## **Capped Call Transactions**

In conjunction with the issuance of the 2025 Notes and the 2027 Notes, the Company entered into Capped Call transactions (Capped Calls) with certain of the initial purchasers of the Notes and/or their respective affiliates or other financial institutions at a cost of \$125.8 million. The Capped Calls are separate transactions and are not part of the terms of the Notes. The total amount paid for the Capped Calls was recorded as a reduction to additional paid-in capital. The Company used the proceeds from the Notes to pay for the cost of the Capped Call premium. The cost of the Capped Calls is not expected to be tax-deductible as the Company did not elect to integrate the Capped Calls into the Notes for tax purposes.

The Capped Calls associated with the 2027 Notes and 2025 Notes have an initial strike price of approximately \$414.80 per share and \$160.88 per share, respectively, subject to certain adjustments, which corresponds to the respective initial conversion price of the 2027 Notes and 2025 Notes, and have an initial cap price of \$544.00 per share and \$218.14 per share, respectively, subject to certain adjustments; provided that such cap price shall not be reduced to an amount less than their respective strike price. The Capped Calls associated with the Notes cover, subject to anti-dilution adjustments, a total of approximately 8.5 million shares of the Company's common stock. The Capped Calls are expected to generally reduce the potential dilution of the Company's common stock upon any conversion of the Notes and/or offset any cash payments that the Company is required to make in excess of the principal amount of such converted notes, as the case may be, with such reduction and/or offset subject to a cap.

## **2021 Revolving Credit Agreement (as amended) and 2019 Credit Agreement (as amended)**

The 2021 Revolving Credit Agreement was executed in March 2021, and was most recently amended in October 2021, to finance the acquisition of card receivables. The 2021 Revolving Credit Agreement matures in June 2023 or earlier pursuant to the agreement and had a total commitment of \$95.0 million consisting of a Class A facility amounting to \$75.0 million and a Class B facility amounting to \$20.0 million. As of June 30, 2021, the outstanding borrowings from the Class A facility and Class B facility were \$37.5 million and \$10.0 million, respectively. In June 2022, the Company paid off the previous balance of \$10.0 million under the Class B facility and cancelled the total commitment of \$20.0 million. As of June 30, 2022, the Company increased its borrowings under the Class A facility to \$75.0 million. Borrowings from the Class A facility, which are secured by acquired card receivables, bear interest at 2.75% per annum plus LIBOR (subject to a floor rate of 0.25%). As of June 30, 2022, the interest rate on borrowings from the Class A facility was 4.35% per annum. The Company is required to comply with certain restricted covenants, including liquidity requirements. As of June 30, 2022, the Company was in compliance with those covenants.

The 2019 Credit Agreement, which originally matures in January 2023, had a total commitment of \$60.0 million. As of June 30, 2021, the outstanding borrowings from the 2019 Credit Agreement was \$30.0 million. In June 2022, the Company paid off the total amount outstanding and terminated the 2019 Credit Agreement.

The debt premium associated with the 2021 Revolving Credit Agreement was amortized over the remaining term of the agreements using the effective interest method. The unamortized debt premium associated with the 2019 Credit Agreement and the Class B facility under the 2021 Revolving Credit Agreement was written off as of June 30, 2022 as a result of the debt prepayment and an immaterial extinguishment gain was recorded and included in other expense, net in the accompanying consolidated statements of operations. The unamortized debt premium under the Class A facility under the 2021 Revolving Credit Agreement has a remaining amortization period of approximately 1 year. Interest income related to the amortization of the debt premium during the years ended June 30, 2022 and 2021 was not material.

## **NOTE 11 – STOCKHOLDERS' EQUITY**

### ***Equity Incentive Plans***

On November 26, 2019, the Company's board of directors approved the 2019 Equity Incentive Plan (2019 Plan), which became effective on December 10, 2019. The 2019 Plan authorizes the award of stock options, restricted stock units (RSUs), restricted stock awards, stock appreciation rights, performance awards, cash awards, and stock bonus awards, as determined by the Company's board of directors.

The Company's 2016 Equity Incentive Plan (2016 Plan), which was adopted in February 2016, was terminated concurrent to the effective date of the 2019 Plan. The Company's 2006 Equity Incentive Plan (2006

Plan), which was adopted in April 2006, was terminated upon the adoption of the 2016 Plan. There were no equity-based awards granted under the 2016 Plan and the 2006 Plan after their termination; however, all outstanding awards under the 2016 Plan and the 2006 Plan continue to remain subject to the terms of the respective Equity Incentive Plan until such awards are exercised or until they terminate or expire by their terms. The 2019 Plan, 2016 Plan and 2006 Plan are collectively referred to as the “Equity Incentive Plans.”

The 2019 Plan authorizes the award of stock options, restricted stock units (RSUs), restricted stock awards, stock appreciation rights, performance-based awards, cash awards, and stock bonus awards. The Company initially reserved 7,100,000 shares of its common stock, plus any reserved shares not issued or subject to outstanding grants under the 2016 Plan, for issuance pursuant to awards granted under the Company’s 2019 Plan. The number of shares reserved for issuance under the 2019 Plan increases automatically on July 1 of each of 2020 through 2029 by the number of shares equal to the lesser of 5% of the total number of outstanding shares of the Company’s common stock as of the immediately preceding June 30, or a number as may be determined by the Company’s board of directors. In addition, the following shares of common stock from the 2016 Plan and the 2006 Plan will be available for grant and issuance under the 2019 Plan:

- shares issuable upon the exercise of options or subject to other awards under the 2016 Plan or 2006 Plan that cease to be subject to such options or other awards by forfeiture or after the effective date of the 2019 Plan; and
- shares issued pursuant to outstanding awards under the Company’s 2016 Plan and 2006 Plan that are forfeited or repurchased after the effective date of the 2019 Plan.

The total number of common shares available for issuance under the Equity Incentive Plans was 12,332,663 shares as of June 30, 2022.

### ***Equity Awards Assumed in Acquisitions***

The Company assumed and replaced the outstanding stock options of Invoice2go and Divvy upon their acquisition. The assumed equity awards will be settled in shares of the Company’s common stock and will retain the terms and conditions under which they were originally granted. No additional equity awards will be granted under equity incentive plans of the acquired companies.

### ***Stock Options***

The Company may grant incentive and non-statutory stock options to employees, nonemployee directors, and consultants of the Company under the Equity Incentive Plans. Stock options granted generally vest and become exercisable ratably over a requisite service period of four years following the date of the grant and expire ten years from the date of the grant. The Company may grant stock options with early exercise provisions, but subject to repurchase conditions. There were no outstanding unvested stock options that had been early exercised as of June 30, 2022.

The Company may also grant stock options with double-trigger vesting conditions. The unvested shares of options granted with double trigger vesting conditions will vest 50% in the event of a sale of the Company and the termination of the holder of the stock options.

The exercise price of incentive stock options granted must be at least equal to 100% of the fair value of the Company’s common stock at the date of grant. The exercise price of non-statutory options granted must be at least equal to 85% of the fair value of the Company’s common stock at the date of grant.

A summary of stock option activity as of June 30, 2022, and changes during the year ended June 30, 2022, is presented below:

	Number of shares (in thousands)	Weighted average exercise price per share	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at June 30, 2021	6,552	\$ 13.31	7.87	\$ 1,113,025
Granted <sup>(1)</sup>	280	\$ 83.40		
Exercised	(2,747)	\$ 12.39		
Forfeited	(227)	\$ 26.66		
Outstanding at June 30, 2022	3,858	\$ 18.28	6.97	\$ 361,053
Vested and expected to vest at June 30, 2022 <sup>(2)</sup>	3,624	\$ 18.22	6.94	\$ 339,548
Vested and exercisable at June 30, 2022	2,189	\$ 12.59	6.63	\$ 213,987

<sup>(1)</sup> Includes approximately 184,000 shares of outstanding stock options that were assumed upon the acquisition of Invoice2go. The weighted average exercise price of options assumed was \$25.60 per share and the weighted average grant date fair value on the date of assumption was approximately \$248.43 per share.

<sup>(2)</sup> The expected to vest options are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The weighted-average grant date fair value of options granted during the years ended June 30, 2022, 2021 and 2020 was \$207.07, \$132.04 and \$11.04 per share, respectively. The total intrinsic value of options exercised during the years ended June 30, 2022, 2021 and 2020 was \$640.0 million, \$387.1 million and \$191.3 million, respectively. The intrinsic value was calculated as the difference between the estimated fair value of the Company's common stock at exercise and the exercise price of the in-the-money options.

The fair value of options granted during the years ended June 30, 2022, 2021 and 2020 was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year ended June 30,		
	2022	2021	2020
Expected term (in years)	2.00 to 7.05	4.00 to 6.25	6.25
Expected volatility	30.0% to 81.2%	35.0% to 85.1%	50.0% to 100.6%
Risk-free interest rate	0.20% to 2.88%	0.38% to 1.03%	0.35% to 1.88%
Expected dividend yield	0 %	0 %	0 %

Prior to the IPO, the fair value of the shares of common stock underlying stock options had historically been determined by the Company's Board of Directors. Because there had been no public market for the Company's common stock, the Board of Directors determined fair value of the common stock at the time of grant of the option by considering a number of objective and subjective factors including important developments in the Company's operations, valuations performed by an independent third party, sales of preferred stock, actual operating results and financial performance, the conditions in the industry and the economy in general, the stock price performance and volatility of comparable public companies, and the lack of liquidity of the Company's common stock, among other factors.

As of June 30, 2022, the total unamortized stock-based compensation cost related to the unvested stock options was approximately \$61 million, which the Company expects to amortize over a weighted-average period of 1.89 years. The Company received approximately \$34.0 million, \$28.2 million and \$12.2 million from options exercised during the years ended June 30, 2022, 2021 and 2020, respectively.

### **Restricted Stock Units**

A summary of RSU activity as of June 30, 2022, and changes during the year ended June 30, 2022, is presented below.

	Number of shares (in thousands)	Weighted average grant date fair value
Nonvested at June 30, 2021	1,176	\$ 90.20
Granted	2,929	\$ 202.79
Vested	(535)	\$ 122.82
Forfeited	(291)	\$ 164.74
Nonvested at June 30, 2022	<u>3,279</u>	<u>\$ 178.85</u>

The fair value of the RSU grant is determined based upon the market closing price of the Company's common stock on the date of grant. The RSUs vest over the requisite service period, which ranges between 1 year and 4 years from the date of grant, subject to the continued employment of the employees and services of the nonemployee board members. The total fair value of RSUs that vested during the years ended June 30, 2022, 2021 and 2020 was approximately \$118.9 million, \$40.0 million and \$0.2 million, respectively.

As of June 30, 2022, the total unamortized stock-based compensation expense related to the unvested RSUs was approximately \$413.8 million, which the Company expects to amortize over a weighted-average period of 2.9 years.

### **Market-based RSUs**

In December 2021, the Company granted a total of 50,000 market-based RSUs to one executive employee that vest based on appreciation of the price of the Company's common stock over a multi-year period and upon continued service. The Company estimated the fair value of the market-based RSUs award on the grant date using the Monte Carlo simulation model with the following assumptions: (i) expected volatility of 60%, (ii) risk-free interest rate of 1.08% to 1.21%, and (iii) total performance period of three to five years. The weighted-average grant date fair value of the market-based RSUs award was \$182.15 per share. The Company recognizes expense for market-based RSUs over the requisite service period of 1 to 3 years. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant is recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the achievement of the specified market criteria.

As of June 30, 2022, the total unrecognized compensation expense related to the market-based RSUs was approximately \$5.9 million, which is expected to be amortized over a weighted-average period of 1.6 years.

### **Employee Stock Purchase Plan**

On November 26, 2019, the Company's board of directors approved the 2019 Employee Stock Purchase Plan (ESPP), which became effective on December 11, 2019. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code of 1986 (as amended) and will provide eligible employees a means to acquire shares of common stock through payroll deductions. Under the ESPP, the Company initially reserved for issuance 1,400,000 shares of common stock, which will increase automatically on July 1 of each fiscal year during the term of the ESPP by the number of shares equal to 1% of the total number of shares of common stock and preferred stock (on as-converted basis) outstanding as of the immediately preceding June 30th, unless the board of directors elects to authorize a lesser number of shares; provided, that, the total number of shares issued under the ESPP may not exceed 14,000,000 shares of common stock.

The ESPP provides for consecutive offering periods during which eligible employees can participate in the ESPP and be granted the right to purchase shares.

The offering periods shall be for a 12-month period commencing on February 7th and September 7th, with each such offering period consisting of two separate purchase periods ending on September 6th and February 6th, and February 6th and September 6th, respectively.

Eligible employees can contribute up to 15% of their eligible compensation, subject to limitation as provided for in the ESPP, and purchase the common stock at a purchase price per share equal to 85% of the lesser of the fair market value of the common stock on (i) the offering date or (ii) the purchase date.

The fair value of ESPP offerings during the years ended June 30, 2022, 2021 and 2020 was estimated at the date of the offering using the Black-Scholes option-pricing model with the following assumptions:

	Year ended June 30,		
	2022	2021	2020
Expected term (in years)	0.4 to 1.0	0.5 to 1.0	0.5 to 1.17
Expected volatility	76.0% to 77.3%	81.0% to 88.4%	50.0%
Risk-free interest rate	0.06% to 0.88%	0.05% to 0.13%	1.47% to 1.56%
Expected dividend yield	0 %	0 %	0 %

As of June 30, 2022, the total unrecognized compensation expense related to the ESPP was \$3.9 million, which is expected to be amortized over the next 12 months.

### **Warrants**

The Company has an agreement with a customer to issue warrants for up to 5.6 million shares of the Company's common stock at an exercise price of \$4.50 per share over a period of five years, ending in September 2023. Issuance of the warrants is contingent upon certain performance conditions and subject to certain limits. As of June 30, 2022, there were no warrants issued or issuable under this agreement. The Company has concluded that the performance conditions for the issuance of this warrant are not probable of being met.

### **Stock Based Compensation Cost**

Stock-based compensation cost from stock options, RSUs and ESPP was included in the following line items in the accompanying consolidated statements of operations and consolidated balance sheets (in thousands):

	Year ended June 30,		
	2022	2021	2020
Cost of revenue - service costs	\$ 5,144	\$ 2,938	\$ 1,257
Research and development	54,907	16,091	5,495
Sales and marketing	60,237	8,547	2,777
General and administrative	76,869	44,411	8,535
Total amount charged to expense	197,157	71,987	18,064
Property and equipment (capitalized internal-use software)	4,405	464	—
Total stock-based compensation cost	\$ 201,562	\$ 72,451	\$ 18,064

**NOTE 12 – OTHER INCOME (EXPENSE), NET**

Other income (expense), net consisted of the following for the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Interest expense	\$ (9,419)	\$ (28,158)	\$ (229)
Lower of cost or market adjustment on card receivables sold and held for sale	(11,460)	(691)	—
Interest income	6,691	2,992	4,092
Other	327	487	(703)
<b>Total</b>	<b>\$ (13,861)</b>	<b>\$ (25,370)</b>	<b>\$ 3,160</b>

**NOTE 13 – INCOME TAXES**

The components of loss before (benefit from) provision for income taxes were as follows during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Domestic	\$ (304,508)	\$ (139,337)	\$ (31,038)
Foreign	(26,171)	—	—
<b>Total</b>	<b>\$ (330,679)</b>	<b>\$ (139,337)</b>	<b>\$ (31,038)</b>

The components of (benefit from) provision for income taxes were as follows during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
<b>Current:</b>			
Federal	\$ (247)	\$ —	\$ —
State	—	—	53
Foreign	—	—	—
<b>Total current</b>	<b>(247)</b>	<b>—</b>	<b>53</b>
<b>Deferred:</b>			
Federal	(1,115)	(27,529)	—
State	(2,956)	(13,088)	—
Foreign	—	—	—
<b>Total deferred</b>	<b>(4,071)</b>	<b>(40,617)</b>	<b>—</b>
<b>(Benefit from) provision for income taxes</b>	<b>\$ (4,318)</b>	<b>\$ (40,617)</b>	<b>\$ 53</b>

The items accounting for the difference between the income taxes computed at the federal statutory rate and the (benefit from) provision for income taxes consisted of the following during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Expected benefit at U.S. federal statutory rate	\$ (69,443)	\$ (29,261)	\$ (6,518)
State income taxes, net of federal benefit	13,509	(54)	—
Stock-based compensation	(93,705)	(70,262)	(31,047)
Research and development tax credits	(22,061)	(8,846)	(6,411)
Change in valuation allowance related to acquisition <sup>(1)</sup>	(2,831)	(34,749)	—
Change in valuation allowance <sup>(2)</sup>	174,477	94,244	43,716
Unrecognized tax benefit	(10,975)	6,766	—
Acquisition-related costs	553	1,484	—
Foreign rate differential	5,496	—	—
Other	662	61	313
(Benefit from) provision for income taxes	<u>\$ (4,318)</u>	<u>\$ (40,617)</u>	<u>\$ 53</u>

(1) The rate impact during the years ended June 30, 2022 and 2021 pertains to the income tax benefit recorded as a result of the acquisitions of Invoice2go of Divvy, which allowed the Company to release a portion of its valuation allowance due to the net deferred tax liabilities that were recorded as a result of such acquisitions.

(2) The rate impact during the year ended June 30, 2022 and 2021 pertains to (i) an increase in valuation allowance due to the increase in deferred tax assets associated with losses and tax credits generated during the year, (ii) a change in deferred tax liability related to the 2025 Notes, and (iii) a change in deferred tax liability related to the acquisitions of Invoice2go and Divvy.

The components of deferred tax assets and liabilities were as follows as of the dates presented (in thousands):

	June 30,	
	2022	2021
<b>Deferred tax assets:</b>		
Accruals and reserves	\$ 9,325	\$ 8,677
Deferred revenue	1,794	1,109
Stock-based compensation	25,897	16,626
Net operating loss carryforwards	410,849	218,783
Research and development credits	46,013	15,864
Accrued rewards	2,867	1,342
Operating lease liabilities	24,203	25,122
Other	3,247	514
Total deferred tax assets before valuation allowance	524,195	288,037
Valuation allowance	(384,158)	(107,836)
Deferred tax assets	<u>\$ 140,037</u>	<u>\$ 180,201</u>
<b>Deferred tax liabilities:</b>		
Deferred contract costs	\$ (3,745)	\$ (2,763)
Property and equipment	(19,316)	(3,133)
Intangible assets	(99,483)	(107,631)
Operating right of use assets	(19,490)	(18,551)
Convertible notes	—	(57,213)
Total deferred tax liabilities	<u>\$ (142,034)</u>	<u>\$ (189,291)</u>
Net deferred tax liabilities	<u>\$ (1,997)</u>	<u>\$ (9,090)</u>

ASC 740 requires that the tax benefit of net operating losses, temporary differences, and credit carryforwards be recorded as an asset to the extent that management assesses that realization is “more likely than not.” Realization of the future tax benefits is dependent on the Company’s ability to generate sufficient taxable income within the carryforward period. Because of the Company’s recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a valuation allowance. The change in valuation allowance was approximately \$276.3 million, \$22.3 million and \$52.3 million during the years ended June 30, 2022, 2021 and 2020, respectively. The increase in the June 30, 2022 valuation allowance is a result of current year losses, offset by a reduction in a deferred tax liabilities.

The Tax Cuts and Job Act subjects a U.S. company to tax on its Global Intangible Low Tax Income (GILTI). Under U.S.GAAP, the Company can make an accounting policy election to either treat taxes due on the GILTI inclusion as a current period expense or factor such amounts into the measurement of deferred taxes. The Company elected the period expense method.

The Company does not currently operate under any tax holiday in any country in which it operates.

The Company does not have foreign earnings available to distribute. As such, there is no unrecorded deferred tax liability associated with an outside basis of foreign subsidiaries.

As of June 30, 2022, the Company had net operating loss (NOL) carryforwards of \$1.5 billion, \$1.1 billion, and \$61.3 million for federal, state tax and foreign tax purposes, respectively, that are available to reduce future taxable income. If not utilized, the federal and state NOL carryforwards will begin to expire in 2027. As of June 30, 2022, approximately \$1.4 billion and \$61.3 million of federal and foreign NOL carryforwards, respectively, do not expire and will carry forward indefinitely until utilized. As of June 30, 2022, the Company also had research and development tax credit carryforwards of approximately \$40.1 million and

\$27.1 million for federal and state tax purposes, respectively. If not utilized, the federal tax credits will expire at various dates beginning in 2028. The state tax credits do not expire and will carry forward indefinitely until utilized.

Utilization of the net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and other similar state provisions. The annual limitation may result in the expiration of net operating losses and tax credits before utilization.

Below is the reconciliation of the unrecognized tax benefits related to federal and California R&D credits during the periods presented (in thousands):

	Year ended June 30,		
	2022	2021	2020
Balance at the beginning of the year	\$ 22,185	\$ 5,787	\$ 2,692
Add:			
Tax positions related to the current year	7,354	8,267	3,078
Increase from business combination	160	668	—
Tax positions related to the prior year	—	7,463	17
Less:			
Tax positions related to the prior year	(12,761)	—	—
Statute of limitations lapse	(214)	—	—
Balance at the end of the year	<u>\$ 16,724</u>	<u>\$ 22,185</u>	<u>\$ 5,787</u>

The amount of interest and penalties accrued as of June 30, 2022 and June 30, 2021 were not material.

If the balance of gross unrecognized tax benefits of \$16.7 million as of June 30, 2022 were realized, this would result in an immaterial tax benefit within the provision for income taxes at that time.

The Company files U.S. federal, California, and other various state income tax returns. All U.S. federal and state net operating losses and tax credits generated to date are subject to adjustments. The Company does not anticipate any material change on its unrecognized tax benefits over the next twelve months. If the unrecognized tax benefits as of June 30, 2022 is recognized, it will not have an impact to the effective tax rate due to the Company's valuation allowance. The Company's U.S. federal and state tax returns for all years remain subject to examination by taxing authorities as a result of unused tax attributes being carried forward.

#### NOTE 14 – LEASES

The Company has non-cancelable operating leases for office and other facilities in various locations, and certain equipment, which expire through 2031. Also, the Company subleases part of its office facility in Draper, Utah under a non-cancellable operating lease that expires in December 2025. The Company's leases do not contain any material residual value guarantees.

As of June 30, 2022, the weighted average remaining term of these operating leases is 8.2 years and the weighted-average discount rate used to estimate the net present value of the operating lease liabilities was 5.1%.

The total payment for amounts included in the measurement of operating lease liabilities was \$13.8 million and \$2.1 million during the years ended June 30, 2022 and 2021, respectively.

The total amount of right-of-use assets obtained in exchange for new operating lease liabilities was \$5.3 million and \$31.6 million during the years ended June 30, 2022 and 2021, respectively.

The components of lease expense during the years ended June 30, 2022 and 2021 are shown in the table below (in thousands), while the lease expense during the year ended June 30, 2020 was \$5.3 million.

	Year ended June 30	
	2022	2021
Operating lease expense	\$ 12,906	\$ 7,444
Short-term lease expense	77	382
Variable lease expense, net of credit	2,909	2,252
Sublease income	(712)	(55)
Total lease cost	<u>\$ 15,180</u>	<u>\$ 10,023</u>

## NOTE 15 – COMMITMENTS AND CONTINGENCIES

### Commitments

The Company has non-cancelable operating leases for office and other facilities in various locations, and certain equipment, which expire through 2031. Future minimum lease payments as of June 30, 2022 are as follows (in thousands):

Fiscal years ending June 30:	Amount
2023	\$ 13,987
2024	13,650
2025	13,424
2026	13,292
2027	13,226
Thereafter	49,510
Gross lease payments	<u>117,089</u>
Less - present value adjustments	(22,222)
Total operating lease liabilities, net	<u>\$ 94,867</u>

The current portion of operating lease liabilities, which is included in other accruals and current liabilities in the accompanying consolidated balance sheets, was \$12.1 million and \$10.8 million as of June 30, 2022 and 2021, respectively. The non-current portion of operating lease liabilities was \$82.7 million and \$86.6 million as of June 30, 2022 and 2021, respectively.

In addition to the minimum lease payments above, the Company has multi-year agreements with certain third parties and financial institution partners, expiring through 2029, which require the Company to pay fees over the term of the respective agreements. Future payments under these other agreements as of June 30, 2022 are as follows (in thousands).

Fiscal years ending June 30:	Amount
2023	\$ 24,761
2024	11,833
2025	6,969
2026	4,750
2027	4,750
Thereafter	34,250
Total	<u>\$ 87,313</u>

### **Card Receivable Repurchase Obligations with Purchasing Bank**

The Company is obligated to repurchase card receivables sold to the Purchasing Bank if representations and warranties made with respect to such card receivables are breached. The Company is also obligated to repurchase card receivables for which a user fails to make the first payment within ten days when it becomes due. The obligation to repurchase card receivables meeting the previously specified criteria is limited to card receivables transferred to the Purchasing Bank, less related spending business payments remitted to the Purchasing Bank. The amount of payable to repurchase card receivables is generally offset against the proceeds from the sale of new card receivables to the Purchasing Bank. See Note 7 for additional discussion about acquired card receivables.

### **Purchase of Card Receivables That Have Not Cleared**

The Company is contractually obligated to purchase all card receivables from the Issuing Banks including authorized transactions that have not cleared. The transactions that have been authorized but not cleared totaled \$55.2 million as of June 30, 2022 and have not been recorded on the accompanying consolidated balance sheets. The Company has credit exposures with these authorized but not cleared transactions; however, the expected credit losses recorded was not material as of June 30, 2022. See Note 7 for additional discussion about acquired card receivables.

### **Litigation**

From time to time, the Company is involved in lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. The Company records a provision for a liability when management believes that it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of June 30, 2022 and 2021, the Company's reserve for litigation is immaterial. The Company reviews these provisions periodically and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable.

### **NOTE 16 – NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS**

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders during the periods presented (in thousands, except per share amounts):

	Year ended June 30,		
	2022	2021	2020
<b>Numerator:</b>			
Net loss attributable to common stockholders	\$ (326,361)	\$ (98,720)	\$ (31,091)
<b>Denominator:</b>			
Weighted-average shares used to compute net loss per share attributable to common stockholders			
Basic and diluted	101,753	82,813	44,106
<b>Net loss per share attributable to common stockholders:</b>			
Basic and diluted	\$ (3.21)	\$ (1.19)	\$ (0.70)

Potentially dilutive securities, which were excluded from the diluted net loss per share calculations because they would have been antidilutive, are as follows as of the dates presented (in thousands):

	June 30,		
	2022	2021	2020
Stock options	3,858	6,552	9,019
Restricted stock units	3,279	1,176	1,141
Total	7,137	7,728	10,160

In addition, approximately 8.5 million shares underlying the conversion option of the Notes are not considered in the calculation of diluted net loss per share. Such number of shares issuable under the Notes is subject to adjustment up to approximately 12.7 million shares if certain corporate events occur prior to the maturity date of the Notes or if the Company issues a notice of redemption. The Company's current intent is to settle conversions of the Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock. The Company uses the "as-if converted" method for calculating any potential dilutive effect of the conversion option on diluted earnings per share, if applicable. During the period from the issuance of the 2027 Notes on September 21, 2021 through June 30, 2022, the average market price of the Company's common stock did not exceed the initial conversion price of the 2027 Notes. During the year ended June 30, 2022, the average market price of the Company's stock exceeded the initial conversion price of the 2025 Notes of \$160.88 per share. However, the market price during the 30 consecutive trading days ended June 30, 2022 did not exceed the initial conversion price; therefore, the criteria for early conversion of the 2025 Notes was not met as of June 30, 2022.

## **Item 9A. CONTROLS AND PROCEDURES**

### ***Evaluation of disclosure controls and procedures***

Our management, with the participation and supervision of our chief executive officer (CEO) and our chief financial officer (CFO), have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of June 30, 2022, the end of the period covered by this Annual Report on Form 10-K. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective as of June 30, 2022, due to the material weakness in internal control over financial reporting described in Management's Annual Report on Internal Control Over Financial Reporting below. As permitted by SEC guidance for newly acquired businesses, management's assessment of our internal control over financial reporting did not include an assessment of internal control over financial reporting of Invoice2go. Invoice2go accounted for approximately 5% of total assets as of June 30, 2022 and 5% of revenues and 6% of net loss for the fiscal year ended on June 30, 2022.

Notwithstanding this material weakness, management has concluded that the consolidated financial statements as originally filed in the Original Form 10-K, and as included in this Amendment, present fairly, in all material respects, our financial position as of June 30, 2022 and 2021, and the results of operations and cash flows for each of the three years in the period ended June 30, 2022, in conformity with accounting principles generally accepted in the United States.

### ***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Management, with the participation of its CEO and CFO, has assessed the effectiveness of our internal control over financial reporting as of June 30, 2022 based on the 2013 framework established in the "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. As permitted by SEC guidance for newly acquired businesses, management's assessment of our internal control over financial reporting did not include an assessment of internal control over financial reporting of Invoice2go. Invoice2go accounted for approximately 5% of total assets as of June 30, 2022 and 5% of revenues and 6% of net loss for the fiscal year ended on June 30, 2022. As of June 30, 2022, our management has identified a material weakness related to certain information systems and applications within the quote-to-cash process as of June 30, 2022 because insufficient testing, documentation, and evidence had been retained to conclude on the effectiveness of internal controls. As a result, our CEO and CFO have concluded that our internal control over financial reporting was not effective as of June 30, 2022.

The material weakness did not result in any misstatement of our consolidated financial statements for the year ended June 30, 2022 included in our Original Form 10-K, and accordingly, we have concluded that the consolidated financial statements and other financial information included in our Original Form 10-K present fairly in all material respects the Company's financial position, results of operations, and cash flows.

The effectiveness of the internal control over financial reporting as of June 30, 2022 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their revised report, which appears in Part II, Item 8 of this Amendment.

### ***Remediation Plan***

Our management is committed to maintaining a strong internal control environment. In response to the material weakness identified above, management, with the oversight of the Audit Committee of the Board of Directors, has evaluated the material weakness described above and designed a remediation plan to enhance our internal control environment. To remediate the material weakness, we plan to test the relevant controls,

enhance documentation, and retain incremental evidence that supports the effectiveness of controls in the information systems and applications used in the quote-to-cash process by the end of our fiscal year 2023.

***Changes in internal control over financial reporting***

Other than the material weakness described above, there have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2022, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

***Inherent limitation on the effectiveness of internal control***

Our management, including our CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, 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, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART IV

### Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) Consolidated Financial Statements:

See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable or because the information required is already included in the financial statements or the notes to those financial statements.

(3) Exhibits

The documents set forth below are filed herewith or are incorporated herein by reference to the location indicated.

**EXHIBITS**

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit Number	
23.1	<a href="#">Consent of Ernst &amp; Young LLP, independent registered public accounting firm.</a>				X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
32.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				X
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).				X

\* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Amendment and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of the Exchange Act.

**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 hereunto duly authorized.

<hr/> <p>May 25, 2023 (Date)</p>	By:	<hr/> <p>/s/ René Lacerte René Lacerte Chief Executive Officer (Principal Executive Officer)</p>
<hr/> <p>May 25, 2023 (Date)</p>	By:	<hr/> <p>/s/ John Rettig John Rettig Chief Financial Officer and Executive Vice President, Finance and Operations (Principal Financial Officer)</p>
<hr/> <p>May 25, 2023 (Date)</p>	By:	<hr/> <p>/s/ Germaine Cota Germaine Cota Senior Vice President, Finance and Accounting (Principal Accounting Officer)</p>

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-8 No. 333-259178) pertaining to the 2019 Equity Incentive Plan, 2019 Employee Stock Purchase Plan and DivvyPay, Inc. 2016 Equity Incentive Plan,
- 2) Registration Statement (Form S-8 No. 333-259420) pertaining to the Invoice2go, Inc. 2014 Stock Plan,
- 3) Registration Statement (Form S-3 No. 333-259681) of Bill.com Holdings, Inc.,
- 4) Registration Statement (Form S-3 No. 333-259419) of Bill.com Holdings, Inc.,
- 5) Registration Statement (Form S-8 No. 333-235459) pertaining to the 2006 Equity Incentive Plan, 2016 Equity Incentive Plan, 2019 Employee Stock Purchase Plan, and 2019 Equity Incentive Plan of Bill.com Holdings, Inc.,
- 6) Registration Statement (Form S-8 No. 333-249935) pertaining to the 2019 Equity Incentive Plan and 2019 Employee Stock Purchase Plan of Bill.com Holdings, Inc., and
- 7) Registration Statement (Form S-3 No. 333-256709) of Bill.com Holdings, Inc.;

of our reports dated August 22, 2022, except for the effect of the material weakness as to which the date is May 25, 2023, with respect to the consolidated financial statements of BILL Holdings, Inc. and the effectiveness of internal control over financial reporting of BILL Holdings, Inc. included in this Annual Report (Form 10-K/A) for the year ended June 30, 2022.

/s/ Ernst & Young LLP

San Mateo, California  
May 25, 2023

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

I, René Lacerte, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of BILL Holdings, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles
    - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
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Date: May 25, 2023

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**BILL Holdings, Inc.**

/s/ René Lacerte

René Lacerte

Chief Executive Officer

*(Principal Executive Officer)*

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

I, John Rettig, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of BILL Holdings, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
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Date: May 25, 2023

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**BILL Holdings, Inc.**

/s/ John Rettig

John Rettig

Chief Financial Officer and Executive Vice President, Finance and  
Operations

*(Principal Financial Officer)*

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

I, René Lacerte, Chief Executive Officer of BILL Holdings, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Annual Report on Form 10-K/A of the Company for the fiscal quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: May 25, 2023

**BILL Holdings, Inc.**

/s/ René Lacerte

René Lacerte  
Chief Executive Officer  
*(Principal Executive Officer)*

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

I, John Rettig, Chief Financial Officer of BILL Holdings, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Annual Report on Form 10-K/A of the Company for the fiscal quarter ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: May 25, 2023

**BILL Holdings, Inc.**

/s/ John Rettig

John Rettig  
Chief Financial Officer and Executive Vice President, Finance and  
Operations  
*(Principal Financial Officer)*