klaviyo

The only CRM built for B2C

Annual Report 2024

Fellow owners of Klaviyo:

We founded Klaviyo with an idea that was simple but pretty ambitious: improve the trillions of potential connections between businesses and consumers. We built a best-in-class database (the “brain”) and application (the “voice”) to deliver personalized software-powered experiences to help brands connect with consumers and grow their business. Fast-forward to today: Klaviyo’s data-first platform is an essential single source of truth for consumer businesses navigating the shifts of the last decade.

As consumers push for more, Klaviyo gives businesses personalization at scale, real-time insights, automated attribution, and a partner ecosystem with 350+ pre-built integrations. We’ve earned customer trust with marketing automation, which we keep improving for more complex use cases, as we also connect Klaviyo to more applications and more kinds of businesses, worldwide. Critically, we do so while driving measurable economic value for our customers and efficient growth for our stockholders.

2024 was an exceptional year for Klaviyo. We exceeded the rule of 40, growing revenue by 34% to $937 million and achieving a non-GAAP operating margin of 12%, with nearly $150 million in free cash flow.[1] We are proud of these results which position Klaviyo in rarefied air as a top-tier software company driving growth, profitability, and cash generation at scale.

We also made great progress executing our growth strategy. We are adding new customers, growing in the mid-market, expanding with existing customers, and scaling internationally. In 2024, our total customer base grew by 17% reaching over 167,000, and our $50K+ ARR customer cohort grew by 46% with global enterprise brands like TaylorMade, The Body Shop, Samsonite, and Reebok choosing Klaviyo. We ended the year with Q4 NRR of 108%, driven by strong gross revenue retention rates and SMS attach rates, as 26% of our SMB and mid-market customers are now using Klaviyo SMS.[2] Our investments to internationalize our offering are also yielding results, as our platform is now available in seven languages, and we offer SMS capabilities in 19 countries, contributing to a 41% increase in APAC and EMEA revenue for the full year.

Our data-first approach and pace of innovation continue to set us apart in the market. Klaviyo Data Platform (KDP) is the foundation of our platform and designed to handle large volumes of data with speed, flexibility, and no expiration. On top of our data layer, we have built smart applications. We began with marketing where we redefined email – moving the industry away from a batch and blast mindset with a fast, data-rich marketing tool. Over the last 13 years, we’ve expanded our marketing automation suite with SMS, reviews and more, solidifying Klaviyo as the leading platform for powering digital relationships.

We have delivered tremendous success, but we’ve always had a much bigger vision of how Klaviyo can help B2C businesses. In February of this year, we announced Klaviyo B2C CRM – the first and only CRM solution built to handle the complexity of B2C businesses. This is something customers have been asking for and is long overdue. Despite consumer spending making up the vast majority of the global economy, consumer brands have been grossly underserved. For years, B2C brands have had to rely on point solutions, fragmented tech stacks, or legacy CRM software built for the long, slow sales cycles of B2B companies. Until now. With B2C CRM we’re adding customer service and marketing analytics to connect the entire consumer experience – from discovery to post-purchase.

We believe this integrated, data-driven approach is the future of consumer engagement and we are excited to deliver on it for our customers. We have had a great response so far to our new offerings, including Customer Hub, our foray into service that offers a fully-branded, easy-on self-serve solution. Customer Hub will be generally available later this year, along with several other new product and feature innovations in our pipeline.

The products and platform we are delivering today are setting the stage for sustainable growth in 2025 and beyond. As we often say at Klaviyo, we are 1% done. We're proud of what we have achieved but we are just getting started – our greatest products, work, and achievements are in front of us as we continue to push the boundaries of what's possible in consumer engagement.

On behalf of the entire Klaviyo team and the Board of Directors, thank you for your ongoing support as we execute our growth strategy, redefine consumer engagement, and build a company that we can all be proud of for decades to come.

Sincerely,

Andrew Bialecki
CEO, Co-Founder, and Chairperson of the Board

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[1] See Appendix A to this Annual Report for a definition and full reconciliation of each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.
[2] See page 67 of this Annual Report for definitions of customers, customers generating over $50,000 of ARR, and NRR.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

OR

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

Commission File Number 001-41806

Klaviyo, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-0989964**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

125 Summer Street, 6th Floor
Boston, MA 02110

(Address of Principal Executive Offices and Zip Code)

(617) 213-1788

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (as amended, the "Exchange Act"):

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Series A common stock, par value $0.001 per share	KVYO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange 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 Section 15(d) of the Exchange 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

Indicate by check mark whether the registrant 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 Exchange 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 Act). Yes ☐ No ☒

The aggregate market value of the registrant’s voting and non-voting common equity held by non-affiliates of the registrant on June 28, 2024 (the last business day of the registrant’s most recently completed second quarter), based on the closing price of $24.89 per share of the registrant’s Series A common stock as reported by The New York Stock Exchange on June 28, 2024, was approximately $2.5 billion. Solely for purposes of this disclosure, shares of the registrant’s common stock held by each executive officer and director and by each other person who may be deemed to be an affiliate of the registrant have been excluded from this computation. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 14, 2025, there were 90,501,471 shares of the registrant’s Series A common stock and 182,613,605 shares of the registrant’s Series B common stock, each with a par value of $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement relating to its 2025 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws, which are statements that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. All statements other than statements of historical fact included in this Annual Report on Form 10-K, including statements regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "future," "intend," "may," "plan," "potential," "predict," "project," "shall," "should," "strategy," "target," "will," "would," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our expectations regarding our revenue, expenses, and other operating results;
- our ability to acquire new customers and grow our customer base;
- our ability to successfully retain existing customers and expand sales within our existing customer base;
- our ability to increase usage of our platform and upsell and cross-sell additional products and communications channels;
- our ability to move up-market and address enterprise and other larger customers;
- launching new products and adding new product capabilities;
- our ability to leverage artificial intelligence and machine learning and effectively develop and deliver products that incorporate artificial intelligence and machine learning;
- future investments in developing and enhancing our platform and our business;
- our expectations regarding our ability to expand internationally;
- our ability to add more use cases to our platform and increase our presence in other verticals;
- our anticipated capital expenditures and our estimates regarding our capital requirements;
- the estimated size of our addressable market opportunity for our platform;
- investments in our selling and marketing efforts and our ability to promote our brand;
- expectations regarding our integrations with third-party platforms, including Shopify;
- our ability to compete effectively with existing competitors and new market entrants;
- our reliance on our senior management team and our ability to identify, recruit, and retain skilled personnel;
- our growth strategies for our platform and our ability to effectively manage our growth;
- economic and industry trends and other macroeconomic factors, such as fluctuating interest rates, inflation and tariffs, including the impact on our customer spending and consumer spending generally; and
- the impact of public health crises and financial, economic, and political events on our industry, business, and results of operations.

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

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

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law.

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

RISK FACTOR SUMMARY

Our business is subject to numerous risks and uncertainties that you should be aware of in evaluating our business. The following is a summary of some of these risks and uncertainties. As a result, this risk factor summary does not contain all of the information that may be important to you, and this summary should be read together with the more detailed description of each risk factor below as well as elsewhere in this Annual Report on Form 10-K. Additional risks, beyond those summarized below or discussed elsewhere in this Annual Report on Form 10-K, may apply to our business, activities or operations as currently conducted or as we may conduct them in the future or in the markets in which we operate or may in the future operate.

- Our rapid historical revenue growth is not indicative of our future revenue growth, and we may not be able to sustain our historical revenue growth rate, in the near term and in the future;
- Our business has experienced rapid growth, and we may fail to effectively manage our growth or anticipated growth;
- We have a limited operating history in a rapidly changing industry, which makes it difficult to evaluate our current business and future prospects and increases the risk of your investment;
- We operate in a highly competitive industry, and we may not compete effectively with established companies or new market entrants;
- Our business and success depend, in part, on our ability to successfully integrate with third-party platforms, especially with eCommerce platforms such as Shopify, and there may be disruptions to these third-party platform integrations or our relationships with third-party platform providers;
- Our business and success depend, in part, on the success of our relationships with third parties, such as our marketing agency and technology partners;
- We may experience unfavorable conditions in our industry or the global economy, or reductions in spending on marketing;

- We may not be able to add new customers, retain existing customers, or increase sales to existing customers;
- We have a history of net losses, we anticipate increasing operating expenses in the future, and we may not be able to achieve and maintain profitability in the future;
- As we seek to move up-market, we expect our sales cycle with enterprise customers to be longer than with small-and-mid size businesses and we will be required to scale our operations, including by expanding our sales efforts, which may require considerable time and expense;
- We have historically invested significantly in research and development and expect this investment to continue;
- If we fail to adapt and respond effectively to technological changes, evolving industry standards, changing regulations or changing customer or consumer needs, requirements or preferences, our platform may become less competitive;
- We depend on our senior management team, and may lose one or more members of our senior management team or our key employees, or be unable to attract and retain highly skilled employees;
- We collect, process, store, share, disclose, and use personal information and other data, which subjects us to legal obligations related to privacy and security, and we may fail to comply with these obligations;
- If we or our third-party service providers experience a cybersecurity incident or data breach or unauthorized parties otherwise obtain access to our customers' data, our data, or our platform, our platform or our products may be perceived as not being secure, our reputation may be harmed, demand for our platform and products may be reduced, and we may incur significant liabilities;
- We may fail to protect our proprietary technology and intellectual property rights;
- We have incorporated and may continue to incorporate artificial intelligence technology into our products and services, which may expose us to additional risks due to the emerging nature of the technology;
- There has been a limited public market for our Series A common stock. The trading price of our Series A common stock may continue to be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the price at which you purchased those shares; and
- The dual series structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Series B common stock, including our directors, executive officers, and their respective affiliates, and limiting or precluding your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Part I

Item 1. Business

Overview

We founded Klaviyo in 2012 to provide businesses of all sizes with powerful technology that captures, stores, analyzes, and predictively uses their own data to drive measurable, high-value outcomes. Klaviyo enables businesses to drive revenue growth by making it easy to bring their first-party data together and use it to create and deliver highly personalized consumer experiences across digital channels.

Our modern and intuitive SaaS platform combines our proprietary data and application layers into one vertically-integrated solution with advanced machine learning and artificial intelligence capabilities. This enables business users of any skill level to harness their data in order to send the right message at the right time across email, short message service (“SMS”), and push notifications, more accurately measure and predict performance, and deploy the specific actions and campaigns that drive the highest impact. Our reviews add-on allows our customers to collect product reviews within our platform to provide a seamless experience across the customer lifecycle, and our Customer Data Platform (“CDP”) offering gives customers user-friendly ways to track new types of data, transform and cleanse data, run more advanced reporting and predictive analysis to drive revenue growth, and sync data in to and out of Klaviyo at scale. We focused on marketing automation within retail and eCommerce as our first application use case, and we believe our software is highly extensible across a broad range of functions and verticals. Today, our customers primarily operate within the retail and eCommerce vertical, and we are also seeing organic growth from customers in other verticals, such as education, events and entertainment, restaurants, and travel, as well as from business-to-business (“B2B”) companies. By combining easy implementation, rapid time-to-value, and clearly attributable outcomes, we drive substantial ROI for our customers. As of December 31, 2024, our platform had efficiently scaled to over 167,000 customers.

By vertically integrating our data layer and marketing application, we make it easy for businesses to create and store unified consumer profiles and then use those profiles to derive new insights, rapidly segment their consumers, and ultimately drive revenue generation. We purpose-built a centralized, scalable, and flexible cloud-native data store for our customers to intelligently aggregate and process first-party consumer profile and event data without friction. This approach enables our customers to seamlessly generate unified and highly-granular consumer profiles, populated with data from customers’ systems and from over 350 third-party integrations, from eCommerce platforms – such as Shopify, WooCommerce, and Salesforce Commerce Cloud – to loyalty, customer service, and shipping solutions. We built an application layer on top of our data layer to provide a comprehensive set of tools and features that enable our customers to easily turn consumer preferences into insights and actions.

We generate revenue through the sale of subscriptions to our customers for the use of our platform. Our subscription plans are tiered based on the number of active consumer profiles stored on our platform and the number of emails and SMS messages sent. We currently permit our customers to send unlimited push notifications, which are included as part of our email subscription plan. Active consumer profiles are identified profiles that can be reached via at least one enabled marketing channel in Klaviyo; this means the profile is not suppressed, either by revoking consent or being rendered undeliverable. The vast majority of our subscription plans today are monthly.

Our land-and-expand strategy aligns our own success with that of our customers. As our customers’ businesses grow, they utilize more active consumer profiles and send more emails and SMS messages, which naturally increases their usage of our platform. Our revenue also expands when our customers add additional channels, such as SMS, and additional use cases, such as reviews and our CDP offering, or when their other brands, business units, and geographies start using our platform.

Our go-to-market strategy is primarily product-led, and we attract the majority of our new customers through inbound channels, such as word-of-mouth, agency partnerships, and platform integrations. We have built a large and growing ecosystem of major eCommerce platforms, agency partnerships, and developers, which helps us efficiently attract new customers. Once customers access the Klaviyo platform, they can easily integrate with more than 350 third-party data sources to import and explore their first-party data and design and run campaigns and automations, providing rapid time-to-value.

When we first launched our platform, we intentionally focused on serving entrepreneurs and small and medium-sized businesses (“SMBs”). As our customers have scaled and become mid-market companies and larger enterprises themselves, their success with Klaviyo has attracted more interest from similarly sized businesses that are looking to drive better engagement with their consumers. As such, we have continued to build out a sales team to focus on mid-market and enterprise customers.

We grew our revenue 34.3% year-over-year, from $698.1 million in 2023 to $937.5 million in 2024. Our net losses for 2023 and 2024 were $308.2 million and $46.1 million, respectively, representing a year-over-year decrease of 85.0%. This decrease in net loss year-over-year was mainly driven by an increase in revenue and a $203.4 million decrease in stock-based compensation expense, the majority of which was related to the vesting of outstanding equity awards upon our initial public offering (“IPO”) in September 2023. We grew our gross profit 37.7% year-over-year, from $520.2 million in 2023 to $716.2 million in 2024, representing gross profit margins of 74.5% and 76.4%, respectively.

Our Platform

We built Klaviyo because businesses need powerful technology to capture, store, analyze, and predictively use data to drive measurable, high-value outcomes. Our vertically-integrated, highly-scalable, and flexible platform unifies the data and application layers with our messaging infrastructure into one modern tech stack.

- ***Data Layer.*** Our highly-scalable platform is optimized for large volumes of data, delivers sub-second-level accessibility, and provides extremely high levels of personalization and attribution. We built our data store from the ground up to be agile, unbound by specific schema or data structures. Our data store synchronizes unaggregated, historical profile data with real-time event data in a single system-of-record. Profile data enables our customers to generate unified consumer profiles with extremely granular segmentation, grouping consumer profiles into precise audiences that update in real-time as consumers interact with our customers. Event data allows customers to send behavior-triggered messages that keep consumers engaged with the right message at the right time. This industry-agnostic, data-first approach represents a new foundational capability in our market and can be applied to new verticals in the future that require the combination of fast performance with real time, predictive intelligence.

- ***Application Layer.*** We built an application layer on top of our data layer, which provides a comprehensive set of tools and features that enable our customers to easily turn consumer learnings into insights and actions to drive revenue growth without the need to hire sophisticated and expensive in-house engineers. We started with our marketing application, enabling our customers to create and manage targeted marketing campaigns and flows, track customer behavior, and analyze campaign performance to grow revenue. Our advanced data science and predictive analytics capabilities also utilize artificial intelligence and machine learning so businesses can estimate consumer lifetime value, predict a consumer’s next order date, and calculate potential churn risk. As a result, our application helps companies deliver contextually-relevant and personalized experiences throughout the entire consumer journey and across digital channels, such as email, SMS, and push notifications, through our messaging infrastructure. We focused on marketing automation for business-to-consumer (“B2C”) companies within retail and eCommerce as our first application, and we believe our software is highly extensible across a broad range of functions for B2C and B2B businesses alike.

Because we vertically integrated our data layer, application layer, and messaging infrastructure into one technology stack, our platform provides customers the complete set of technologies needed to design and deliver highly personalized consumer experiences across multiple digital channels.

Key Benefits of Our Platform

We founded Klaviyo in 2012 with a data-first approach to enable our customers to effectively harness their first-party data to deliver impactful consumer experiences. This approach has enabled us to deliver the following key benefits:

- ***Granular segmentation with real-time action by unifying profile and event data.*** Our customer data store is designed to consolidate customers' first-party data at scale, synchronizing and unifying data from over 350 integrations seamlessly into a single system-of-record. To ensure companies have the right information to engage with consumers effectively, our data store is optimized for very large data sets with the capacity to combine and store the entire consumer history of profile and event data of our customers in real time.

- ***Vertical integration that enables fast execution.*** Our platform combines our centralized data layer with our front-end application layer in one vertically-integrated technology stack. This offers our customers the ability to store and rapidly analyze consumer data in real-time, then send automated messages with targeting based on these analytics, all within one single platform. This approach also allows our customers to get up-and-running quickly without having to pre-configure their data and manage complex integrations. Going forward, our vertically-integrated technology stack also gives us the ability to easily extend our platform into new channels and applications.

- ***Predictive insights enhanced by machine learning and artificial intelligence to drive revenue growth.*** Our advanced predictive analytics capabilities utilize machine learning and artificial intelligence so businesses can estimate consumer lifetime value, predict a consumer's next order date, and calculate potential churn risk. Our platform also allows our customers to compare their performance against similar companies in their respective industries and makes recommendations on how to optimize future engagements.

- ***Easy-to-use functionality purpose-built for business users of any technical skill level.*** Our easy-to-use platform gives business users of any technical skill level the ability to easily build consumer segments, personalize content, create new automations, run tests, engage with their consumers, and launch marketing campaigns with differentiated experiences. Our platform offers simple, one-click drag-and-drop customizable templates for designing messages and generative artificial intelligence tools for creating content and targeting communications, allowing our customers to easily create impactful experiences customized to their unique brands. For advanced functionality, we offer a suite of tools to enable developers to build rapid automations for different use cases and quickly integrate with other systems efficiently, all from a simple and intuitive user interface.

- ***Coordinated engagement across channels.*** We enable our customers to coordinate their multi-channel consumer engagement strategy across digital channels, such as email, SMS, and push notifications, without friction. Our predictive analytics solutions also provide recommendations on which channel to use to drive higher engagement. Our multi-channel capability results in fewer integrations to maintain and reduces the number of tools that our customers need to learn, while ensuring the right communication is used for the right channel, ultimately increasing speed and efficiency while reducing costs. Our vertical integration also allows us to easily expand into new channels, enabling our platform to evolve with consumer preferences.

- ***Rapid and efficient implementation with clear, attributable value to drive high ROI.*** Due to our pre-configured data model and automatic integrations, our platform offers rapid and efficient implementation. Meanwhile, due to our advanced technological architecture and vertical integration, we can ascribe the amount of revenue that our customers generate with specific engagements through our platform, quickly and easily quantifying their success.

Our Growth Strategies

We intend to leverage our differentiated approach to capitalize on our large market opportunity and leading market position to fuel future growth with the following key growth strategies:

- ***Attract new customers.*** We have rapidly expanded our customer base to over 167,000 as of December 31, 2024 due primarily to our product-led growth strategy. We expect to continue to acquire new customers through inbound channels, such as word-of-mouth, expanding platform integrations and agency partnerships, and growing our sales team that focuses on larger accounts. As the customers on our platform continue to grow, this creates a powerful network effect for our brand when existing Klaviyo users change employment and advocate for the adoption of our platform at their new employer.

- ***Expand sales within our existing customer base.*** We believe our product-led growth strategy enables us to efficiently expand penetration within our existing customer base. We are maniacally focused on making our platform intuitive and exceptionally easy-to-deploy, driving our customers to expand their usage of our platform in a self-serve manner. We focus on expansion in three primary ways. First, as our customers increase their usage of our platform through the number of active consumer profiles they have and email and SMS messages they send, they move to higher subscription tiers. Second, adding more communication channels and use cases, such as SMS and reviews, further expands the sales we generate from existing customers. Our CDP offering gives our customers user-friendly ways to transform and cleanse data, run more advanced reporting and predictive analysis to drive revenue growth, and sync data into and out of Klaviyo at scale. Finally, we expect to continue to see growth from selling our platform to our customers' other brands, business units, and geographies.

- ***Grow our mid-market and enterprise presence.*** While we started with SMB customers, we have also driven significant growth with mid-market companies and have an emerging presence with large enterprises. As customers drive growth and value by using our platform, their success with Klaviyo has attracted more interest from other mid-market companies and enterprises that are looking to drive better engagement with their consumers, bringing our business and sales motion up-market.

- ***Expand internationally.*** We believe we have significant expansion opportunities in international markets. We initially started by serving customers in North America and, in 2019, we opened our London, England office to serve the European region, followed by our Sydney, Australia office in 2022 to target the Asia Pacific region, and we expanded our presence in the European region by adding operations in Dublin, Ireland in 2024. We currently offer our platform and service in English, French, German, Portuguese, Korean, Spanish and Italian, and we believe we have significant international opportunities ahead, especially as we add new languages. We also currently only bill in U.S. Dollars, and we believe that adding additional currencies to our platform will help us better serve the international market.

- ***Invest in our platform.*** We have a history of innovation and will continue to develop and invest in our platform to provide more value to our customers over time. We launched with our data platform and email offering, and have since added additional communication channels, such as SMS and push notifications, and additional use cases, such as reviews and our CDP offering. In 2024, we also launched Klaviyo AI, a suite of features that provide customers with AI-powered tools to streamline data segmentation, create and orchestrate campaigns, and drive better engagement. Near term, we will continue to expand our marketing automation platform and extend to product areas outside of marketing. Given the broad applicability of our platform, we believe that long-term we can continue to launch new channels and capabilities to attract new customers as well as cross-sell to our existing customers.

- ***Expand into new verticals and use cases.*** We chose eCommerce as our initial focus area because we found that there was a massive need for our technology solution in that market. We believe that our technology platform has broad applicability across a range of industry verticals and use cases. We have already seen organic adoption of our platform in verticals such as education, events and entertainment, restaurants, and travel, as well as from B2B companies.

Our Products

Our vertically-integrated, highly-scalable and flexible platform unifies the data and application layers with our messaging infrastructure into one modern tech stack, providing all the features and automation tools necessary to drive personalized consumer engagement:

Messaging Infrastructure

Email: The core capability of our platform is to enable businesses to send personalized emails to their consumers. This includes a range of drag-and-drop email templates, allowing customers to easily edit and customize pre-built templates; email campaigns and automations, including Smart Send Time features, generative AI for email content and subject line creation, and A/B testing tools; and advanced consumer list segmentation, all of which are tools to help create high-performing email engagements.

SMS: Our SMS marketing capability enables customers to send targeted text messages to their consumers and strengthen relationships through our conversational SMS feature, which allows businesses to send personalized responses to consumers in real-time. We also offer built-in contact cards to ensure that texts from our customers do not appear as random numbers. Our consent management and compliance tools save time and money for our customers and enable them to focus on delivering a highly personalized consumer experience. Our AI-powered SMS assistant uses generative AI to create message content and generate suggested responses for incoming text messages.

Push: Our push notification channel allows customers to send personalized push notifications on iOS and Android devices to engage consumers with timely and relevant mobile app notifications to build omnichannel experiences.

Our multi-channel approach allows our customers to communicate with their consumers in the manner that best serves their diverse business needs. By creating a single, holistic view of the consumer, we can help customers understand and communicate with their consumers across all channels. For example, some customers may choose to engage with consumers asynchronously through email with highly-segmented, personalized, and cost-effective messages. However, in some cases, such as notification of a flash sale, customers may choose to drive revenue through concise, action-oriented interactions delivered in real-time through SMS or push. Because our platform was purpose-built to help customers understand their consumers, our customers can leverage consumer profiles, event data, and AI-powered predictive analytics to deliver highly personalized messages across relevant communication channels, rather than through disparate and disjointed channels.

Other Applications

Reviews: Our reviews add-on allows our customers to collect product reviews alongside their existing consumer data and messaging in Klaviyo, delivering a more seamless experience across the customer lifecycle. Our AI tools suggest review headlines for consumers based on their review content, and generate personalized review replies for our customers with the click of a button.

Customer Data Platform: Our CDP offering allows our customers to manage and deploy their data in Klaviyo more effectively. Our CDP is built on the same infrastructure as Klaviyo's marketing application and provides user-friendly tools to unify, enrich, and transform data, run more advanced reporting and predictive analysis, and sync data into and out of Klaviyo at scale. Our CDP is built for businesses of all sizes and gives customers access to powerful predictive analysis functionality.

Product Features

Integrations: We integrate with a wide range of data sources such as retail and eCommerce platforms, including Shopify, WooCommerce, and Salesforce Commerce Cloud, to comprehensively replicate all historical profile and event data in Klaviyo and synchronize data going forward. These integrations allow our customers to create a complete consumer source of record, bringing additional profile and event information into Klaviyo with minimal engineering effort.

Segmentation: Our advanced audience segmentation allows businesses to create consumer segmentation based on all the consumer data they have available in Klaviyo, including purchase history, engagement levels, and Klaviyo-powered predicted customer lifetime value. The segmentation feature enables our customers to better target consumers with personalized engagement, and our AI tools allow our customers to quickly create segments using natural language inputs. Via Klaviyo's outbound integrations, segments can be automatically pushed to ad networks to further target consumers or accessed via API to power actions in other systems.

Automation — Campaigns and Flows: Using our platform, businesses can build marketing campaigns, which deliver regular interactions to their consumers about new launches, sales announcements, newsletters, and more. With Klaviyo, customers can drive more revenue by building data-powered omnichannel campaigns that engage their consumers across every touchpoint. We offer pre-built templates for customers to choose from, and our platform has built-in generative artificial intelligence capabilities to allow users to auto-generate email and SMS content and build automations using natural language inputs. Our platform also enables businesses to build flows, which are a sequence of automated actions, including messages, that are triggered when a consumer performs a specific action — such as joining a list, being added to a segment, making a purchase, or abandoning their cart. We also offer customers the ability to use our Flows AI functionality to use natural language to build and manage their flows. Our built-in attribution allows customers to quantify and understand the revenue impact of campaigns and flows.

Analytics and Benchmarks: Our predictive analytics features use artificial intelligence and machine learning to drive valuable consumer insights related to consumer lifetime value, churn risk, and behavior forecasting. Our benchmark feature aggregates anonymized performance data across our customer engagement strategies and allows businesses to compare their performance to that of their industry peers. Business metric comparisons such as open rate, average cart value, and subscriber rate allow businesses to evaluate the effectiveness of their engagement strategy and identify key areas of opportunity.

Our Technology

The Klaviyo platform was engineered from the ground up to be cloud-native, consisting of a set of reusable primitives — for example, the data store, segmentation engine, campaigns and flows, and messaging infrastructure — that provide tight vertical integration but are independent and extensible. Our entire data platform was designed to power many applications, with marketing as the first one.

Our data layer is the core of the Klaviyo platform and the foundation on which we built all our functionality. We built a composite data store that aggregates effectively unlimited amounts of data in a way suitable for transactional, analytical, and machine learning workloads. The extensible architecture of our data store runs an ingestion pipeline responsible for deduping, data augmentation, and identity resolution. This pipeline spawns multiple projections in real-time as billions of facts and actions are ingested, enabling us to store the processed data in multiple formats. The extensibility of the projection mechanism allows us to easily add more use cases as needed.

The overarching architectural decision to use independent reusable primitives across the data layer, application layer, and messaging infrastructure was key to providing the level of scalability, reliability, and performance that our platform offers.

Scalability

Efficient Computation and Storage: Our vertically-integrated platform is built for massive scale using cloud computing. In order to enable our customers to create dynamic, personalized experiences for their end users, we efficiently ingested and stored billions of events every day on average during 2024. We use this data to power personalization and send billions of messages each month across multiple channels, including email, SMS, and push notifications.

Optimized for Large Data Sets: Our data store is optimized for very large data sets with the capacity to combine and store our customers' entire consumer history of profile and event data in real time without expiration of the ingested data. Architectural techniques such as data partitioning and indexing across natural query seams allow our platform to scale with our customers.

Reliability

We store all Klaviyo data in the cloud and use fundamental building blocks of that platform, such as elastic compute cloud instances, elastic load balancers, and block storage.

Our systems are designed to be redundant and most of the intra-system communication is done asynchronously, which allows us to achieve a high degree of reliability. We built redundancy in every level of the stack. For example, every sub-system runs on multiple data centers, reducing the dependency on a specific data center. Additionally, we have built extensive monitoring to detect and recover from incidents and alert for potential anomalies.

In addition to reliability, we also built our platform with message deliverability as a top concern. Our customers demand tools that help them maintain a trusted reputation with their consumers and channel providers, which we accomplish by delivering personalized experiences on time and in accordance with applicable laws, regulations, and best practices. To further ensure trust in delivery, we also provide features like guided warming, shared and dedicated sending internet protocol addresses, and a tight feedback loop with channel providers. We ensure a frictionless experience for our customers, and therefore a differentiated user experience, with this focus on the reliability and scale of our messaging platform.

Performance

Fast Access to Data: Our composite data store is engineered for scale and speed without requiring workarounds and limitations. Our strong data store performance is based on our projection architecture and the selection of multiple backing databases including technologies such as MySQL, PostgreSQL, Clickhouse, and S3. This allows us fast access to range and point queries, complex segmentation, and aggregations, such as the amount spent by a consumer over the last 30 days.

We have intentionally separated our application layer from our data stores through the implementation of rich front-ends including HTML, JavaScript, and CSS that use techniques like backend-for-frontend APIs and leverage content delivery networks to reduce latency in accessing data.

Research and Development

Our research and development organization is responsible for leading continuous innovation of our platform and channels, through the design, development, testing and delivery of features, and new technologies. It is also responsible for reliably operating and scaling our platform including the underlying cloud infrastructure. Our research and development team is organized in pillars aligned with our vertically-integrated stack. We additionally have small teams focused on new ventures that are oriented towards long-term growth initiatives.

Each pillar is organized as small teams with high levels of ownership of the technology they develop/deploy and a mindset of continuous delivery for our customers. We believe this setup allows for rapid innovation of our platform. Research and development employees are primarily in Boston, Massachusetts. We intend to continue to invest in our research and development capabilities to expand our platform capabilities and offerings.

Our Ecosystem

Our partner ecosystem enriches our customer offerings and helps us reach a broader audience than we would be able to reach on our own. Our partner ecosystem includes commerce platforms, other technology companies, marketing agencies, systems integrators, and developers. Each constituent of our ecosystem contributes to the growth of our business increasing our collective reach, the depth of our integration portfolio, and the breadth of our customers' first-party consumer data.

Commerce Platforms

Through our partnerships and data integrations with commerce platforms, we are able to aggregate and analyze our customers' first-party consumer data in real-time to drive more and better insights for our customers. Our platform completes the technology stack for direct-to-consumer businesses, combining their commerce engines with our powerful solution to drive revenue growth through data-driven, highly personalized experiences. In July 2022, we completed a series of transactions to memorialize our strategic partnership with Shopify, which established Klaviyo as the recommended email solution for all Shopify Plus merchants. We also partner with most other major commerce platforms, including BigCommerce, Centra, Magento, Nuvemshop, PrestaShop, Magento (Adobe), Salesforce Commerce Cloud, Square, Wix, and WooCommerce. We have additionally integrated with Amazon Buy with Prime. Our platform integrations create value for customers across a variety of verticals beyond retail and eCommerce. For example, we integrate with Olo and Toast in the restaurant industry, Mindbody in the fitness and wellness industry, and Eventbrite in the events industry.

Other Technology Partnerships

We enhance our platform through our large technology partner ecosystem and robust library of integrations with other technology platforms, including Google, Meta, Zendesk, Gorgias, LoyaltyLion, Pinterest, and Canva. We have built a robust suite of over 350 pre-built integrations and native data sources that customers want connected to their Klaviyo hub. Customers can leverage our fast, easy-to-use integrations to synchronize real-time data from technology companies specializing in payments, credit cards, order management, support tickets, subscriptions, shipping, surveys, referrals, and reviews, among others. Through these integrations, we have been able to build comprehensive consumer profiles on behalf of our customers that include information on consumer spend and details on non-financial activities, such as interactions with customer service, website activity, loyalty, social media, and more.

Marketing Agencies and Systems Integrators

We have built a deeply-invested community of digital marketing agencies, systems integrators, freelancers, and other consulting partners who recommend their clients use Klaviyo to design, run, and measure their marketing campaigns. These agencies help our customers run effective campaigns using Klaviyo, and provide strategic guidance to help our customers achieve their goals utilizing our platform. Many of these partners develop in-house Klaviyo expertise, build

Klaviyo-dedicated service offerings, and go-to-market as Klaviyo partners. We mirror the investment these partners have made in Klaviyo by offering them a partner program (including incentives and requirements), partner-specific tools, and dedicated training and support. Marketing agencies partner with us because our platform is able to help their clients more effectively target consumers, and in the process, the agencies are able to grow their own businesses.

Systems integrators support many of our customers and help them get started on our platform. In some cases, our systems integrator partners leverage our flexible and scalable APIs to build custom integrations and bespoke solutions for their customers.

Developers

We provide many developer-friendly features, including a flexible data architecture, no data pre-configuration requirements, API reference documentation and guides, new SDKs and developer tools, a community forum for collaboration, and monthly newsletters to help developers stay informed on all upcoming releases. We offer several incremental features that serve developers, including the ability to run code hosted on our platform. As a result, when developers are using our platform to build and test code, they can do so without needing to set up separate hosting environments. We also provide developers with data sample generation tools, allowing them to run and test their code against real, anonymized datasets which we generate for them as sample sets, so that they do not have to identify, obtain and ingest relevant data sets for their work.

Our Customers

Our platform serves businesses of all sizes, across industries and geographies. Our customers range from entrepreneurs and small and medium-sized businesses to mid-market businesses and enterprises. Today we have a strong presence in the retail and eCommerce vertical and see growth from international customers. As of December 31, 2024, we served over 167,000 customers, up from 143,000 customers as of December 31, 2023.

Our Go-To-Market Strategy

Our product-led growth motion has helped build a highly efficient go-to-market engine powered by our strong platform and fast time-to-value, with limited reliance on professional services teams for implementation. Our marketing activities are designed to build broad brand awareness, generate thought leadership and create demand and leads for our sales organizations within our target markets.

Our large and growing ecosystem of major eCommerce platforms, agency partnerships, and developers, helps us efficiently attract new customers. We primarily attract new customers through inbound channels based on our reputation and product quality, such as word-of-mouth, commerce platform partnerships, and agency partnerships. We have a customer first approach and have designed our platform with the north star of helping businesses improve their engagement and drive revenue. As we deliver significant measurable and attributable value to our customers, they have become powerful advocates of our solution which allows us to benefit from a strong word-of-mouth motion.

Many of our customers come through our self-service channel by simply coming to our website and signing up for our platform without the need for our sales team's involvement. Customers can start with a free tier of our platform or land directly with one of our paid subscription tiers.

With geographic coverage across Americas, EMEA, and APAC, our sales organization serves prospective customers and existing customers of all sizes. In addition to our self-service model, we deploy a high-velocity inside sales team focused on new customer acquisition, a mid-market and enterprise sales team, and a customer growth team focused on maximizing customer value and introducing all Klaviyo SKUs. Our acquisition teams respond to inbound and partnership-referred leads while also supplementing this demand by going outbound directly to businesses to introduce Klaviyo. Our go-to-market motion targets decision makers participating in the marketing-spend cycle, including the chief marketing officer, chief customer officer, and other key functional marketing heads.

Our outbound sales motion and sales process for all customers is differentiated by the amount of tangible advice and recommendations we are able to provide. Using all available channels, including social, video, email, phone, and SMS, we are able to deliver actionable insights to prospective customers that help them drive revenue growth.

Customer Experience and Customer Success

As a customer-first organization, our customers are at the heart of everything we do. We believe that the customer experience, along with the value they derive from Klaviyo, differentiates us in the marketplace. We provide our customers a comprehensive set of capabilities and services that support their journey with us. As a partner that creates value, we earn our customers' trust, and that trust helps drive net retention through renewals and expansion.

We engage with our customers from large to small through dedicated programs, such as Customer Success at Scale, Voice of the Customer, and with dedicated Customer Success Managers for our largest customers. With this ongoing feedback, we can continue to make impactful improvements to our platform and to the customer success and support experiences we offer.

Our Customer Success and Support teams provide a wide range of services that help meet our customers' needs, including the following:

- Starting from the beginning of their journey, our onboarding teams work quickly to get customers set up with the right configuration and features to meet their business goals.
- For our smallest customers, we offer self-service journeys that support and guide them from onboarding to adoption to expansion.
- For our largest customers, we offer white glove engagement, guiding them as a trusted advisor around best practices, industry trends, and new product features and functionality, helping them optimize their success with Klaviyo and ultimately drive their own growth.
- Our Customer and Partner Education Services team offers a range of services, from providing free ungated content via social channels, learning tutorials, and live virtual hands-on training sessions, to helping customers set up segmentation, flows, and campaigns.
- We offer dedicated developer education and technical documentation as well as a developer-specific community to support and grow our developer ecosystem.

Our Customer Success and Support teams are the face of Klaviyo. In every interaction, we have the opportunity to educate and inspire our customers and partners. All of our customers, from a single entrepreneur to a Fortune 500 executive, rely on Klaviyo to drive their business. We take this responsibility seriously, and offer global support to all customers regardless of size.

Competition

The market in which we compete is evolving and highly competitive. There are several established and emerging competitors that address specific aspects of our platform, but we believe that none of our competitors currently offer comparable solutions that have the comprehensive functionality of our platform. Our main competitors are:

- Marketing solution providers, such as Mailchimp and Braze;
- Large, consolidated marketing automation software providers, such as Adobe and Salesforce; and

- Data-focused vendors, such as providers of cloud data warehouses or operational database technologies, which provide data infrastructure but are not purpose-built for consumer data and lack the front-end application layer.

In addition, our competitors could merge or partner with one-another or strengthen cooperative relationships with strategic distribution and technology partners or other parties.

Our market is fragmented, highly competitive, and continues to evolve. We believe that the key competitive factors in our market are:

- Fast time-to-value and ROI for customers;
- Ease of deployment, implementation, and use;
- Unified data architecture, with the ability to synchronize unaggregated, historical customer profile data with real-time event data in a single system-of-record;
- Integration with third-party applications, data sources, and open-source technologies;
- Breadth and depth of features and functionality;
- Quality and accuracy of data and predictive intelligence;
- Ability to support multiple use cases and verticals;
- Strength of sales & marketing and partnership efforts;
- Market vision and product strategy;
- Pace of innovation;
- Brand awareness and reputation;
- Performance, scalability, security, and reliability; and
- Quality of service and customer satisfaction.

We believe that we compare favorably on each of these factors relative to our competitors. However, some of our competitors and potential competitors may be larger and have greater brand awareness, longer operating histories, larger marketing budgets and established marketing relationships, access to larger customer bases, and significantly greater resources for product development. Additionally, because our market is rapidly developing, it is possible that new entrants, particularly those with extensive resources, could introduce new products or services that compete in our market and better address the needs of our customers and potential customers. See the section titled “Risk Factors” section for a more detailed description of risks related to competition.

Intellectual Property

We believe that our intellectual property rights are valuable and important to our business. We rely on a combination of patents, trademarks, copyrights, trade secrets, license agreements, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, as well as other legal and contractual rights, to establish and protect our proprietary rights. Though we rely in part upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees, the functionality and infrastructure of our platform and our business, and frequent enhancements to and expansions of our platform are more important contributors to our success.

As of December 31, 2024, we had 12 issued and allowed patents and 41 pending patent applications in the United States that cover various aspects of our business in the United States and abroad. Our issued patents are scheduled to expire between February 2042 and May 2043. These patents and patent applications are intended to protect our proprietary inventions relevant to our business. We continually review our development efforts to assess the existence and patentability of new intellectual property.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines, and logos in the United States and internationally to the extent we determine appropriate and cost-effective.

As of December 31, 2024, we had 6 registered trademarks and 3 pending trademarks in the United States and 112 registered trademarks and 5 pending trademarks in non-U.S. jurisdictions. We also have registered domain names for websites that we use in our business, such as www.klaviyo.com and other similar variations.

In addition, we seek to protect our intellectual property rights by requiring our employees and independent contractors involved in development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

From time to time, we also incorporate certain intellectual property licensed from third parties, including under certain open-source licenses. See the section titled “Risk Factors” for a more comprehensive description of risks related to our intellectual property.

Regulatory Matters

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, data protection and information security, intellectual property, competition, consumer protection, taxation, anti-bribery, anti-money laundering and corruption, economic or other trade prohibitions or sanctions, or securities law compliance, or other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted and applied in a manner that is inconsistent across jurisdictions and may also be inconsistent with our current policies and practices, any or all of which could harm our business. In addition, the application and interpretation of these laws and regulations are often ambiguous or inconsistent, particularly in the new and rapidly evolving industry in which we operate, and the extent to which they apply to us is at times unclear. For more information on the potential impacts of government regulations affecting our business, see the section titled “Risk Factors.”

Human Capital Resources

As of December 31, 2024, we had a total of 2,182 employees located in four countries, with the substantial majority of our employees located in the United States. We supplement our workforce with contractors and consultants.

To our knowledge, none of our employees is represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good. Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing, and integrating our existing and new employees. The principal purposes of our equity incentive plans are to attract, retain, and reward personnel through the granting of share-based compensation awards in order to increase stockholder value and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

Corporate Information

We were incorporated in 2012 under the name Klaviyo, Inc. as a Delaware corporation. Our principal executive offices are located at 125 Summer Street, 6th Floor, Boston, MA 02110, and our telephone number is (617) 213-1788.

"Klaviyo" is our registered trademark in the United States, the European Union, the United Kingdom, Australia, and other jurisdictions. The Klaviyo design logo and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report on Form 10-K are the property of Klaviyo, Inc. and are protected under applicable intellectual property laws. Other trademarks and trade names referred to in this Annual Report on Form 10-K are the property of their respective owners. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

Available Information

Our website is located at www.klaviyo.com, and our investor relations website is located at https://investors.klaviyo.com. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the U.S. Securities and Exchange Commission (the "SEC"). The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov. We use our https://investors.klaviyo.com and www.klaviyo.com websites, as well as our blog posts, press releases, public conference calls, webcasts, our X (formerly known as Twitter) feed, our Instagram page, our Facebook page, and our LinkedIn page, as a means of disclosing material nonpublic information and for complying with our disclosure obligations under Regulation FD. The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. The risks described below are not the only ones we face. Our business, results of operations, financial condition, and prospects could also be harmed by risks and uncertainties not currently known to us or that we do not currently believe to be material. If any of these risks actually occur, our business, results of operations, financial condition, and prospects could be materially adversely affected. In that event, the trading price of our Series A common stock could decline, and you could lose part or all of your investment. Certain statements contained in the risk factors described below are forward-looking statements. See the section titled "Special Note Regarding Forward-Looking Statements" for more information.

Risks Relating to Our Business and Industry

Our rapid historical revenue growth is not indicative of our future revenue growth, and we may not be able to sustain our historical revenue growth rate, in the near term and in the future.

We have experienced rapid revenue growth in recent periods. Our revenue was $937.5 million, $698.1 million, and $472.7 million for the years ended December 31, 2024, 2023, and 2022, respectively, representing a growth rate of 34.3% in 2024 and 47.7% in 2023. Our rapid revenue growth has been driven by increases in our customer count, growth of existing customers, our expansion into international markets, our sales to mid-market businesses, and the cross-selling of our SMS offering alongside our data platform and email offering. In addition, we implemented a price increase in

September 2022, which positively increased revenue growth in 2023. This price increase also impacted the various measures we use to assess our usage and subscription levels based on revenue, such as NRR and our revenue growth rate, and following its implementation, those measures experienced corresponding increases as a result. As we have lapped the one year anniversary of this price increase, these measures have seen a corresponding decrease. We anticipate that our revenue growth rate will decelerate over time as a result of a variety of factors, including the maturation of our business, and you should not rely on our historical revenue growth as an indication of our future performance. Overall growth of our revenue depends on several factors, including our ability to:

- expand subscriptions to our platform for our existing customers;
- increase the number of products we sell;
- improve the functionality of our products and our platform and achieve and/or maintain market acceptance for them;
- retain existing customers;
- attract new customers;
- succeed in selling our products in new verticals and in markets outside the United States;
- keep pace with technological developments;
- price our platform subscriptions competitively;
- increase pricing on sales of our products, which may differ from product to product;
- provide our customers with support that meets their needs;
- successfully identify and acquire or invest in businesses, products, or technologies that we believe could complement or expand our platform; and
- increase awareness of our brand on a global basis and successfully compete with other companies.

We may not successfully accomplish any of these objectives. If we do not, or if the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain our revenue growth for any reason, including the reasons listed above, it may be difficult to maintain profitability, the trading price of our Series A common stock may continue to be volatile, demand for our products and our platform could decline, and our business, financial condition, and results of operations may be adversely affected.

Our business has experienced rapid growth, and if we fail to effectively manage our growth or anticipated growth, our business, results of operations, and financial condition could be adversely affected.

We have experienced rapid growth in our business since inception, and we may continue to experience rapid growth. Our headcount has grown from 1,815 employees as of December 31, 2023 to 2,182 employees as of December 31, 2024. In addition, we have been expanding our international operations since 2019. We opened offices in the United Kingdom and Australia in 2019 and 2022, respectively, and we expanded our presence in the European region by adding operations in Ireland in 2024. We have also experienced significant growth in the number of customers using our platform, including the number of international customers, which increased from approximately 76,000 as of December 31, 2023 to approximately 92,000 as of December 31, 2024. We plan to continue to expand our international operations in the future. We have also experienced significant growth in the number of products and features we offer (such as adding reviews and CDP offerings and AI features alongside our data platform, email, SMS and push offerings) and the usage and amount of data that our platform and associated infrastructure support. This growth has placed and may continue to place significant demands on our operational infrastructure, financial resources, corporate culture, and management team.

In addition, our organizational structure has become more complex over time. In order to manage these increasing complexities, we will need to continue to scale and adapt our operational, financial and management controls, as well as our reporting systems and procedures. The expansion of our systems and infrastructure will require us to commit substantial operational, financial, and management resources before our revenue increases and without any assurances that our revenue will increase.

In order to successfully manage our future growth and manage our business effectively, we will need to continue to improve our operating and administrative systems, and our ability to manage headcount, capital, and internal processes. Continued growth could challenge our ability to develop and improve our operational, financial, and management controls, enhance our reporting systems and procedures, recruit, train, and retain highly skilled personnel in a timely manner or at all, and maintain user satisfaction. If we fail to achieve the necessary level of efficiency in our organization as we grow, then our business, results of operations, and financial condition could be adversely affected.

Further, as our customer base continues to grow, we will need to expand our account management and customer service teams and continue to scale our platform. If we are not able to continue to provide high levels of customer service, our reputation could suffer, which could adversely affect our business, results of operations, and financial condition.

We have a limited operating history in a rapidly changing industry, which makes it difficult to evaluate our current business and future prospects and increases the risk of your investment.

We were founded and launched our platform in 2012. As a result of our limited operating history, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for future growth. Our historical growth should not be considered indicative of our future performance. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as risks and uncertainties related to:

- retention of customers;
- adding new customers, particularly in the mid-market and enterprise categories;
- competition;
- our ability to control costs, particularly our operating expenses;
- network outages or security breaches and any associated expenses;
- foreign currency exchange rate fluctuations;
- executing acquisitions and integrating the acquired businesses, technologies, products, and other assets; and
- general economic and political conditions.

If we do not address these risks successfully, our business, results of operations, and financial condition could be adversely affected.

We operate in a highly competitive industry, and if we do not compete effectively with established companies or new market entrants, our business, results of operations, and financial condition could be adversely affected.

We operate in a highly competitive industry, and we expect competition to continue to increase. We face competition from a number of companies, including Adobe, Salesforce, Mailchimp, and Braze. We believe that our ability to compete depends upon many factors both within and beyond our control, including:

- fast time-to-value and ROI for customers;

- ease of deployment, implementation, and use;
- unified data architecture, with the ability to synchronize unaggregated, historical customer profile data with real-time event data in a single system-of-record;
- integrations with third-party applications, data sources, and open-source technologies;
- breadth and depth of features and functionality;
- quality and accuracy of data and predictive intelligence;
- ability to support multiple use cases and verticals;
- strength of sales & marketing and partnership efforts;
- market vision and product strategy;
- pace of innovation;
- brand awareness and reputation;
- performance, scalability, security, and reliability; and
- quality of service and customer satisfaction.

Many of our current and potential competitors have or may have significantly greater financial, technical, marketing, and other resources than we do. They may secure better terms from partners, adopt more aggressive or alternative pricing policies, or devote more resources to technology, infrastructure, sales, marketing, and customer service. These competitors may also engage in more extensive research and development efforts or undertake more far-reaching marketing campaigns, which may allow them to attract customers or partners. For example, for our SMS offering, we do not currently separate carrier fees from the fees that our customers pay for our product. In contrast, some of our competitors separate carrier fees from their product fees, which may create the appearance of a lower product fee and which may appear more attractive. Our competitors may also develop a platform or products that are similar to ours or that achieve greater market acceptance than ours. This could attract customers or partners away from our platform or our products and reduce our market share.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, our ability to compete effectively could be adversely affected. Our competitors may also establish or strengthen cooperative relationships with our current or future strategic distribution and technology partners or other parties with whom we have relationships, thereby limiting our ability to promote and increase the usage and adoption of our platform. We expect to encounter new competitors, which may include any of our current or future third-party platform providers or technology partners, both geographically and in our market verticals in and outside of retail and eCommerce. We may not be able to compete successfully against current or future competitors, and competitive pressures could adversely affect our business, results of operations, and financial condition.

Our business and success depend, in part, on our ability to successfully integrate with third-party platforms, especially with eCommerce platforms such as Shopify, and our business would be harmed as a result of any disruptions to these third-party platform integrations or our relationships with third-party platform providers.

We depend on product integrations with various third-party platforms, especially eCommerce platforms, to sustain and grow our business. The integration of our platform and our products with these third-party platforms, including eCommerce platforms, provides us with substantial amounts of additional first-party data that would otherwise be costly or difficult to obtain. These integrations also allow us to attract customers that use these platforms to conduct their business activity. Further, our customers' experience with our platform is dependent on our ability to connect easily to these third-party platforms as well as the effectiveness and utility of these integrations. The companies that operate these third-party platforms generally dictate, to varying degrees, the terms of use of their respective platforms, including the manner and procedure by which we integrate with their respective platforms. We may fail to maintain and improve upon these integrations or relationships for many reasons, including due to our or the third parties' failure to maintain, support, or secure their third-party platforms in general and our integrations in particular, or errors, bugs, or defects in our or their technology, or changes in our or their technology platforms or our relationship with such third parties due to actual or perceived competing platforms or offerings. Any such failure to integrate data from a third-party platform, or any disruption on an eCommerce platform that prevents us from integrating with that platform or reduces the interoperability between our platform and the respective third-party platform, could harm our relationship with our customers, adversely impact our reputation and brand, and adversely affect our business, financial condition, and operating results.

As of December 31, 2024, approximately 77.7% of our ARR was derived from customers who also use Shopify's platform, while only approximately 9.4% of our new ARR in 2024 was derived from customers that came to us through the Shopify app store. Shopify also helps to promote our brand by referring new customers to us, and under our partnership with Shopify Inc. and certain of its affiliates (collectively, "Shopify"), we are the recommended email solution for Shopify Plus customers globally. Any disruption to the functionality of our integration with Shopify, including our removal from their app store, could create delays in data synchronization for our customers and adversely affect the customer experience. Further, if Shopify is unable or unwilling to continue to integrate with our platform for any reason, or if our products or our platform no longer integrate with Shopify's platform, our customers that use Shopify's eCommerce platform could be required to switch to another eCommerce platform in order to continue using our platform and our products. However, the termination or degradation of our integration with Shopify could cause us to lose customers if these customers do not transition to a new eCommerce platform, or if they transition to a platform that does not integrate with our platform. We also have integrations with other third-party eCommerce platforms, such as BigCommerce, Centra, Magento, Nuvemshop, PrestaShop, Salesforce Commerce Cloud, Square, Wix, and WooCommerce, and some of our customers transition from one third-party eCommerce platform to another while remaining on our platform. Further, diversifying our contractual relationships and operations with other platforms could increase the complexity of our operations and lead to increased costs. The current term of our agreement with Shopify expires in 2029, and Shopify could refuse to renew such agreement or renegotiate such agreement on terms that are neither favorable to us nor commercially reasonable. If our agreement with Shopify is not renewed, if there are any disruptions to our Shopify integration or if we are unsuccessful in maintaining our relationship with Shopify, for any reason, including actual or perceived competing offerings, the utility of and demand for our platform and our products could decline, and our business, financial condition, and operating results could be materially and adversely affected.

Our business and success depend, in part, on the success of our relationships with third parties, such as our marketing agency and technology partners.

We rely on third-party relationships, such as marketing agency and technology partners, to attract customers and enhance the utility of our platform. If any of the third parties on which we rely fails to perform as expected, breaches or terminates their agreement with us, or becomes engaged in a dispute with us, our reputation could be adversely affected and our business could be harmed.

For example, we rely on third-party agency partners and other marketing partners to help us acquire and retain customers. If these partners fail to promote our platform or refer new customers to us, fail to support our existing customers, begin promoting competing brands in addition to or instead of ours, are forced to change their marketing practices in response to new or existing regulations or cease to be viewed as credible sources of information by our potential customers, we may face decreased demand for our solutions, higher than expected customer acquisition costs and loss of revenue.

We also collaborate with third-party technology partners, including systems integrators and third-party developers, to enhance the utility of our platform. For example, these partners build integrations that extend our platform's core product functionality or bring additional data into our platform. These technology partners may fail to maintain, support, or improve their integrations, which could reduce the utility of our platform and in turn could decrease demand for our platform and products, harm our reputation and brand, and have a negative effect on our business, financial condition, and operating results.

In order to grow our business, we anticipate that we will continue to depend on relationships with third parties. Identifying, negotiating, and documenting relationships with partners requires significant time and resources. Our competitors may be more effective in providing incentives to third parties to favor their products or services or to prevent or reduce use of our services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our service by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or grow our revenues could be impaired and our business, financial condition, and operating results may suffer.

Unfavorable conditions in our industry or the global economy, or reductions in spending on marketing, could adversely affect our business, financial condition, and results of operations.

Our results of operations may vary based on changes in our industry, particularly changes in the retail and eCommerce industry, as well as the impact of the global economy on our customers. Our results of operations currently depend, in part, on the demand for marketing and related services, of which the vast majority are for retail and eCommerce businesses. In addition, our revenue is dependent on the usage of our platform and the demand for our products, which in turn are influenced by the amount of business that our customers conduct. To the extent that weak or volatile economic conditions, including due to public health crises, labor shortages, supply chain disruptions, inflation, a government shutdown, geopolitical developments (such as the Russia-Ukraine conflict and the conflict in the Gaza Strip, as well as the implementation of, or changes to or further expansions of, trade sanctions, export restrictions, tariffs, and embargoes), deterioration of the financial services industry and other events outside of our control, result in a reduced volume of business for our customers and prospective customers, demand for, and use of, our platform and our products may decline. Specifically, because we currently operate primarily in the retail and eCommerce space, any disruption caused to the customers in this space, such as a weak global economy causing a shift in the economic viability of the retail and eCommerce businesses, may require us to adapt our business model and our operations accordingly. Furthermore, weak economic conditions may make it more difficult to collect on outstanding accounts receivable and increase our expenses. Specifically, customers may fail to make payments when due, default under their agreements with us, or become insolvent or declare bankruptcy, or a supplier may determine that it will no longer do business with us as a customer. Additionally, we generate a significant portion of our revenue from small businesses, which may be affected by economic downturns and other adverse macroeconomic conditions, as small businesses may be more likely to reduce their marketing expenses during such periods and do so to a greater extent than larger enterprises and typically have more limited financial resources, including capital borrowing capacity. In addition, a customer or supplier could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on us, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. If our customers reduce their use of our platform, or prospective customers delay adoption or elect not to adopt our platform or purchase our products, as a result of a weak economy or rising inflation and increased costs or otherwise, our business, results of operations, and financial condition could be adversely affected.

We may not be able to add new customers, retain existing customers, or increase sales to existing customers, which could adversely affect our business, results of operations, and financial condition.

We derive, and expect to continue to derive, the significant majority of our revenue from the sale of subscriptions to our platform. Our business and our growth are dependent on our ability to continue to attract and acquire new customers while retaining existing customers and expanding both their usage of our platform and the products we sell to them. The demand for our products may be inhibited, and we may be unable to grow our business and customer base, for a number of reasons, including, but not limited to:

- our failure to develop or offer new or enhanced products or features in a timely manner that keeps pace with new technologies, competitor offerings, and the evolving needs of our customers;
- difficulties providing or maintaining a high level of customer satisfaction, which could cause our existing customers to cancel or decrease their subscriptions or stop referring prospective customers to us;
- increases in our customer churn, decreases in our customer renewals or our failure to convert customers from lower tiers to higher tier priced subscriptions;
- perceived or actual security, availability, integrity, privacy, reliability, quality, or compatibility problems with our platform, including unscheduled downtime, outages, or security breaches;
- changes in search engine ranking algorithms or in search terms used by potential customers;
- our inability to market our platform in a cost-effective manner to new customers or to our existing customers due to changes in regulation, or changes in the enforcement of existing regulation, that would affect our marketing or pricing practices;
- unexpected increases in the costs of acquiring new customers;
- our ability to expand into new industry verticals and use cases; and
- our ability to expand into new geographic regions.

In order for us to sustain demand for our products and maintain or increase our revenue growth, it is important that our customers renew and/or expand their subscriptions. Most of our customers' subscriptions with us are month-to-month, and they therefore have no obligation to renew their subscriptions or maintain their usage levels. Some of our customers have elected not to renew their subscriptions with us in the past, and it is difficult to accurately predict long-term customer retention. Further, to achieve continued growth, we must not only maintain our relationships with our existing customers, but expand our commercial relationships with our existing customers and encourage them to increase usage of our platform.

In order to increase our sales to new and existing customers, we may need to significantly expand our selling and marketing operations, including our sales force and third-party referral and marketing agency partners, and continue to dedicate significant resources to selling and marketing programs, both domestically and internationally. We rely on our marketing agency partners to provide certain services to our customers, as well as refer new customers to our platform. Our ability to increase our customer base and achieve broader market acceptance of our platform will depend, in part, on our ability to effectively organize, focus, and train our selling and marketing personnel, attract new marketing agency partners and retain existing marketing agency partners.

Any failure to continue to attract new customers, retain existing customers or increase usage of our platform by existing customers could have a material adverse effect on our business, results of operations, and financial condition.

We have a history of net losses, we anticipate increasing operating expenses in the future, and we may not be able to achieve and maintain profitability in the future.

We incurred net losses of $46.1 million, $308.2 million, and $49.2 million in the years ended December 31, 2024, 2023, and 2022, respectively. We are not certain whether we will be able to achieve and maintain profitability in the future. Based on our current planned operations, we expect our cash and cash equivalents will enable us to fund our operating expenses for at least the next twelve months. We have based this estimate on assumptions that in the future may prove to be wrong, and we could use our capital resources sooner than we currently expect. We also expect our costs and expenses to increase in future periods as we continue to invest in our business and increase our product offerings, which could negatively affect our future results of operations if our revenue does not continue to increase. In particular, we intend to continue to expend substantial financial resources on:

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

We may not achieve the benefits anticipated from these investments, which could be more costly than we currently anticipate, or the realization of these benefits could be delayed. These investments may not result in increased revenue or growth in our business. If we are unable to maintain or increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial condition, and results of operations could be adversely affected, and the trading price of our Series A common stock could decline as a result.

As we seek to move up-market, we expect our sales cycle with enterprise customers to be longer than with small-and-mid size businesses and we will be required to scale our operations, including by expanding our sales efforts, which may require considerable time and expense.

The majority of our customers are small to mid-size businesses and subscribe to our platform on a month-to-month basis. However, as we scale our business and enter into agreements with larger customers, such as enterprise customers, we expect that we will enter into longer-term agreements for usage of our platform and products. We anticipate that these prospective enterprise customers may have lengthy sales cycles for the evaluation and procurement of our platform and the timing of our sales cycles with these enterprise customers and the related revenue may be difficult to predict. Any delays in our sales cycles may increase the amount of time between when we incur the operating expenses related to these sales efforts and, upon successful sales, the generation of corresponding revenue. Further, we may incur additional selling and marketing expenses as we move up-market and shift our sales strategy to adapt not only to longer sales cycles but to the nature of a new sales motion associated with enterprise sales. As we seek to acquire these enterprise customers, we also anticipate that we will need to increase our sales and customer support capabilities. We may also be required to spend a significant amount of time and resources to train our sales and customer support teams for interfacing with enterprise customers, as well as educating our potential enterprise customers and familiarizing them with our platform. Additionally, these large organizations may have large data sets that require us to evaluate our existing data storage, collection and processing capabilities, and enhance the features and scalability of our platform. Enterprise customers may also view a subscription to our platform and products as a strategic decision with significant investment. As a result, these customers may require considerable time to evaluate, test, and qualify our platform prior to entering into or expanding a subscription. As we engage with enterprise customers, we may expend a greater amount of time and money on selling and marketing and contract negotiation activities, which may not result in a sale. Additional factors that may influence the length and variability of our sales cycle include:

- the effectiveness of our sales team as we hire and train our new salespeople to sell to large enterprise customers;

- the discretionary nature of purchasing, budget cycles, and decisions;
- the obstacles placed by customers’ procurement processes;
- economic conditions and other factors impacting customer budgets;
- customers’ familiarity with our products;
- customers’ evaluation of competing products during the purchasing process; and
- evolving customer demands.

In light of these factors, it is difficult to predict whether and when a sale will be completed, and if completed, the additional customer engagement and services we will need to provide for the duration of the agreement. Consequently, our efforts to expand up-market and enter into agreements with larger organizations may be difficult and could have a material adverse effect on our business, results of operations, and financial condition if we do not adapt our business to the needs of the enterprise customer base.

We have historically invested significantly in research and development and expect this investment to continue. If these investments do not translate into new products or enhancements to our current products or product features, or if we do not use those investments efficiently, our business, financial condition, and results of operations could be adversely affected.

For the years ended December 31, 2024, 2023, and 2022, our research and development expenses were 25.4%, 37.6%, and 22.0% of our revenue, respectively. Research and development projects can be technically challenging and expensive, particularly as we work to expand both the channels through which we offer our products and the use cases for our products beyond marketing. In addition, our products have varying associated communication sending costs, and our research and development team may not be able to mitigate the impact of growth in any of those higher-cost channels, such as SMS, by maintaining efficiency. The nature of research and development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we are able to offer compelling products and generate revenue, if any, from this investment. Additionally, anticipated customer demand for a product we are developing could decrease after the development cycle has commenced, and we would nonetheless be unable to avoid substantial costs associated with the development of any such product. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of products that are competitive in our current or future markets or if we do not spend our research and development budget efficiently or effectively on compelling innovation and technologies, our competitive advantage may be adversely affected, which could materially adversely affect our business, financial condition, and results of operations.

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

The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards, and changing regulations, as well as changing customer and consumer needs, requirements, and preferences, including changes in the use of channels through which consumers desire to communicate with brands. For example, while email marketing has been the primary product on our platform, our SMS offering is relatively new, and customers may prefer SMS or push marketing campaigns or campaigns using other new types of communication channels to email campaigns in the future. Further, as consumer preferences with respect to communication channels evolve, we may need to adapt to the varying margin profiles of these new technologies and address potential margin compression. The success of our business will depend, in part, on our ability to adapt and respond effectively to changes in customer and consumer preference on a timely basis in the markets that we currently serve, such as retail and eCommerce, and in markets we may enter in the future. Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our platform and products, offer new features as part of our existing products, offer new products, and increase adoption and usage of our platform and products. For example, we expect that the number of integrations with our customers' infrastructure that we will need to support will continue to expand as customers and developers adopt new software solutions, and we may have to develop new integrations to work with those new solutions. The success of any enhancements to our existing or new products depends on several factors, including timely completion, adequate quality testing, actual performance quality, market-accepted pricing levels, and overall market acceptance. Enhancements to our existing and new products that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may have interoperability difficulties with our platform or products, or may not achieve the broad market acceptance necessary to generate significant revenue. Further, the use of machine learning and artificial intelligence has become increasingly prevalent in our industry, and, although we intend to continue developing our platform's machine learning and artificial intelligence capabilities to meet the needs of our customers and partners, we may be unable to accurately or efficiently integrate machine learning and artificial intelligence features or functionalities of the quality or type sought by our customers and partners or offered by our competitors. These development efforts may also require significant engineering, sales, and marketing resources, all of which could require significant capital and management investment. If we are unable to enhance our platform and product offerings to keep pace with rapid technological and regulatory change, or if new technologies, including machine learning and artificial intelligence solutions, emerge that are able to deliver competitive products at aggressive or alternative prices, more efficiently, more conveniently or more securely than our platform, demand for our platform and product offerings may decline, and our business, financial condition, and results of operations may be adversely affected.

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

Our success depends upon the continued service and contributions of our executive officers. We rely on our leadership team for research and development, marketing, sales, services, and general and administrative functions, and on mission-critical individual contributors. In particular, we depend on the vision, skills, experience, and effort of our co-founder and Chief Executive Officer, Andrew Bialecki. From time to time, our executive management team has changed and may continue to change due to the hiring or departure of executives, which could disrupt our business. We do not maintain key person life insurance policies on any of our employees, so the loss of one or more of our executive officers or key employees (including any limitation on the performance of their duties or short-term or long-term absences as a result of illness or disability) could adversely affect our business.

Our future success also depends, in part, on our ability to continue to attract and retain highly skilled personnel. Competition for this type of personnel is intense, especially for experienced software engineers and senior sales executives. In addition, a portion of our workforce is remote, which adds to the complexity of our business operations. We expect to continue to experience difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources.

Many of our key personnel are vested in a substantial amount of shares of our Series A common stock, Series B common stock, restricted stock units, and/or stock options. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested restricted stock units or options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise price of the options or grant date values of the restricted stock units, or, conversely, if the exercise price of the options that they hold are significantly above the trading price of our Series A common stock. In addition, job candidates and existing employees often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, it could adversely affect our business and future growth prospects.

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

We believe that maintaining and enhancing our brand is important to support the marketing and sale of our existing and future products to new customers and expand sales of our platform and products to existing customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand will depend largely on our ability to carry out effective marketing efforts, provide reliable products that continue to meet the needs of our customers at competitive prices, maintain our customers' trust, ensure the protection of our customers' data, develop new functionality and use cases, and successfully differentiate our products and platform capabilities from the products of our competitors. Our brand promotion activities may not generate customer awareness or yield increased revenue and, even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, the demand for our products may decline, and our business, results of operations, and financial condition may be adversely affected.

Doing business internationally exposes us to significant risks, and our future success depends in part on our ability to navigate the international business environment and drive the adoption of our products by international customers.

The future success of our business will depend, in part, on our ability to expand our customer base worldwide, and we are continuing to expand our international operations to increase our revenue from customers located outside of the United States as part of our growth strategy. For the years ended December 31, 2024, 2023, and 2022, we derived 37.6%, 36.5% and 35.0% of our revenue, respectively, from customer accounts outside of the United States. We currently have offices in the United Kingdom, Australia, and Ireland, and we expect that we may in the future open additional offices internationally and hire employees to work at these offices in order to grow our business, reach new customers, and gain access to additional technical talent. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, and political risks in addition to those we already face in the United States. Because of our limited experience with international operations as well as developing and managing sales in international markets, we may not succeed in marketing our products to potential customers internationally, as a result of which our international expansion efforts may not be successful, which could have a material adverse effect on our business, results of operations, and financial condition.

In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- changes, which may be unexpected, in a specific country's or region's political, economic, or legal and regulatory environment, including public health crises, geopolitical conflicts, terrorist activities, tariffs, trade wars, or long-term environmental risks;
- the need to adapt and localize our platform for specific countries, and the costs associated with adapting and localizing our platform;
- longer payment cycles and greater difficulty enforcing contracts, collecting accounts receivable, or satisfying revenue recognition criteria, especially in emerging markets;
- differing and potentially more onerous labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;

- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- laws and business practices favoring local competitors or general market preferences for local vendors or domestic products;
- limited or insufficient intellectual property protection or difficulties obtaining, maintaining, protecting, or enforcing our intellectual property rights, including our trademarks and patents;
- public health crises that could decrease economic activity in certain markets, decrease use of our products, or decrease our ability to import, export, or sell our products to existing or new customers in international markets;
- exposure to liabilities under export control, economic and trade sanctions, anti-corruption, and anti-money laundering laws, including the Export Administration Regulations, the OFAC regulations, the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), U.S. bribery laws, the U.K. Bribery Act 2010 (the "U.K. Bribery Act"), and similar laws and regulations in other jurisdictions;
- increased financial accounting and reporting burdens and complexities;
- differing technical standards, existing or future regulatory and certification requirements, and required features and functionality;
- burdens of complying with the foreign equivalents of the Telephone Consumer Protection Act (the "TCPA"), the Controlling the Assault of Non-Solicited Pornography And Marketing Act of 2003 ("CAN-SPAM"), and similar laws and regulations in other jurisdictions;
- burdens of complying with laws and regulations related to privacy and data security, including the European Union General Data Protection Regulation (the "EU GDPR") and similar laws and regulations in other jurisdictions;
- burdens of complying with laws and regulations related to taxation; and
- adverse tax burdens, foreign exchange controls, and other regulations that could make it difficult to repatriate earnings and cash.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations, and financial condition.

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

The success of our business depends on our customers' satisfaction with our platform and our products and the support that we provide for our platform and products to help customers integrate and utilize our platform and products. If a customer is not satisfied with the quality of work performed by us or a third-party or with the solutions delivered, we could incur additional costs to address the deficiency, which would diminish the profitability of the customer relationship. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell new products to existing and new customers will suffer and our reputation with existing or potential customers will be harmed, even if the dissatisfaction resulted from services provided by a third-party partner. Further, customer dissatisfaction with our products or support services, or negative publicity related to our customer relationships, could impair our ability to expand the subscriptions within our customer base or adversely affect our customers' renewal of existing subscriptions.

We may continue to experience quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict, could cause the trading price of our Series A common stock to fluctuate, and could cause our results of operations to fall below analyst or investor expectations.

Our quarterly results of operations may continue to fluctuate from quarter to quarter as a result of a number of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance, and comparing our results of operations on a period-to-period basis may not be meaningful. For example, in the past we have seen an increase in demand for our platform and our products during the fourth quarter of each year and around Black Friday and Cyber Monday. Additionally, factors that may impact these fluctuations include, but are not limited to:

- demand for our platform and products by our customers;
- our success in retaining existing customers and attracting new customers;
- the timing and success of new capabilities by us or by our competitors or any other change in the competitive landscape of our market;
- the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and remain competitive;
- the timing of expenses and recognition of revenue;
- reduction in certain customers' usage of our platform that is subject to seasonal fluctuations;
- security breaches, and technical difficulties involving our platform or interruptions or disruptions of our platform;
- adverse litigation judgments, other dispute-related settlement payments, or other litigation-related costs;
- changes in, and continuing uncertainty in relation to, the legislative or regulatory environment;
- the timing of hiring new employees;
- the rate of expansion and productivity of our sales force;
- the timing of the grant or vesting of equity awards to employees, directors, consultants, or advisors and the recognition of associated expenses;
- fluctuations in foreign currency exchange rates;
- costs and timing of expenses related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- the impact of tax charges as a result of non-compliance with federal, state, or local tax regulations in the United States;
- changes to generally accepted accounting standards in the United States;
- public health crises, such as pandemics, epidemics, and outbreaks of infectious diseases; and
- general economic conditions in either domestic or international markets, including conditions resulting from geopolitical uncertainty and instability.

Any one or more of the factors above may result in significant fluctuations in our quarterly results of operations.

The variability and unpredictability of our quarterly results of operations or other operating metrics could result in our failure to meet our expectations, or those of our investors or analysts that cover us. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of our Series A common stock could fluctuate, and our business, financial condition, and results of operations could be adversely affected.

We rely upon a third-party provider of cloud-based infrastructure to host and sell our products. Any disruption in the operations of this provider or limitations on capacity or interference with our use could adversely affect our business, financial condition, and results of operations.

We outsource substantially all the infrastructure relating to our cloud-based platform to a third-party hosting provider. Our customers need to be able to access our platform at any time, without interruption or degradation of performance. Our products depend on protecting the virtual cloud infrastructure hosted by a third-party hosting provider by maintaining its configuration, architecture, features, and interconnection specifications, as well as the information stored in these virtual data centers, which is transmitted by a third-party internet service provider. Any limitation on the capacity or availability of our third-party hosting provider could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, and results of operations.

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

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

Our brand, reputation, and ability to attract new customers depend on the reliable performance of our technology infrastructure and content delivery. Our platform engages with consumers through emails, SMS and push notifications, and we in large part depend on third-party services for delivery of such notifications. Any incident broadly affecting the interaction of third-party devices with our platform, including any delays or interruptions in these services that could cause delays to emails, SMS, or mobile and web notifications, could adversely affect our business. Similarly, cybersecurity events could result in a disruption to such third-party’s services, including regulatory investigations, reputational damage, and a loss of sales and customers, which could in turn impact our business. A prolonged disruption, cybersecurity event or any other negative event affecting a third-party service could lead to customer dissatisfaction and could in turn damage our reputation with current and potential customers, result in a breach under our agreements with our customers, and cause us to lose customers or otherwise harm our business, financial condition, and results of operations.

We depend in part on mobile operating systems and their respective infrastructures to send notifications through various applications that utilize our platform. As new email, mobile devices, and mobile and web platforms are released, existing email, mobile devices, and platforms may cease to support our platform or effectively roll out updates to our customers’ applications. Any changes in these systems or platforms that negatively impact the functionality of our platform could adversely affect our ability to interact with consumers in a timely and effective fashion, which could adversely affect our ability to retain and attract new customers. The parties that control the operating systems for mobile devices and mobile, web, and email platforms have no obligation to test the interoperability of new mobile devices or platforms with our platform, and third parties may produce new products that are incompatible with or not optimal for the operation of our platform. Additionally, in order to deliver high-quality consumer engagement, we need to ensure that our platform is designed to work effectively with a range of mobile technologies, systems, networks, and standards. If consumers choose to use products or platforms that do not support our platform, or if we do not ensure our platform can work effectively with such products or platforms, our business and growth could be harmed. We also may not be successful in developing or maintaining relationships with key participants in the email or mobile industries that permit such interoperability. If we are unable to adapt to changes in popular operating systems and platforms, we expect that our customer retention and customer growth would be adversely affected.

We rely heavily on the reliability, security, and performance of our software. If our software contains serious errors or defects, or we have difficulty maintaining our software, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers.

The reliability and continuous availability of our platform is critical to our business. However, software and products in our industry often contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Our platform may contain serious errors or real or perceived defects, security vulnerabilities, failures or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance of our platform, negative publicity, loss of competitive position, lower customer retention or claims by customers for losses sustained by them and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition, and results of operations. In such an event, we may be required, or may choose, to expend additional resources in order to help correct the problem(s). In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from defects or disruptions in our products.

As a result of any of these events, our reputation and our brand could be harmed, and our business, results of operations, and financial condition may be adversely affected.

Any failure to offer high-quality technical support services may harm our relationships with our customers, our brand, and our results of operations.

Once our products are deployed, our customers depend on our support organization to resolve technical issues relating to our products. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We may also be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased customer demand for these services could increase costs and harm our results of operations. In addition, our sales process is highly dependent on the quality of our products, the reputation of our business, the positive recommendations from our existing customers and through word-of-mouth generally. Any failure to maintain high-quality technical support, or a perception by our customers and others that we do not maintain high-quality support, could harm our reputation and our ability to sell our products to existing and prospective customers, and as a result, could adversely affect our business, results of operations, and financial condition.

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

We believe our culture and core values are critical to our success and have delivered tangible financial and operational benefits to our customers, employees, and stockholders. Our values impact everything we do in our organization, and we have designed our core values as a guiding set of principles for our employees and business. Accordingly, we have invested substantial time and resources in building a team that reflects our culture and core values. As we continue to grow, our operations are likely to become increasingly complex, and we may find it difficult to maintain these important aspects of our culture and core values. Any failure to manage our anticipated growth and organizational changes in a manner that preserves the key aspects of our culture and core values could hurt our ability to recruit and retain personnel and effectively focus on and pursue our corporate objectives. In addition, the growth of our remote workforce may impact our ability to preserve our culture and core values. Any failure to preserve our culture or core values could negatively affect our future success.

Our inability to streamline operations and improve cost efficiencies could result in the contraction of our business and the implementation of additional significant cost cutting measures, including restructuring and reorganization activities which may be disruptive to our operations.

We have previously undertaken efforts to streamline our operations and improve cost efficiencies to align with our priorities. For example, in March 2023, we announced a reduction-in-force affecting approximately 8% of our global workforce. We may not realize, in full or in part, the anticipated benefits, such as operational improvements and savings, from these efforts due to unforeseen difficulties, delays or unexpected costs. If there are unforeseen expenses associated with these efforts and we incur unanticipated charges or liabilities, or if we are unable to realize the expected operational efficiencies and cost savings, our business, results of operations, and financial condition could be adversely affected.

Furthermore, our workforce reductions may be disruptive to our operations. For example, our workforce reductions could yield unanticipated consequences, such as attrition beyond planned staff reductions, increased difficulties in our day-to-day operations and reduced employee morale or productivity. We may also discover that the reductions in workforce and cost cutting measures will make it difficult for us to pursue new opportunities and initiatives and require us to hire qualified replacement personnel, which may require us to incur additional and unanticipated costs and expenses.

We may take similar steps in the future as we seek to realize operating synergies, optimize our operations to achieve our target operating model and profitability objectives, respond to market forces or better reflect changes in the strategic direction of our business. Our failure to successfully accomplish any of the above activities and goals could adversely affect our business, results of operations, and financial condition.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our results of operations.

Accounting principles generally accepted in the United States ("GAAP") and related accounting pronouncements, implementation guidelines, and interpretations we apply to a wide range of matters that are or could be relevant to our business, such as accounting for long-lived asset impairment, goodwill, variable interest entities, and stock-based compensation, are complex and involve subjective assumptions, estimates, and judgments by our management. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgements by our management could significantly change or add significant volatility to our reported or expected financial performance. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred in the past, and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. In addition, if we were to change our critical accounting estimates, including those related to the recognition of subscription revenue and other revenue sources or the period of benefit for deferred contract acquisition costs, our results of operations could be significantly affected. For more information, see Note 2. Summary of Significant Accounting Polices in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

If our judgments or estimates relating to our critical accounting estimates are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline of the trading price of our Series A common stock.

The preparation of our financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Series A common stock. Significant judgments, estimates, and assumptions used in preparing our consolidated financial statements include, or may in the future include, those related to revenue recognition, stock-based compensation expense, business combinations, and tax sharing liability.

We track certain operational metrics, which are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and materially adversely affect our stock price, business, results of operations, and financial condition.

We track certain operational metrics, including metrics such as KAV and NRR, which may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools are subject to a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate.

Limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If our operational metrics are not accurate representations of our business, or if investors do not perceive these metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, our stock price could decline, we may be subject to stockholder litigation, and our business, results of operations, and financial condition could be materially adversely affected.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the New York Stock Exchange. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and effective internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting have been discovered in the past and may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that are filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Series A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange. We are required to comply with the SEC rules implementing Section 404 of the Sarbanes-Oxley Act and must provide an annual management report on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business, results of operations, and financial condition, and could cause a decline in the trading price of our Series A common stock.

We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, results of operations, and financial condition.

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. As our international operations expand, our exposure to the effects of fluctuations in currency exchange rates will increase. We expect to expand the number of transactions with customers that are denominated in foreign currencies in the future as we continue to expand our business internationally. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our results of operations due to transactional and translational remeasurements. As a result of these foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations.

Changes in tax law could adversely affect our business, financial condition, and results of operations.

The rules governing U.S. federal, state, and local and non-U.S. taxation are constantly under review by persons involved in the legislative process, the Internal Revenue Service, the U.S. Treasury Department, and other taxing authorities. Changes to tax laws or tax rulings, or changes in interpretations of existing laws (which changes may have retroactive application), could adversely affect us or holders of our Series A common stock. These changes could subject us to additional income-based taxes and non-income taxes (such as payroll, sales, use, value-added, digital, net worth, property, and goods and services taxes), which in turn could materially affect our financial position and results of operations.

Additionally, new, changed, modified, or newly interpreted or applied tax laws could increase our customers' and our compliance, operating, and other costs, as well as the costs of our products. In recent years, many such changes have been made, and changes are likely to continue to occur in the future.

Furthermore, as we expand the scale of our business activities, any changes in the U.S. and non-U.S. taxation of such activities may increase our effective tax rate and harm our business, financial condition, and results of operations. For example, many countries are actively considering or have proposed or enacted changes to their tax laws based on the model rules adopted by The Organisation for Economic Co-operation and Development ("OECD") defining a 15% global minimum tax (commonly referred to as Pillar Two) that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business.

Our international operations and structure subject us to potentially adverse tax consequences.

We currently conduct our operations in the United Kingdom, Australia, and Ireland through subsidiaries. Our intercompany arrangements with those subsidiaries are subject to complex transfer pricing regulations administered by taxing authorities in those jurisdictions, and these taxing authorities may challenge our methodologies for our determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. In addition, our tax expense could be affected depending on the applicability of withholding and other taxes (including withholding and indirect taxes on software licenses and related intercompany transactions) under applicable laws. The relevant revenue and taxing authorities may also disagree with positions we have taken generally. If any such disagreements were to occur (whether with the taxing authorities in jurisdictions where we currently do business or in those of jurisdictions where we may in the future operate) and our position were not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations.

Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal tax purposes is subject to limitation and risk that could further limit our ability to utilize our net operating losses.

As of December 31, 2024, we had approximately $304.1 million of federal net operating losses (“NOLs”), which have an indefinite life. As of December 31, 2024, we had approximately $232.6 million of state NOLs. State NOLs have a definite life, with various expiration dates beginning in 2027. Under current law, federal NOLs generated in taxable years beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such federal NOLs is limited to 80% of our taxable income annually for tax years beginning after December 31, 2020. NOLs generated prior to December 31, 2017, however, have a 20-year carryforward period, but are not subject to the 80% limitation.

Under U.S. federal income tax law, a corporation’s ability to utilize its NOLs to offset future taxable income may be significantly limited if it experiences an “ownership change” as defined in Section 382 of the Internal Revenue Code, as amended (the “Code”). In general, an ownership change will occur if there is a cumulative change in a corporation’s ownership by “5 percent shareholders” that exceeds 50 percentage points over a rolling three-year period, including changes in ownership arising from new issuances of stock. Similar rules may apply under state tax laws. Our ability to use net operating loss to reduce future taxable income and liabilities may be subject to annual limitations as a result of ownership changes that may occur in the future. A corporation that experiences an ownership change will generally be subject to an annual limitation on the use of its pre-ownership change NOLs equal to the value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate (subject to certain adjustments). Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to similar limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs by federal or state taxing authorities or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our business, results of operations, and financial condition.

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

We have funded our operations since inception primarily through equity financings and cash generated from our operations through sales of subscriptions to our platform. We cannot be certain when, or if, our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business and our growth, and may require additional funds to respond to future business challenges, including the need to develop new features or enhance our platform, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we incur debt, the debt holders would have rights senior to holders of our Series A common stock to make claims on our assets, and the terms of any debt could include restrictive covenants relating to our capital raising activities and other financial and operational matters, any of which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Furthermore, if we issue equity or equity-linked securities, our existing stockholders could experience dilution, and new equity securities we issue could have rights, preferences, and privileges senior to those of our Series A common stock. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our Series A common stock and diluting their interests. Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, financial condition, and results of operations.

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

We have in the past and may in the future seek to enter into joint ventures, or acquire or invest in new businesses, products, platform capabilities or technologies that we believe could complement our products or expand our platform capabilities, enhance our technical capabilities, or otherwise offer growth opportunities. For example, in October 2022, we acquired Napkin.io, a platform that provides developers an easy and secure way to write and deploy code. We may not be able to find and identify desirable joint ventures, acquisition targets or business opportunities or be successful in entering into an agreement with any particular potential strategic partner. Additionally, any such venture, acquisition or investment may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products and platform capabilities, personnel or operations of any acquired companies, particularly if the key personnel of an acquired company choose not to work for us, their software is not easily adapted to work with our platform or our products, or if we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. These transactions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for the development of our existing business. Any such transactions that we are able to complete may not result in any synergies or other benefits we had expected to achieve, which could result in impairment charges that could be substantial. These transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our business, financial condition, and results of operations. In addition, if the resulting business from such a transaction fails to meet our expectations, our business, financial condition, and results of operations may be adversely affected, or we may be exposed to unknown risks or liabilities.

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

We have been and may from time to time in the future be subject to litigation and legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, financial condition, and results of operations. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we may establish reserves and/or disclose the relevant litigation claims or legal proceedings, as and when required or appropriate. These assessments and estimates are based on information available to management at the time of such assessment or estimation and involve a significant amount of judgment. As a result, actual outcomes or losses could differ materially from those envisioned by our current assessments and estimates. In addition, insurance might not cover those claims, provide sufficient payments to cover all the costs to resolve one or more such claims or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, and our business, financial condition, and results of operations may be adversely affected.

Additionally, members of our board of directors or management team who have experience as board members, officers, executives or employees of other companies have been, are currently, or may become, involved in litigation, investigations or other proceedings, including related to those companies or otherwise. The defense or prosecution of these matters could be time-consuming, and the potential outcomes of such actions may negatively affect our reputation.

We agree to indemnify customers and other third parties pursuant to various contractual arrangements we enter into in the course of business, which exposes us to substantial potential liability.

The contracts that we enter into with our customers and various other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to those parties for losses arising from alleged infringement, misappropriation, or other violation of intellectual property rights, data protection violations, breaches of representations and warranties, damage to property or persons, or other liabilities arising from our platform, technology, or obligations under such contracts. An event triggering our indemnity obligations could give rise to multiple claims involving multiple customers or other third parties. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers and other third parties, regardless of the merits of these claims. We may not have adequate or any insurance coverage and may be liable for up to the full amount of the indemnified claims. Even where the terms of our contractual arrangements with our customers do not require us to indemnify our customers, we may agree to indemnify or support our customers and various other third parties in connection with litigation involving our products. The foregoing could result in substantial liability or material disruption to our business or could negatively impact our relationships with customers or other third parties, reduce demand for our products, and materially adversely affect our business, results of operations, and financial condition.

We are subject to anti-corruption, anti-bribery, and similar laws, and non-compliance with these laws can subject us to criminal penalties or significant fines and adversely affect our business and reputation.

We are subject to anti-corruption and anti-bribery and similar laws, such as the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act, and other anti-corruption, anti-bribery, and anti-money laundering laws in countries where we conduct activities. Anti-corruption and anti-bribery laws have been interpreted broadly and enforced aggressively in recent years, and prohibit companies and their employees and agents from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the private sector to influence official action, direct business to any person, gain any improper advantage, or obtain or retain business. As we increase our international sales and business, our risks under these laws may increase.

In addition, in the future we may use third parties to conduct business on our behalf abroad. We or such future third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we can be held liable for the corrupt or other illegal activities of such future third-party intermediaries and our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We have implemented an anti-corruption compliance program but cannot assure you that all our employees and agents, as well as those companies we outsource certain of our business operations to, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, prosecutions, loss of export privileges, suspension or debarment from U.S. government contracts, substantial diversion of management's attention, significant legal fees and fines, settlements, damages, severe criminal or civil sanctions, penalties or injunctions against us, our officers or our employees, disgorgement of profits, and other sanctions, enforcement actions and remedial measures, and prohibitions on the conduct of our business, any of which could have a materially adverse effect on our reputation, business, trading price, results of operations, financial condition, and prospects.

The effects of a pandemic, epidemic, outbreak of an infectious disease or other public health crises may materially affect how we and our partners and customers are operating our businesses, and the duration and extent of these kinds of events may impact our future results of operations and overall financial performance.

Our business could be adversely affected by health crises in regions where we operate or otherwise do business. For example, the policies and regulations implemented in response to the outbreak of the novel coronavirus disease

("COVID-19") had a significant impact, both directly and indirectly, on businesses and commerce. Future global health concerns could also result in social, political, economic, and labor instability in the countries in which we or the third parties with whom we engage operate.

The impact to our business from any future pandemic, epidemic, outbreak of an infectious disease or other public health crises depends on multiple factors that cannot be accurately predicted, such as its duration and scope, the extent and effectiveness of containment actions, the disruption caused by such actions, and the efficacy and rates of vaccines. Any future pandemic, epidemic, outbreak of an infectious disease or other public health crises could have severe impacts on our business and our customers' and prospective customers' businesses, for example, by adversely impacting their timing, ability, or willingness to spend on our marketing platform and product offerings. Negative effects of any pandemic, epidemic, outbreak of an infectious disease or other public health crises on our customers or prospective customers could lead to pricing discounts or extended payment terms, reductions in the amount or duration of customers' subscriptions, or increase customer attrition rates. Any of the foregoing could adversely affect our productivity, employee morale, future sales, operating results, and overall financial performance. To the extent any future pandemic, epidemic, outbreak of an infectious disease or other public health crisis adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described herein.

Risks Relating to Privacy, Data Security, and Data Protection Laws

We collect, process, store, share, disclose, and use personal information and other data, which subjects us to legal obligations related to privacy and security, and our actual or perceived failure to comply with these obligations could harm our business.

We collect, process, store, share, disclose, and use information from and about individuals, including our customers, their customers and users, including personal information, and other data. As a result, we are subject to a number of different legal requirements applicable to privacy. There are numerous laws around the world regarding privacy and security, including laws regarding the collection, processing, storage, sharing, disclosure, use and security of personal information, and other data from and about our customers, respondents, and users. The scope of these laws is changing, subject to differing interpretations and governmental agency enforcement priorities, may be costly to comply with, and may be inconsistent among countries and jurisdictions or conflict with other rules.

We are also subject to contractual obligations regarding the processing of personal information and must comply with our own privacy and security policies. Additionally, if third parties we work with, such as customers, partners, vendors or developers, violate applicable laws, our policies or other privacy or security-related obligations, these violations may also put our users' information at risk and could in turn have an adverse effect on our business. In the provision of our services to our customers, we generally act as a "processor" or "service provider" (as such terms are understood under applicable privacy and data protection laws) for our customers, and we rely on our sub-processors to be compliant with applicable law. However, we cannot be certain that all customers will materially comply with their obligations as "controllers" or "businesses" under applicable privacy and data protection law. As "processors" or "service providers" we may be contractually liable to our customers if we fail to meet the terms of our data processing agreements. In addition, we may be subject to investigation or administrative fines from supervisory authorities or subject to individual claims that we failed to comply with the requirements of applicable privacy and data protection law or that we acted without or against the data controller's lawful instructions. While we generally act as a "processor" or "service provider" in connection with our provision of services to our customers, we also act as "controller" or "business" in certain instances (such as, for instance, in connection with our processing of data concerning our own employees and contractors, the employees and representatives of our customers and in connection with our direct marketing activities). In connection with our activities undertaken in connection with our role as a "controller" or "business," we are subject to more onerous obligations, the violation of which could cause us to be subject to fines, penalties, judgments, and other losses.

We strive to comply with applicable laws, policies, and legal obligations relating to privacy and data protection and are subject to the terms of our privacy policies and privacy-related obligations to third parties. However, these obligations may be interpreted and applied in new ways and/or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. If we are unable to comply with law, policy or contractual obligations related to privacy and/or the processing of any personal information, we may be subject to lawsuits or governmental investigations, each of which could result in fines, penalties, settlements, judgments or other losses. Any failure or perceived failure by us to comply with our privacy-related policies and/or obligations to customers, respondents, users or other third parties, our data disclosure and consent obligations or our privacy or security-related legal obligations, or any compromise of security that results in the unauthorized disclosure, transfer or use of personal or other information, which may include personally identifiable information or other data, may result in governmental enforcement actions, litigation or public statements critical of us by consumer advocacy groups, competitors, the media or others and could cause our users to lose trust in us, which could have an adverse effect on our business.

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

Use of our platform involves the storage, transmission, and processing of our customers' proprietary data, including personal or identifying information of their customers or employees. Unauthorized disclosure of or access to or cybersecurity incidents, data breaches or other compromises of our platform could result in the loss of data, loss of business, severe reputational damage adversely affecting customer or investor confidence, damage to our brand, diversion of management's attention, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, including regulatory fines, and significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, and other liabilities. We have incurred and expect to continue to incur significant expenses to prevent cybersecurity incidents, data breaches and other compromises, including deploying additional personnel and protection technologies, training employees, and engaging third-party experts and consultants. Even though we do not control the security measures of third parties who may have access to our customer data, our data, or our platform, we may be responsible for any cybersecurity incident or data breach impacting such measures or suffer reputational harm even where we do not have recourse to the third-party that caused the breach. In addition, any failure by our vendors to comply with applicable law or regulations could result in proceedings against us by governmental entities or others.

Cyberattacks, denial-of-service attacks, ransomware attacks, business email compromises, account compromises, computer malware, viruses, and social engineering (including phishing attacks) are prevalent in our industry and our customers' industries. In addition, we may experience cyberattacks, unavailable systems, unauthorized access to systems or data or disclosure due to wrongful conduct by insider employees or vendors, denial-of-service attacks, attacks from sophisticated nation-state and nation-state supported actors, and advanced persistent threat intrusions. Electronic security attacks designed to gain access to personal, sensitive, or confidential data are constantly evolving, and such attacks continue to grow in sophistication. While we believe we have taken reasonable steps to protect our data, the techniques used to sabotage or to obtain unauthorized access to our platform, systems, networks, or physical facilities in which data is stored or through which data is transmitted change frequently, and we may be unable to implement adequate preventative measures or stop cybersecurity incidents, data breaches or other compromises while they are occurring. Like many other companies in our industry, we and our third-party vendors have previously been, and may in the future become, the target and victim of cyberattacks by third parties seeking unauthorized access to our or our customers' data or accounts or to disrupt our operations or ability to sell our products. Specifically, in July 2022, we were the victim of an attack whereby an unauthorized third-party compromised an employee's credentials and gained access to our internal systems, including email as well as some of our internal support tools, and, as a result, accessed certain information, including name, email address, and phone number, for a subset of our customers. Additionally, in October 2024, an unauthorized third-party gained access to company source code, as well as other system and application credentials.

We rely on third-party service providers and technologies to operate critical business systems to process confidential and personal information in a variety of contexts, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions. Our ability to monitor these third parties' cybersecurity practices is limited. These third-party providers and technologies may not have adequate measures in place, and could experience or cause a cybersecurity incident or data breach that compromises the confidentiality, integrity or availability of the systems or technologies they provide to us or the information they process on our behalf.

While we have taken steps designed to protect the proprietary, regulated, sensitive, confidential, and personal information in our control, our cybersecurity measures or those of the third parties on which we rely may not be effective against current or future security risks and threats. Cybercrime and hacking techniques are constantly evolving and a challenge of the modern global economy, and we or our third-party service providers may be unable to anticipate threats, detect or react in a timely manner, or implement adequate preventative measures, particularly given increasing use of hacking techniques designed to circumvent controls, avoid detection, and remove or obfuscate forensic artifacts. Moreover, we or our third-party service providers may be more vulnerable to such attacks in remote work environments.

We have contractual and legal obligations to notify relevant stakeholders of security breaches. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities, and others of security incidents or data breaches involving certain types of data. In addition, our agreements with certain customers may require us to notify them in the event of a cybersecurity incident or compromise or data breach. Such mandatory disclosures are costly, could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures, and require us to expend significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security incident or data breach and otherwise comply with the multitude of foreign, federal, state, and local laws and regulations relating to the unauthorized access to, or use or disclosure of, personal information. Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our privacy and data security obligations.

If we or our third-party service providers suffer, or are perceived to have suffered, a data breach or other cybersecurity incident, we may experience a loss of customer confidence in the security of our platform and damage to our brand, reduced demand for our products and disruption of normal business operations. Such a circumstance may also require us to spend material resources to investigate, remediate or correct the issue and prevent recurrence, notify regulators, and affected stakeholders, expose us to legal liabilities, including litigation, regulatory enforcement, indemnity obligations, fines, and penalties, and adversely affect our business, financial condition, and results of operations. These risks are likely to increase as we continue to grow and process, store, and transmit increasingly large amounts of data. Additionally, as a result of a data breach, compromise or other cybersecurity incident, we could be subject to demands, claims, and litigation by private parties and investigations, related actions, and penalties by regulatory authorities.

We cannot be certain that our insurance coverage will be adequate for data security liabilities actually incurred, will cover any indemnification claims against us relating to any incident or will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could adversely affect our reputation, business, financial condition, and results of operations.

A cybersecurity incident, data breach or other compromise may cause us to breach customer contracts. Our agreements with certain customers may require us to use industry-standard or reasonable measures to safeguard personal information or confidential information. A cybersecurity incident, data breach or other compromise could lead to claims by our customers, their end-users, or other relevant stakeholders that we have failed to comply with such legal or contractual obligations. As a result, we could be subject to legal action or our customers could end their relationships with us.

Because data security is a critical competitive factor in our industry, we make numerous statements in our customer contracts, privacy policies, terms of service, and marketing materials, providing assurances about the security of our platform including detailed descriptions of security measures we employ. Should any of these statements be untrue or become untrue, even in circumstances beyond our reasonable control, we may face claims of misrepresentation or deceptiveness by the Federal Trade Commission (the "FTC"), state, federal, and foreign regulators, and private litigants.

We enter into agreements with our customers regarding our collection, processing, use, and disclosure of personal information in relation to the products we sell to them. Although we endeavor to comply with these agreements, we may at times fail to do so or may be perceived to have failed to do so, including due to the errors or omissions of our personnel and third-party service providers. If we fail to detect or remediate a cybersecurity incident, data breach or other compromise in a timely manner, or a cybersecurity incident, data breach or other compromise otherwise affects a large amount of data of one or more customers, or if we suffer a cyberattack that impacts our ability to operate our platform, we may suffer damage to our reputation and our brand, and our business, financial condition and results of operations may be materially adversely affected. Our risks are likely to increase as we continue to expand our platform, grow our customer base, and process, store, and transmit increasingly large amounts of proprietary and sensitive data. Even if we eventually prevail in any such dispute, resolving them could be expensive and time-consuming to defend and could result in adverse publicity and reputational harm that could adversely affect our business, financial condition, and results of operations.

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

Our business and platform involves the collection, use, processing, storage, transfer, and sharing of personal information, including such information that we handle on behalf of our customers, as well as confidential information and other sensitive data. Our data processing activities are regulated by a variety of laws, regulations, and industry standards, which have become increasingly stringent in recent years, are rapidly evolving, and are likely to remain uncertain for the foreseeable future. Increasingly, laws that regulate data processing activities are extra-territorial in their scope of application. The global nature of our customer base renders us particularly exposed to being subject to a wide range of such laws and the varying, potentially conflicting compliance obligations they impose on our business.

State legislatures also have been adopting new privacy laws or amending existing laws with increasing frequency, requiring attention to frequently changing regulatory requirements, and we expect that this trend will continue. For example, the California Consumer Privacy Act (the "CCPA") imposed a number of requirements on covered businesses and gave California residents certain rights related to their personal information, including the right to access and delete their personal information, to receive detailed information about how their personal information is used and shared, and to opt out of certain sharing of their personal information. The CCPA provides for civil penalties for violations of up to $7,500 for each intentional violation and created a private right of action for certain data breaches that is expected to increase data breach litigation. In addition, the California Privacy Rights Act (the "CPRA"), which has been in effect since January 1, 2023, imposed additional obligations on companies covered by the CCPA. The CPRA significantly modified the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information. Similar comprehensive privacy laws have been proposed and passed in numerous other states. These comprehensive privacy laws have entered into force in many states, and several more will be entering into force in the coming years. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions, and potential legal risk, require additional investment of resources in compliance programs, impact strategies, and the availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies.

The existence of comprehensive privacy laws in different states in the country makes our compliance obligations more complex and costly and may increase the likelihood that we may be subject to enforcement actions or otherwise incur liability for noncompliance. In addition, other states have proposed and/or passed legislation that regulates the privacy and/or security of certain specific types of information. These various privacy and security laws may impact our business activities, including our relationships with business partners and ultimately the marketing and distribution of our products. State laws are changing rapidly and there is discussion in the U.S. Congress of a new comprehensive federal data privacy law to which we may likely become subject, if enacted.

Other federal laws impose general, broad requirements designed to protect the privacy and security of personally identifiable information. For example, according to the FTC, failing to take appropriate steps to keep consumers' personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a). In recent years, the FTC has paid increased attention to privacy and data security matters, and we expect them to continue to do so in the future. Further, through executive and legislative action, the federal government has also taken steps to restrict data transactions involving certain sensitive data categories, with persons affiliated with China, Russia, and other countries of concern.

Foreign privacy laws have become more stringent in recent years and may increase the costs and complexity of offering our platform and products in new and existing geographies. Outside of the United States, we are also subject to stringent privacy and data protection laws in many jurisdictions. For example, we are subject to the EU GDPR and the UK General Data Protection Regulation (the "UK GDPR," and collectively, the "GDPR"). The GDPR applies where we are collecting or otherwise processing personal data in connection with (a) the activities of a business establishment within the United Kingdom/European Economic Area; or (b) offering goods or services to or monitoring the behavior of individuals within the United Kingdom/European Economic Area, and imposes strict obligations regarding personal data processing activities.

The GDPR also imposes restrictions in relation to the international transfer of personal data. For example, in order to transfer data outside of the European Economic Area or the United Kingdom to a non-adequate country, including the United States in certain circumstances, the GDPR requires us to enter into an appropriate transfer mechanism and may require us to take additional steps to ensure an essentially equivalent level of data protection, including carrying out a transfer impact assessment to assess whether the recipient is subject to local laws which allow a public authority access to personal data and assisting controllers with such assessments if we act as processors of personal data. These transfer mechanisms are subject to change, and implementing new or revised transfer mechanisms or ensuring an essentially equivalent protection may involve additional expense and potentially increased compliance risk. Such restrictions may increase our obligations in relation to carrying out international transfers of personal data and cause us to incur additional expense and increased regulatory liabilities. Any inability to transfer personal data from Europe to the United States in compliance with data protection laws may impede our operations and may adversely affect our business and financial position.

Despite Brexit, the UK GDPR remains largely aligned with EU GDPR. Currently, the most impactful point of divergence between the EU GDPR and the UK GDPR relates to these transfer mechanisms as explained above. There may be further divergence in the future, including with regard to application, interpretation, enforcement and administrative burdens. For example, the United Kingdom introduced the Data Reform Bill into the United Kingdom legislative process, which failed. A new Data Use and Access Bill (the "UK Bill") has been introduced into parliament. If passed, the final version of the UK Bill may have the effect of further altering the similarities between the United Kingdom and European Economic Area data protection regimes and threaten the United Kingdom's adequacy decision from the European Commission. This may lead to additional compliance costs and could increase our overall risk exposure. This lack of clarity on future United Kingdom laws and regulations and their interaction with those of the European Economic Area could add legal risk, uncertainty, complexity, and cost to our handling of European personal data and our privacy and security compliance programs. We may no longer be able to take a unified approach across the European Union and the United Kingdom, and we will need to amend our processes and procedures to align with the new framework. In addition, European Economic Area Member States have adopted national laws to implement the EU GDPR that may partially deviate from the EU GDPR and competent authorities in the Member States may interpret the EU GDPR obligations slightly differently from country to country. Therefore, we do not expect to operate in a uniform legal landscape in the European Economic Area.

Companies that violate the GDPR can face robust regulatory enforcement and greater penalties for noncompliance, including fines of up to €20 million (or £17.5 million under the UK GDPR) or 4% of their worldwide annual turnover, whichever is greater. A wide variety of other potential enforcement powers are available to competent supervisory authorities in respect of potential and suspected violations of the GDPR, including audit and inspection rights, and powers to order temporary or permanent bans on all or some processing activities. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR.

In addition to the GDPR, other European data protection laws require that affirmative opt-in consent is procured to the placement of cookies and similar tracking technologies on users' devices (other than those that are "strictly necessary" to provide services requested by the user). These requirements may increase our exposure to regulatory enforcement actions, increase our compliance costs and reduce demand for our platform. A new regulation proposed in the EU, which would apply across the European Economic Area, known as the ePrivacy Regulation, may further restrict the use of cookies and other online tracking technologies on which our platform relies, as well as increase restrictions on the types of direct marketing campaigns that our platform enables. It is unclear whether and/or when the draft ePrivacy Regulation will enter into force.

In Canada, our collection, use, disclosure, and management of personal information must comply with both federal and provincial privacy laws, which impose separate requirements, but may overlap in some instances. The federal Personal Information Protection and Electronic Documents Act ("PIPEDA") and various provincial laws impose strict requirements on companies that handle personal information. Notably, Québec's Act respecting the protection of personal information in the private sector (the "Private Sector Act") was recently amended by Bill 64, which introduced major amendments to the Private Sector Act, notably, to impose significant and stringent new obligations on Québec businesses while increasing the powers of Québec's supervisory authority. We may incur additional costs and expenses related to compliance with these laws and may incur significant liability if we are not able to comply with existing and emerging legal requirements in Canada.

Apart from the requirements of privacy and data security laws, we have obligations relating to privacy and data security under our published policies and documentation and certain of our contracts. Although we endeavor to comply with these obligations, we may have failed to do so in the past and may be subject to allegations that we have failed to do so or have otherwise processed data improperly. Such failures or alleged failures could result in proceedings against us by governmental entities, private parties or others as well as negative publicity and reputational damage.

Compliance with applicable privacy, data security or data protection requirements, many of which vary across jurisdictions, is a rigorous and time-intensive process, and we may be required to implement costly mechanisms to ensure compliance. The proliferation of privacy, data security, and data protection laws, regulations, policies, and standards increases the likelihood of differences in approaches across jurisdictions. These differences make it difficult to maintain a standardized global privacy program. Creating jurisdiction-specific approaches requires significant time and resources and the associated complexity increases the risk of potential non-compliance. In addition, such requirements may require us to modify our data processing practices and policies, utilize management's time and/or divert resources from other initiatives and projects.

Our customers may implement compliance measures that do not align with our platform and products, which could limit the scope and type of platform and products we are able to provide. Our customers may also require us to comply with additional privacy and security obligations, causing us to incur potential disruption and expense related to our business processes. We may also be exposed to certain compliance and/or reputational risks if our customers do not comply with applicable privacy or data protection laws and/or their own privacy notices and terms of use in particular in connection with their processing of personal data, their sharing of personal data with us, the legal bases on which they rely (where applicable) under applicable privacy and data protection legislation for the processing we carry out on their behalf and/or their management of data subject requests which pertain to the processing we carry out on their behalf. In addition, we may decide not to enter into new geographic markets where we determine that compliance with such laws, regulations, policies, and standards would be prohibitively costly or difficult. Geographic markets in which we currently operate could require us to process or store regulated information within such markets only, and establishing hosting facilities in such markets could be disruptive to our business and costly. If our policies and practices, or those of our customers, service providers, contractors and/or partners, are, or are perceived to be non-compliant, we could face (1) litigation, investigations, audits, inspections, and proceedings brought by governmental entities, customers, individuals or others, (2) additional reporting requirements and/or oversight, temporary or permanent bans on all or some processing of personal data, orders to destroy or not use personal data and imprisonment of company officials, (3) fines and civil or criminal penalties for us or company officials, obligations to cease offering or to substantially modify our solutions in ways that make them less effective in certain jurisdictions, and (4) negative publicity, harm to our brand and reputation and reduced overall demand for our platform. These occurrences could adversely affect our business, financial condition, and results of operations.

All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants and legal advisors, which are likely to increase over time. In addition, such requirements may require us to modify our data processing practices and policies, utilize management's time and/or divert resources from other initiatives and projects. Because the interpretation and application of privacy and data protection laws, regulations, rules, and other standards are still uncertain and likely to remain uncertain for the foreseeable future, it is possible that these laws, rules, regulations, and other obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our data management practices or the features of our software. If so, in addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which we may be unable to do in a commercially reasonable manner or at all, and which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, rules, regulations, and other obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business, financial condition, results of operations and prospects.

Existing federal, state, and foreign laws regulate the senders of commercial emails and text messages and changes in privacy laws could adversely affect our ability to provide our products and could impact our results from operations or result in costs and fines.

Our business offerings rely heavily on a variety of direct marketing techniques, including email marketing and marketing conducted via SMS. These activities are regulated by legislation such as CAN-SPAM and the TCPA as well as state laws regulating marketing via telecommunication services.

The CAN-SPAM Act, among other things, obligates the sender of commercial emails to provide recipients with the ability to opt out of receiving future commercial emails from the sender. The ability of our customers' message recipients to opt out of receiving commercial emails may minimize the effectiveness of the email components of our platform. In addition, certain states, and foreign jurisdictions, such as Australia, Canada, the United Kingdom, and the European Union, have enacted laws that regulate sending email, and some of these laws are more restrictive than U.S. laws. For example, some foreign laws prohibit sending unsolicited email unless the recipient has provided the sender advance consent to receipt of such email, or in other words has "opted-in" to receiving it. A requirement that recipients opt into, or the ability of recipients to opt out of, receiving commercial emails may minimize the effectiveness of our platform. Any failure by us or our customers to comply fully with the CAN-SPAM Act may leave us subject to substantial fines and penalties.

Foreign privacy laws also regulate our and our customers' ability to send commercial messages via email. For example, Canada's Anti-Spam Legislation ("CASL") prohibits email marketing without the recipient's consent, with limited exceptions. Failure to comply with CASL could result in significant fines and penalties or possible damage awards.

We also face stringent regulation in connection with our use of telecommunication services for the transmission of marketing messages. The TCPA is a federal statute that protects consumers from unwanted telephone calls, faxes, and text messages. TCPA violations can result in significant financial penalties as a business can incur civil forfeiture penalties or criminal fines imposed by the Federal Communications Commission (the "FCC") or be fined for each violation through private litigation or state attorneys general or other state actor enforcement. Class action suits are the most common method for private enforcement. Our SMS texting product is a potential source of risk for class-action lawsuits and liability for our company. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct call and SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. While we strive to adhere to strict policies and procedures, the FCC, as the agency that implements and enforces the TCPA, may determine that our efforts to address the TCPA are insufficient and may subject us to penalties and other consequences for noncompliance. Determination by a court or regulatory agency that our platform or our products violate the TCPA could subject us to civil penalties, could invalidate all or portions of some of our client contracts, could require us to change or terminate some portions of our business, could require us to refund portions of our service fees, and could have an adverse effect on our business. Further, we could be subject to class action lawsuits for any claimed TCPA violations. Even an unsuccessful challenge by consumers or regulatory authorities of our activities could result in adverse publicity and could require a costly response from us. Additionally, the scope of the TCPA is frequently under review and future regulations interpreting the TCPA may impose new limitations on our or our customers' ability to send commercial messages via telephone calls, faxes, and text messages. Further, some states have enacted laws similar to, or broader than, the TCPA, which may be an additional source of potential claims or liability. In particular, Florida, Washington, and Oklahoma have enacted statutes that impose broader obligations than the TCPA upon companies that rely upon telephone calls or text messages for commercial communications. More U.S. states may pass similar laws in the future, and our ability to conduct our services via telephone or text message may be further limited or expose us to currently unforeseen liability.

In addition, any future restrictions in laws such as CAN-SPAM, the TCPA, and various United States state laws, or new federal laws regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of our marketing efforts and could force changes in our marketing strategies. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our revenues.

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

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

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

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

We do not have a process in place to systematically and comprehensively monitor the content, activities, or messages of our customers in connection with their use of our services, so inappropriate content may be sent to third parties, which could subject us to legal liability. Even if we comply with legal obligations to remove or disable certain content, our customers may continue to send messages through our platform that third parties may find hostile, offensive, or inappropriate. The activities of our customers or the content of our customers' messages may lead us to experience adverse political, business, and reputational consequences, especially if such use is high profile. Conversely, actions we take in response to the activities of our customers or users, up to and including suspending their use of our platform or products, may harm our brand and reputation.

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

The standards that private entities and inbox service providers use to regulate and filter the use and delivery of email may interfere with the effectiveness of our platform and our ability to conduct business.

Many of our customers rely on email to communicate with their existing or prospective customers. Various private entities attempt to regulate the use of email for commercial solicitation. These entities often advocate standards of conduct or practice that significantly exceed current legal requirements and classify certain email solicitations that comply with current legal requirements as spam. Some of these entities maintain "blacklists" of companies and individuals, and the websites, inbox service providers, and IP addresses associated with those entities or individuals that do not adhere to those standards of conduct or practices for commercial email solicitations that the blacklisting entity believes are appropriate. If a company's IP addresses are listed by a blacklisting entity, emails sent from those addresses may be blocked if they are sent to any internet domain or internet address that subscribes to the blacklisting entity's service or uses its blacklist.

From time to time, some of our IP addresses have become, and we expect will continue to be, listed with one or more blacklisting entities due to the messaging practices of our customers and other users. We may be at an increased risk of having our IP addresses blacklisted due to our scale and volume of email processed compared to our smaller competitors. While the overall percentage of such email solicitations that our individual customers send may be at or below reasonable standards, the total aggregate number of all emails that we process on behalf of our customers may trigger increased scrutiny from these blacklisting entities. There can be no guarantee that we will be able to successfully remove ourselves from those lists. Because we fulfill email delivery on behalf of our customers, blacklisting of this type could undermine the effectiveness of our customers' transactional emails, email marketing programs, and other email communications, and could result in a decline in click through rates, all of which could have a material negative impact on our business, financial condition, and results of operations.

Some inbox service providers categorize emails that originate from email marketing platforms as "promotional" and, as a result, direct them to an alternate or "tabbed" section of the recipient's inbox. Additionally, inbox service providers can block emails from reaching their users. While we continually improve our own technology and work closely with inbox service providers and our customers to maintain our deliverability rates, the implementation of new or more restrictive policies by inbox service providers may make it more difficult to deliver our customers' emails, particularly if we or our customers are not given adequate notice of a change in policy or struggle to update our platform or products to comply with the changed policy in a reasonable amount of time. For example, in October 2023, Google and Yahoo announced new email sender requirements that impact customers of email marketing platforms, including our platform. Since February 2024, Google and Yahoo have required bulk senders to authenticate their emails following certain industry standard authentication systems, enable recipients to easily unsubscribe, and ensure they only send wanted emails and stay under a certain spam rate threshold. Our customers that fail to comply with these new requirements may have their emails blocked from reaching their customers by Google or Yahoo and may not be able to effectively use our platform. If we or our customers fail to comply with new inbox service provider requirements, if inbox service providers materially limit or halt the delivery of our customers' emails, if we fail to deliver our customers' emails in a manner compatible with inbox service providers' email handling or authentication technologies or other policies, if the open, unsubscribe, spam rates, or other engagement metrics of our customers' emails or the functionality of our platform are negatively impacted by the actions of inbox service providers to categorize or block emails or new policies or requirements imposed by inbox service providers, or if our customers send fewer emails or send emails to or maintain fewer profiles on our platform as a result of new inbox service provider requirements, then customers may question the effectiveness of our platform and downgrade or cancel their subscriptions. This could harm our business, financial condition, and results of operations.

Risks Relating to Our Intellectual Property

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

To be successful, we must protect our technology and brand in the United States and other jurisdictions through trademarks, trade secrets, patents, copyrights, service marks, invention assignments, contractual restrictions, and other intellectual property rights and confidentiality procedures. Despite our efforts to implement these protections, these measures may not protect our business or provide us with a competitive advantage for a variety of reasons, including:

- our failure to obtain patents and other intellectual property rights for important innovations or maintain appropriate confidentiality and other protective measures to establish and maintain our trade secrets;
- uncertainty in, and evolution of, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights;
- potential invalidation of our intellectual property rights through administrative processes or litigation;
- any inability by us to detect infringement or other misappropriation of our intellectual property rights by third parties; and

- other practical, resource, or business limitations on our ability to enforce our rights.

Further, the laws of certain foreign countries, particularly certain developing countries, do not provide the same level of protection of corporate proprietary information and assets, such as intellectual property (including, for example, patents, trademarks, trade secrets, and copyrights), know-how, and records, as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property or proprietary rights in foreign jurisdictions. Additionally, we may also be exposed to material risks of theft or unauthorized reverse engineering of our proprietary information and intellectual property, including technical data, data sets, or other sensitive information. Our efforts to enforce our intellectual property rights in such foreign countries may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop, which could have a material adverse effect on our business, financial condition, and results of operations.

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

Further, litigation may be necessary to enforce and protect our intellectual property or proprietary rights, or determine the validity and scope of proprietary rights claimed by others. Any litigation, whether or not resolved in our favor, could result in significant expense to us, divert the efforts of our technical and management personnel and result in counterclaims, including with respect to infringement of intellectual property rights by us. If we are unable to prevent third parties from infringing upon or misappropriating our intellectual property or are required to incur substantial expenses defending our intellectual property rights, our business, financial condition, and results of operations may be materially adversely affected.

In the future we may be party to intellectual property rights claims, disputes, and other litigation brought by others which are expensive to support, and if resolved adversely, could have a significant impact on us.

We compete in markets where there are a large number of patents, copyrights, trademarks, trade secrets, and other intellectual property and proprietary rights, as well as disputes regarding infringement of these rights. Many of the holders of patents, copyrights, trademarks, trade secrets, and other intellectual property and proprietary rights have extensive intellectual property portfolios and greater resources than we do to enforce their rights. As compared to our larger competitors, our patent portfolio is relatively undeveloped and may not provide a material deterrent to such assertions or provide us with a strong basis to counterclaim or negotiate settlements. Further, to the extent assertions are made against us by entities that hold patents but are not operating companies, our patent portfolio may not provide deterrence because such entities are not concerned with counterclaims.

Any intellectual property claims, with or without merit, that we may become involved with may require us to do one or more of the following:

- cease selling, licensing, or using products or features that incorporate the intellectual property rights that we allegedly infringe upon, misappropriate, or violate;
- make substantial payments for legal fees, settlement payments, subscription fee refunds, or other costs or damages, including indemnification of third parties;
- obtain a license or enter into a royalty agreement, either of which may not be available on reasonable terms or at all, in order to obtain the right to sell, offer to sell, import, make or use the relevant intellectual property; or

- redesign certain portions of the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time-consuming, or impossible.

Intellectual property infringement claims, with or without merit, are typically complex, time consuming, and expensive to resolve and would divert the time and attention of our management and technical personnel. These claims could also subject us to significant liability for damages, including treble damages if we are found to have willfully infringed third-party patents. It may enjoin us from continuing to use certain features or portions of allegedly infringing products or even the allegedly infringing products themselves. It may also result in adverse publicity, which could harm our reputation and ability to attract or retain customers or otherwise prevent us from competing effectively in the market. As we grow, we may experience a heightened risk of allegations of intellectual property infringement. An adverse result in any litigation claims against us could have a material adverse effect on our business, financial condition, and results of operations.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

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

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

Our use of AI technology and the integration of AI technology with our products and services may subject us to increased risk, including security and other risks to our confidential and/or proprietary information, given the emerging nature of AI technology.

We have incorporated, and may continue to incorporate, artificial intelligence technology (“AI Technology”) into our products and services, including our email, SMS, and reviews offerings, and this incorporation of AI Technology in our business and operations may become more significant over time. The use of generative AI, a newer and emerging technology in the early stages of commercial use, may expose us to additional risk, such as damage to our reputation, competitive position, additional costs, and other business, legal and regulatory risks. For example, generative AI has been known to produce false or "hallucinatory" inferences or output, and certain generative AI technology use machine learning and other predictive analysis techniques, which can produce inaccurate, incomplete, or misleading content, unintended biases, and other discriminatory or unexpected results, errors or inadequacies, any of which may not be easily detectable by us or any of our related service providers. Accordingly, while AI-powered applications may help provide more tailored or personalized user experiences, if the content, analyses, or recommendations produced by AI-powered applications are, or are perceived to be, deficient, inaccurate, biased, unethical or otherwise flawed, our reputation, competitive position, and business may be materially and adversely affected.

In addition, new laws and regulations, or the interpretation of existing laws and regulations, in any of the jurisdictions in which we operate may affect our use of AI Technology and expose us to government enforcement or civil lawsuits. For example, states such as California, Colorado, and Utah, have recently passed laws regulating the use of AI Technology, which impose additional operational burdens and may require us to modify our products and services that utilize AI Technology in order to comply with these laws. Federal regulators have also issued guidance affecting the use of AI Technology in regulated sectors. In addition, the EU's Artificial Intelligence Act ("AI Act"), the world's first comprehensive artificial intelligence law, entered into force on August 1, 2024 and most provisions of the legislation will become effective on August 2, 2026. This legislation imposes significant obligations on providers and deployers of high risk artificial intelligence systems, and encourages providers and deployers of artificial intelligence systems to account for EU ethical principles in their development and use of these systems. We expect these legislative trends will continue and we may be required to devote significant attention and resources to address the frequently changing regulatory requirements, including by ensuring higher standards of data quality, transparency, and human oversight, as well as adhering to specific and potentially burdensome and costly ethical, accountability, and administrative requirements. As the legal and regulatory framework relating to use of AI Technology continues to change, there may be an increase in our operational and development expenses that impact our ability to earn revenue from or utilize certain AI Technology.

Furthermore, the use of AI Technology has resulted in, and may result in, an increase in our risk with respect to intellectual property rights, privacy rights, publicity rights and cybersecurity incidents, including as it relates to personal data that we have in our possession or process on behalf of our customers. Certain output produced by us using AI Technology may not be subject to patent or copyright protection, which may adversely affect our intellectual property rights in, or ability to commercialize or use, any such output. In addition, output produced by AI Technology may include information subject to certain privacy or rights of publicity laws or constitute an unauthorized derivative work of copyrighted material used in training the underlying AI Technology, any of which could create a risk of liability for us, or adversely affect our business or operations. To the extent that we do not have sufficient rights to use the data or other material or content used in or produced by the AI Technology used in our business, or if we experience cybersecurity incidents in connection with our use of AI Technology, it could adversely affect our reputation and expose us to legal liability or regulatory risk, including with respect to third-party intellectual property rights, privacy, publicity, contractual or other rights.

As the use of AI Technology becomes more prevalent, we anticipate that it will continue to present new or unanticipated legal, reputational, technical, operational, ethical, competitive, and regulatory issues. We expect that our incorporation of AI Technology in our business will require additional resources, including the incurrence of additional costs, to develop and maintain our products, services, and features to minimize potentially harmful, unintended or other adverse consequences, to comply with existing and new laws and regulations, to maintain or extend our competitive position, and to address any legal, reputational, technical, operational, ethical, competitive, and regulatory issues that may arise as a result of any of the foregoing. Our vendors may also incorporate AI Technology tools into their offerings, and the providers of these AI Technology tools may not meet existing or rapidly evolving regulatory or industry standards, including with respect to privacy and data security. Bad actors around the world are also using increasingly sophisticated methods, including the use of AI Technology, to engage in illegal activities involving the theft and misuse of personal information, confidential information and intellectual property. Finally, our competitors or other third parties may incorporate AI Technology into their products more quickly or more successfully than us, which could impair our ability to compete effectively. As a result, the challenges presented with our use of AI Technology may result in the loss of valuable property and information, cause us to breach applicable laws and regulations, and adversely affect our business, financial condition, and results of operations.

Risks Relating to Ownership of Our Series A Common Stock

Our IPO occurred in September 2023. As such, there has only been a public market for our Series A common stock for a short period of time. The trading price of our Series A common stock may continue to be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the price at which you purchased those shares.

The market prices of the securities of other newly public companies have historically been highly volatile and markets in general have been highly volatile in light of macro-economic trends. Additionally, we have a relatively small public float due to the relatively small size of our IPO, and the concentrated ownership of our common stock among our executive officers, directors, and greater than 5% stockholders. As a result of our small public float, our Series A common stock may be less liquid and have greater stock price volatility than the common stock of companies with broader public ownership. The trading price of our Series A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and/or publicly-listed technology companies;
- actual or anticipated fluctuations in our revenue or other operating metrics;
- our actual or anticipated operating performance and the operating performance of our competitors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of securities analysts or investors;
- the economy as a whole and market conditions in our industry;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations; new products, services, or capabilities; acquisitions, strategic partnerships, or investments; joint ventures; or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business, including those related to privacy and cybersecurity in the United States or globally;
- lawsuits threatened or filed against us;
- actual or perceived privacy or data security incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, products, services, or technologies by us or our competitors;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any major change in our board of directors, management, or key personnel;

- other events or factors, including those resulting from war (including the Russia-Ukraine conflict and the conflict in the Gaza Strip), incidents of terrorism, public health crises, tariffs, or elections and administration changes, or responses to these events; and
- sales of additional shares of our Series A common stock by us or our stockholders.

In addition, stock markets, and the market for technology companies in particular, have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Often, trading prices of many companies have fluctuated in ways unrelated or disproportionate to the operating performance of those companies. In the past, stockholders of these companies have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business, results of operations, and financial condition.

Moreover, because of these fluctuations, comparing our results of operations on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or results of operations fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the trading price of our Series A common stock could decline substantially. Such a trading price decline could occur even when we have met any previously publicly stated revenue or earnings forecasts that we may provide.

The dual series structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Series B common stock, including our directors, executive officers, and their respective affiliates, and limiting or precluding your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval, and that may depress the trading price of our Series A common stock.

Our Series B common stock has ten votes per share, and our Series A common stock has one vote per share. Our directors, executive officers, and their affiliates beneficially own in the aggregate 64.0% of the voting power of our capital stock as of December 31, 2024. Our co-founders, Andrew Bialecki and Ed Hallen, beneficially own 48.2% and 18.0%, respectively, of our Series B common stock and together 64.3% of our Series B common stock as of December 31, 2024. As such, our co-founders individually or together hold significant influence and control over matters requiring the vote of our stockholders including the sale, merger or acquisition of our company. Because of the ten-to-one voting ratio between our Series B and Series A common stock, the holders of our Series B common stock collectively continue to control a majority of the combined voting power of our common stock and therefore are able to continue to control all matters submitted to our stockholders for approval until the seventh anniversary of our IPO, when all outstanding shares of our Series A common stock and Series B common stock will convert automatically into shares of a single series of common stock, or until they no longer hold a majority of the combined voting power of our common stock. This concentrated control may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction requiring stockholder approval. In addition, this concentrated control may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders.

Future transfers by holders of Series B common stock will generally result in those shares converting to Series A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Series B common stock to Series A common stock will have the effect, over time, of increasing the relative voting power of those holders of Series B common stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Series B common stock could gain significant voting control as other holders of Series B common stock sell or otherwise convert their shares into Series A common stock.

We cannot predict the effect our dual series structure may have on the trading price of our Series A common stock.

We cannot predict whether our dual series structure will result in a lower or more volatile trading price of our Series A common stock, adverse publicity, or other adverse consequences. For example, certain index providers have announced restrictions affecting companies with multiple-class or series share structures in certain of their indices. In July 2017, FTSE Russell announced that it would require new constituents of its indices to have greater than 5% of a company's voting rights in the hands of public stockholders. Under this policy, the dual series structure of our common stock could make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices may not invest in our Series A common stock. These policies are relatively new and it is unclear what effect, if any, they will have or continue to have on the valuations of publicly traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. Because of the dual series structure of our common stock, we may be excluded from certain indices, and other stock indices may take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices could preclude investment by many of these funds and could make our Series A common stock less attractive to other investors. As a result, the trading price of our Series A common stock could be adversely affected.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the trading price of our Series A common stock and trading volume could be adversely affected.

The trading market for our Series A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If few securities analysts cover us, or if industry analysts cease coverage of us, the trading price for our Series A common stock would be negatively affected. If one or more of the analysts who cover us downgrade our Series A common stock or publish inaccurate or unfavorable research about our business, our Series A common stock trading price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us on a regular basis, demand for our Series A common stock could decrease, potentially causing our Series A common stock trading price and trading volume to decline.

Sales of substantial amounts of our Series A common stock in the public markets, or the perception that sales might occur, could cause the trading price of our Series A common stock to decline.

Sales of a substantial number of shares of our Series A common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the trading price of our Series A common stock to decline. While shares held by directors, executive officers, and other affiliates are subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act") and various vesting agreements, we are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our Series A common stock.

In addition, as of December 31, 2024, we had 25,164,415 options outstanding that, if fully exercised, would result in the issuance of an equal number of shares of Series B common stock, as well as 4,867,692 shares of Series B common stock and 12,553,758 shares of Series A common stock subject to outstanding RSU awards. Shares of Series B common stock will automatically convert into shares of Series A common stock upon certain transfers and other events. All of the shares of Series B common stock issuable upon the exercise of stock options or the vesting of RSU awards and the shares reserved for future issuance under our equity incentive plans have been registered on a registration statement on Form S-8 under the Securities Act. Accordingly, following conversion to shares of Series A common stock, these shares can be freely sold in the public market upon issuance, subject to volume limitations under Rule 144 for our executive officers and directors and applicable vesting requirements.

Certain holders of our Series B common stock have rights, subject to some conditions, to require us to file registration statements for the public resale of the Series A common stock issuable upon conversion of such shares or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the trading price of our Series A common stock to decline or be volatile.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans, or otherwise will dilute all other stockholders and could negatively affect our results of operations.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to continue to grant equity awards to employees, directors, consultants, and advisors under our stock incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Series A common stock to decline. Any additional grants of equity awards under our stock incentive plans will also increase stock-based compensation expense and negatively affect our results of operations.

Commencing in the fourth quarter of 2020, we began granting RSUs to employees. RSUs granted under our 2015 Stock Incentive Plan (as amended, "2015 Plan") prior to our IPO vest upon the satisfaction of both a service condition and a liquidity event condition. In September 2023, we completed our IPO, as a result of which the liquidity event condition was satisfied. Subsequent to the IPO, any unvested RSUs subject to both the service vesting condition and liquidity event vesting condition will vest as the service vesting condition is met over the remaining service period. For the year ended December 31, 2024, stock-based compensation expense recognized for RSUs was $134.4 million. As a public company, our RSUs are currently only subject to service-based vesting, and accordingly we expect to continue to incur stock-based compensation expense as these RSUs vest.

We do not intend to pay dividends on our Series A common stock in the foreseeable future and, consequently, the ability of Series A common stockholders to achieve a return on investment will depend on appreciation in the trading price of our Series A common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Series A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

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

Market estimates and growth forecasts are uncertain and based on assumptions and estimates that may be inaccurate. The size of our addressable market depends on a number of factors, including the desire of businesses to differentiate themselves through digital customer engagement, partnership opportunities, changes in the competitive landscape, technological changes, data security and privacy concerns, customer budgetary constraints, changes in business practices, changes in the regulatory environment, and changes in economic conditions. Our estimates and forecasts relating to the size and expected growth of our market may prove to be inaccurate. Even if the market in which we compete meets the size estimates and growth rates we forecast, our business could fail to grow at similar rates, if at all, which could cause the trading price of our Series A common stock to decline or be volatile.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors, and limit the trading price of our Series A common stock.

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

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend our amended and restated bylaws; provided, however, that majority voting is required to amend our amended and restated bylaws if our board of directors recommends that the stockholders approve such amendment;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- after the date that the outstanding shares of Series B common stock no longer represent a majority of the combined voting power of our Series A and Series B common stock (the "Voting Threshold Date"), prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- until the Voting Threshold Date, our stockholders are able to act by written consent only if the action is first recommended or approved by our board of directors;
- provide that only our board of directors is authorized to call a special meeting of stockholders;
- provide for a dual series common stock structure where holders of our Series B common stock are able to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Series A and Series B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- provide that our board of directors is expressly authorized to alter or repeal our amended and restated bylaws; and
- contain advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law (the "DGCL") may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our amended and restated bylaws designate specific courts as the exclusive forum for certain litigation that may be initiated by our stockholders, which could potentially limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware is the sole and exclusive forum for any state law claims for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty owed by any of our current or former directors, officers, other employees, or stockholders to us or our stockholders;

- any action asserting a claim arising pursuant to the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws (including the interpretation, validity or enforceability thereof); or
- any action asserting a claim that is governed by the internal affairs doctrine (the "Delaware Forum Provision").

Our amended and restated bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the "Federal Forum Provision"). In addition, our amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision in our amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, employees, or stockholders which may discourage the filing of lawsuits against us and our directors, officers, employees, or stockholders even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court and other state courts have upheld the validity of federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware and the federal district courts of the United States may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

General Risk Factors

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

As a public company, we have incurred, and we will continue to incur, significant finance, legal, accounting, and other expenses, including director and officer liability insurance, that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, stock exchange listing requirements, the reporting requirements of the Exchange Act, and other applicable securities rules and regulations impose various requirements on public companies in the United States. Our management and other personnel devote a substantial amount of time to support compliance with these requirements. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations and comply with the Sarbanes-Oxley Act and other rules and regulations. Moreover, these rules and regulations have increased, and will continue to increase, our legal and financial compliance costs and make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will continue to incur as a public company or the specific timing of such costs.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, potentially resulting in continued uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations, financial condition, and results of operations.

Actual events involving limited liquidity, defaults, non-performance, or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, in March 2023, the Federal Deposit Insurance Corporation ("FDIC") took control and was appointed receiver for each of Silicon Valley Bank ("SVB"), Signature Bank and Silvergate Capital Corp., followed by First Republic Bank in May 2023. Although we are not currently a borrower or party to any financial instruments with SVB, Signature Bank or any other financial institution currently in receivership, if any of our future lenders or counterparties to any such instruments were to be placed into receivership, we may be unable to access such funds. In addition, there is no guarantee that the U.S. Department of Treasury, FDIC, and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion. Further, if any of our customers, suppliers, or other parties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected.

Although we assess our banking and customer relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have credit agreements or arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

The results of events or concerns that involve one or more of these factors could include a variety of material and adverse impacts on our current and projected business operations, financial condition, and results of operations. These could include, but may not be limited to, the following:

- Delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets;
- Delayed or lost access to, or reductions in borrowings available under revolving existing credit facilities or other working capital sources and/or delays, inability, or reductions in our ability to refund, roll over or extend the maturity of, or enter into new credit facilities or other working capital resources;
- Potential or actual breach of contractual obligations that require us to maintain letters of credit or other credit support arrangements;
- Potential or actual breach of financial covenants in our credit agreements or credit arrangements;

- Potential or actual cross-defaults in other credit agreements, credit arrangements or operating or financing agreements; or
- Termination of cash management arrangements and/or delays in accessing or actual loss of funds subject to cash management arrangements.

In addition, investor concerns regarding the United States or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our financial and/or contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our current and/or projected business operations, financial condition, and results of operations.

Our business is subject to the risks of earthquakes, fire, floods, and other natural catastrophic events, and to interruption by man-made problems such as power disruptions, computer viruses, data security breaches, or terrorism.

Our corporate headquarters are located in Boston, Massachusetts, and we have employees elsewhere in the United States. We also have offices in the United Kingdom, Australia, and Ireland. A significant natural disaster, such as an earthquake, fire, or flood, occurring at our headquarters, at one of our other facilities, or where a partner is located, could adversely affect our business, results of operations, and financial condition. Further, if a natural disaster or man-made problem were to affect our third-party vendors, it could adversely affect the ability of our customers to use our platform. In addition, natural disasters and acts of terrorism could cause disruptions in our or our customers' businesses, national economies, or the world economy as a whole. Health concerns or political or governmental developments in countries where we or our customers and vendors operate could result in economic, social, or labor instability and could have a material adverse effect on our business, results of operations, and financial condition.

Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations in part or in full and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations, and financial condition.

Climate change may have a long-term impact on our business.

We recognize that there are inherent climate-related risks wherever business is conducted. Any of our primary office locations may be vulnerable to the adverse effects of climate change. For example, our offices globally may experience climate-related events at an increasing frequency, including drought, water scarcity, heat waves, cold waves, wildfires, and resultant air quality impacts and power shutoffs associated with wildfire prevention. While this danger currently has a low-assessed risk of disrupting our normal business operations, it has the potential to disrupt employees' abilities to commute to work or to work from home and stay connected effectively. Furthermore, it is more difficult to mitigate the impact of these events on our employees to the extent they work from home. Climate-related events, including the increasing frequency of extreme weather events and their impact on the critical infrastructure of the United States, Europe, and other major regions, have the potential to disrupt our business, our third-party suppliers and/or the business of our customers, and may cause us to experience higher attrition, losses, and additional costs to maintain or resume operations. Regulatory developments, changing market dynamics and stakeholder expectations regarding climate change may impact our business, financial condition, and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Governance Related to Cybersecurity Risks

Our board of directors recognizes the importance of our risk management program related to cybersecurity. As provided in the charter of the audit committee of our board of directors (“Audit Committee”), our Audit Committee serves a key function in our board of directors’ oversight of these risks and processes. Our Chief Information Security Officer (“CISO”) provides updates on the cybersecurity risks we face and our processes to address those risks to our Audit Committee on a periodic, but at least quarterly, basis. These updates may include, but are not limited to, reports of identified cybersecurity risks, status of our risk management processes, and updates regarding regulatory requirements and policies.

Our Audit Committee comprises members of our board of directors with extensive experience in the technology sector who have held leadership positions at other publicly listed companies and have expertise in various aspects of our business. Cybersecurity matters are formally raised to our Chief Executive Officer, Chief Financial Officer, and Chief Legal Officer through their attendance of Audit Committee meetings. These individuals are also informed of significant events and updates through direct communication from our CISO as needed. We have a process for significant decisions over identified incidents to be escalated to our board of directors for disclosure and oversight.

Our CISO leads our cybersecurity initiatives and is primarily responsible for the assessing, managing, and monitoring of the Company’s cybersecurity risks. Our CISO has over 25 years of experience in the technology sector, including as CISO of other publicly listed technology companies. His knowledge of cybersecurity, compliance, and risk assessment has been leveraged to develop our cybersecurity governance and risk strategy. Our CISO oversees our Security Operations and Trust team, as well as our cybersecurity related programs and matters, which are reported on regularly to our Audit Committee.

Cybersecurity Risk Management and Strategy

We have integrated cybersecurity risk management into our enterprise risk management framework in an effort to identify, assess, and manage risks from cybersecurity threats that could affect our business and information systems. We have implemented a cybersecurity program that is informed by recognized industry standards and frameworks, and incorporates elements of the same, including elements of the National Institute of Standards and Technology Cybersecurity Framework and International Organization for Standardization and the ISO 27001 standards.

Our cybersecurity risk assessment program includes a number of components, including monitoring and reviewing relevant intelligence sources to identify potential cybersecurity risk and threats, penetration testing and vulnerability assessments, and audits and maturity assessments. These processes are conducted periodically by both internal and external resources. For example, independent third-party experts and assessors assist with our SOC 2 Type 2 examinations and penetration testing. Our internal audit function also periodically conducts an assessment of different systems to provide our Audit Committee with information on our cybersecurity risk management processes.

We have implemented a process to address identified risks from cybersecurity threats in which our Security Operations and Trust team works in consultation with management and other key stakeholders, as appropriate, to determine the associated risks, potential impact, and the recommended course of action to address those risks. We have an incident response plan that includes escalation procedures for informing management and other key stakeholders. Our process calls for significant incidents and significant cyber risks to be raised to our Audit Committee followed by notification to our board of directors.

We engage third-party service providers in the operation of our business. In an effort to mitigate risks from cybersecurity threats associated with our service providers, we perform security reviews of third-party service providers that are critical to our business or that could have an impact on our financial reporting. These security reviews may include, as appropriate, security questionnaires and vendor due diligence assessments. To monitor and manage third-party risk, we have a dedicated Security Operations and Trust team that reviews service providers' independent attestation reports and third-party certifications.

While we have been the target and victim of cyberattacks by third parties, as of the date of this Annual Report on Form 10-K, we are not aware of any cybersecurity incidents that may have materially affected or are reasonably likely to materially affect the Company, including our business strategy, results of operations, or financial condition. See the section titled "Risk Factors" for further detail on identified risks, including those related to cybersecurity.

Item 2. Properties

Our corporate headquarters is located in Boston, Massachusetts, where we currently lease approximately 159,860 square feet pursuant to a lease agreement that expires in 2033. In January 2025, we amended the lease for our corporate headquarters to add approximately 96,744 square feet to the lease. We currently do not occupy the additional space and have excluded this square footage from the total leased space for our corporate headquarters stated above.

We also lease or purchase service memberships to additional facilities in San Francisco, California; Denver, Colorado; London, United Kingdom; Sydney, Australia; and Dublin, Ireland.

We believe our facilities are adequate for our current needs.

Item 3. Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not currently a party to, nor is our property currently subject to, any material legal proceedings, nor are we involved in any legal proceedings the outcome of which we believe would have a material adverse effect on our financial condition or results of operations based on the status of the proceedings at this time. We are not aware of any governmental inquiries or investigations into our business.

Item 4. Mine Safety Disclosures

Not Applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information For Common Stock

Our Series A common stock has been listed on the New York Stock Exchange under the symbol "KVYO" since September 20, 2023. Prior to that date, there was no public trading market for our common stock.

Our Series B common stock is neither listed on any stock exchange nor traded on any public market.

Holders of Record

As of February 14, 2025, there were 26 holders of record of our Series A common stock. The actual number of shareholders of our Series A common stock is greater than this number of record holders, and includes shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

As of February 14, 2025, there were 40 holders of record of our Series B common stock.

Dividend Policy

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings, if any, to fund the development and expansion of our business and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, any contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant.

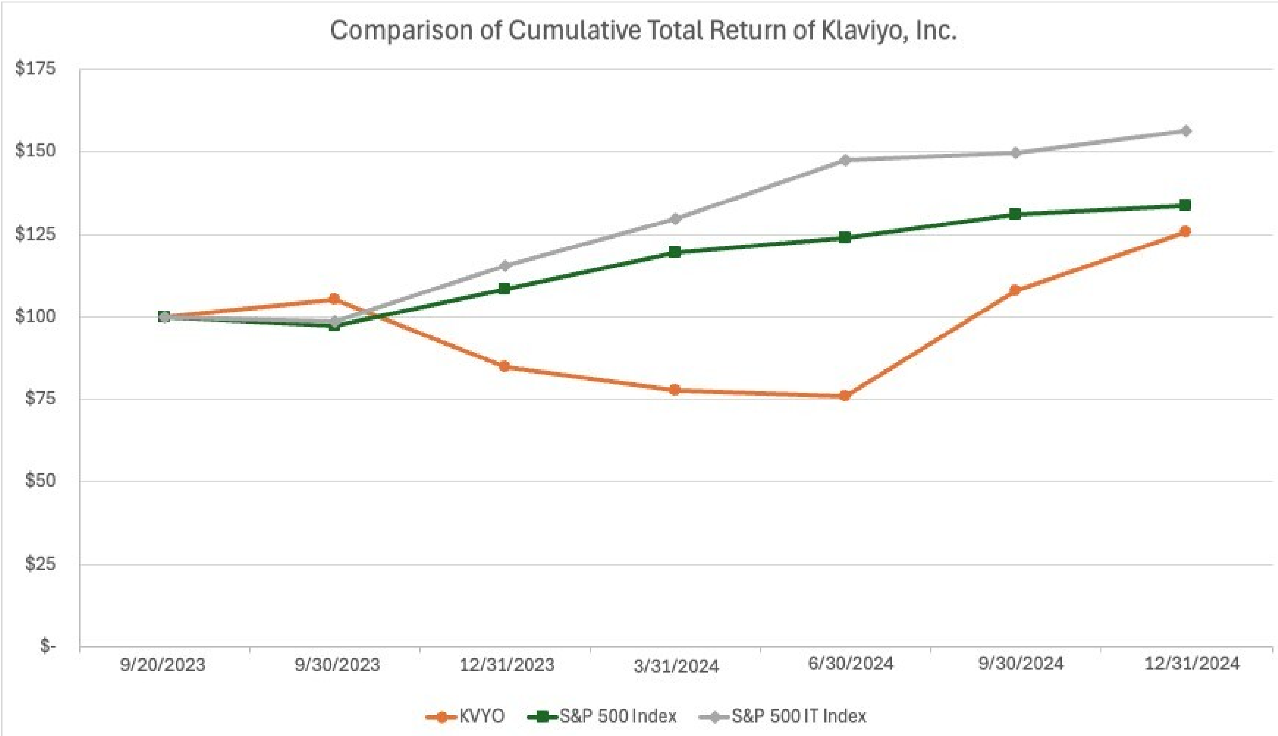
Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item is incorporated by reference herein to our definitive Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024.

Stock Performance Graph

The following performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act.

The following graph shows the cumulative total return to our stockholders between September 20, 2023 (the date that our Series A common stock commenced trading on the New York Stock Exchange) through December 31, 2024 in comparison to the S&P 500 Index and the S&P 500 Information Technology Index. The graph assumes that (i) $100 was invested in each of our Series A common stock, the S&P 500 Index, and the S&P 500 Information Technology Index at their respective closing prices on September 20, 2023 and (ii) reinvestment of gross dividends. The stock price performance shown in the graph represents past performance and should not be considered an indication of future stock price performance.



	9/20/2023	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024	12/31/2024
KVYO	100	105	85	78	76	108	126
S&P 500 Index	100	97	108	119	124	131	134
S&P 500 Information Technology Index	100	99	115	130	147	150	157

Recent Sale of Unregistered Equity Securities

On October 28, 2024, Shopify partially exercised the Shopify Warrants (as defined below) in cash for 344,381 shares of our Series B common stock at a price per share of $0.01 for an aggregate purchase price of $3,443.81. The issuance of shares of Series B common stock was exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

Use of Proceeds from Initial Public Offering of Our Series A Common Stock

On September 19, 2023, our Registration Statement on Form S-1 (File No. 333-274211) relating to our IPO was declared effective by the SEC. There has been no material change in the use of proceeds from our IPO as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the SEC on February 29, 2024.

Issuer Purchase of Equity Securities

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included under Part I, Item 1A within this Annual Report on Form 10-K.

This section of this Annual Report on Form 10-K discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 29, 2024, which is incorporated herein by reference. The period-to-period comparison of financial results is not necessarily indicative of future results.

Overview

We founded Klaviyo in 2012 to provide businesses of all sizes with powerful technology that captures, stores, analyzes, and predictively uses their own data to drive measurable, high-value outcomes. Klaviyo enables businesses to drive revenue growth by making it easy to bring their first-party data together and use it to create and deliver highly personalized consumer experiences across digital channels.

Our platform combines our proprietary data and application layers into one vertically-integrated solution with advanced machine learning and artificial intelligence capabilities. This enables business users of any skill level to harness their data in order to send the right message at the right time across email, SMS, and push notifications, more accurately measure and predict performance, and deploy the specific actions and campaigns that drive the highest impact. Our reviews add-on allows our customers to collect product reviews within our platform to provide a seamless experience across the customer lifecycle, and our CDP offering gives customers user-friendly ways to track new types of data, transform and cleanse data, run more advanced reporting and predictive analysis to drive revenue growth, and sync data in to and out of Klaviyo at scale. We focused on marketing automation within eCommerce as our first application use case, and we believe our software is highly extensible across a broad range of functions and verticals. Today, our customers primarily operate within the retail and eCommerce vertical. Due to the flexibility and adaptability of our technology, we also see organic growth from customers in other verticals, such as education, events and entertainment, restaurants, and travel, as well as from B2B companies. As of December 31, 2024, our platform had efficiently scaled to over 167,000 customers.

We generate revenue through the sale of subscriptions to our customers for the use of our platform. Our subscription plans are tiered based on the number of active consumer profiles stored on our platform and the number of emails and SMS messages sent. We currently permit our customers to send unlimited push notifications, which are included as part of our email subscription plan. Active consumer profiles are identified profiles that can be reached via at least one enabled marketing channel in Klaviyo; this means the profile is not suppressed, either by revoking consent or being rendered undeliverable. The vast majority of our subscription plans today are monthly.

Our land-and-expand strategy aligns our success with that of our customers. As our customers' businesses grow, they utilize more active consumer profiles and send more emails and SMS messages, which naturally increases their usage of our platform. Our revenue also expands when our customers add additional channels, such as SMS, and additional use cases, such as reviews and our CDP offering, or when their other brands, business units, and geographies start using our platform.

Factors Affecting Our Future Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including the following factors:

Growth in New Customers

Attracting new customers to our platform is a key driver of our revenue growth strategy. We have successfully grown our retail and eCommerce customer base and believe we have significant room to expand within this vertical as well as expand into other industries, including education, events and entertainment, restaurants, wellness, and travel as well as from B2B companies. Our ability to attract new customers will depend on a number of factors, including our ability to innovate, the effectiveness and pricing of our new and existing products and capabilities, and the success of our selling and marketing efforts.

Expansion of Revenue From Our Existing Customer Base

We believe our product-led growth strategy enables us to efficiently expand penetration within our existing customer base. We focus on expansion in three primary ways. First, as our customers increase their usage of our platform through the number of active consumer profiles they store and email and SMS messages they send, they move to higher subscription tiers. Second, we cross-sell additional communication channels, such as SMS to customers who started on our platform with our email offering, as well as add-ons, such as reviews and our CDP offering. Finally, we offer our platform to our customers' other brands, business units, and geographies. Going forward, our ability to increase sales to existing customers will depend on a number of factors, including our customers' satisfaction with our solutions and the ability of our customers to attract new consumers. We expect these three forms of revenue expansion to continue in the future.

Growth with Larger Customers

When we first launched our platform, we intentionally focused on serving entrepreneurs and SMBs based on the need we saw for a simple and easy-to-use, yet powerful solution for customers in this category, and the large market opportunity within this group of customers. As our customers have scaled and become mid-market companies and larger enterprises themselves, their success with Klaviyo has attracted more interest from similarly sized businesses that are looking to drive better engagement with their consumers. Our ability to continue to move up-market is dependent on a number of factors, including our ability to further adapt our platform to the needs of larger accounts, the effectiveness of our sales team, and pricing.

International Expansion

We believe we have significant expansion opportunities in international markets. We started by serving customers in North America and, in 2019, we expanded our operations to London, England to penetrate the European region. In 2022, we opened our office in Sydney, Australia to capitalize on the opportunities in Asia Pacific. In 2024, we expanded our presence in the European region by adding operations in Dublin, Ireland. We have already experienced significant growth with international sales outside of the Americas accounting for 32.6% of our revenue for the year ended December 31, 2024. We also continue to expand our product offerings to better serve the international market. As of the date of this Annual Report on Form 10-K, we offer SMS capabilities in more than 15 countries, and we offer our platform in English, French, German, Portuguese, Korean, Spanish and Italian. We believe that the introduction of additional languages to our platform will increase our efficacy and ease of use in other regions. We also currently only bill in U.S. Dollars, and we believe that adding additional currencies to our platform will help us further our international expansion efforts.

Investment in Innovation and Product Development

Since our inception, we have been focused on product innovation, seeking to create what we believe is the best software solution for our customers. We originally launched our platform with email messaging as our first channel. Since then, we have successfully added other channels, such as SMS and push notifications, as well additional use cases, such as reviews and our CDP offering. In 2024, we also launched Klaviyo AI, a suite of features that provide customers with AI-powered tools to streamline data segmentation, create and orchestrate campaigns, and drive better engagement. Our continued success depends on our ability to sustain product and technology innovation to continue delivering value to our customers. As technology and consumer preferences change, we believe that our ability to drive continuous product innovation will be critical to attract and retain customers and drive revenue growth.

Increased Adoption of Our SMS Offering

We have seen notable success in the expansion of our platform with our SMS offering, which launched in 2021. Once customers adopt our SMS offering, they typically grow their usage over time as they gain comfort and confidence in the new channel. Our SMS offering has higher associated communication sending costs, and as the number of SMS messages sent by our customers increases, we expect our gross margin to decline modestly. SMS messaging is particularly concentrated in the fourth quarter of each year due to the holiday shopping season, resulting in our gross margin being most heavily impacted in that quarter. This gross margin impact could be partially offset by our continued work on data storage architecture and gaining further leverage on costs with our increased scale. We believe we will see our overall gross profit dollars increase as customers send more SMS messages if our SMS offering continues to gain traction.

Expansion into New Industry Verticals and Use Cases

As more customers use our platform, we are seeing organic growth from customers in other verticals, such as education, events and entertainment, restaurants, and travel, as well as from B2B companies. While we started with consumer engagement as our initial use case in the retail and eCommerce vertical, we see a large opportunity into other products and verticals. Without an active sales motion, we have attracted customers from verticals other than retail and eCommerce, which indicates the strong interest and applicability of our platform to new verticals. We continue to explore ways to serve these new verticals more intentionally. In the future, we intend to more actively invest in addressing new industry verticals and product use cases.

Key Performance Metrics

Customers. We define a customer as a distinct paid subscription to our platform. A single organization could have multiple discrete contracting divisions or subsidiaries or brands each with paid subscriptions to our platform, which would, in general, constitute multiple distinct customers. In some cases, at the customer's request, we allow subscriptions under the same parent organization to be consolidated into a single paid subscription in which case such consolidated paid subscriptions would constitute a single customer. We measure our total number of customers as a point-in-time calculation measured as of the end of a particular period. Customers do not include persons or entities that use our platform on a free trial basis.

Customers Generating Over $50,000 of ARR. We calculate our number of customers generating over $50,000 of ARR (as defined below) as those customers that have an average ARR of greater than $50,000 over the prior twelve months (or the entire duration of the customer's paying relationship, if it is less than twelve months) as of the date of determination. We believe the number of customers generating over $50,000 of ARR is a key performance metric to help investors and others understand and evaluate our results of operations in the same manner as our management team, as it is an indicator of our ability to grow the number of customers that are exceeding this ARR threshold, both from our existing customers expanding their usage of our platform and from our sales to larger customers. We believe this is an important indicator of our ability to continue to successfully move up-market.

As of December 31, 2024, we had 2,850 customers generating over $50,000 of ARR, compared to 1,958 customers generating over $50,000 of ARR as of December 31, 2023, representing growth of 46% year-over-year.

Dollar-Based Net Revenue Retention Rate. We calculate our Dollar-Based Net Revenue Retention rate ("NRR") by first identifying the cohort of customers as of twelve months prior to the date of determination. We then calculate the

Annualized Recurring Revenue ("ARR") from this customer cohort as of twelve months prior to the date of determination (the "Prior Period ARR") and the ARR from this customer cohort as of the date of determination (the "Current Period ARR"). ARR, for any date of determination, is the annualized value of existing paid subscriptions, which we calculate by taking the amount of revenue that we expect to receive in the next monthly period for our existing paid subscriptions, assuming no changes to such subscriptions in the next month, as of that date of determination, and multiplying that amount by twelve. Current Period ARR includes any expansion, price increases, and customer subscriptions that are deactivated and subsequently reactivated during the applicable twelve-month period and reflects contraction or attrition over the last twelve months from this customer cohort, but excludes any ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the point-in-time NRR. We then calculate the weighted average point-in-time NRR as of the last day of each month in the current trailing twelve-month period to arrive at the NRR, with the weightings determined by the total ARR at the end of each period. We believe NRR is a key performance metric to help investors and others understand and evaluate our results of operations in the same manner as our management team, as it represents the expansion in usage of our platform by our existing customers, which is an important measure of the health of our business and future growth prospects. We measure Dollar-Based Net Revenue Retention Rate to measure this growth.

As of December 31, 2024 and 2023, our NRR was 108% and 117%, respectively. We implemented a price increase in September 2022, which positively increased revenue growth in 2023. This price increase also impacted the various measures we use to assess our usage and subscription levels based on revenue, such as NRR and our revenue growth rate, and following its implementation, those measures experienced corresponding increases as a result. The decrease in these measures from December 31, 2023 to December 31, 2024 was largely driven by lapping the one year anniversary of this price increase in September 2023.

Klaviyo Attributed Value. We define Klaviyo Attributed Value ("KAV") as the amount of revenue our customers generated through orders placed by consumers within a specified period of time after a message is sent using our platform, which in the case of email is five days from when the message is sent, and in the case of SMS is twenty-four hours from when the message is sent. For email, the message also needs to be opened or clicked in order for the transaction to fall within our definition. KAV excludes orders placed with customers that do not opt-in to sharing data on placed orders, orders for which we cannot determine the currency or value, or unusual orders that appear to us to be anomalies. Since our definition of a customer does not include persons or entities that use our platform on a free trial basis, any revenue generated through orders placed with these persons or entities is also excluded from our definition of KAV. We do not net chargebacks or sales refunds from our calculation of KAV. If a customer leaves Klaviyo, we stop counting that customer's KAV after their last contracted month. We believe KAV serves as a measure of the return-on-investment that we help generate for our customers and illustrates the value our platform can drive to our customers, which we believe enhances our ability to maintain existing customers and attract new customers. We use KAV as an internal estimate to track the value we drive to customers through our platform. KAV is an operational measure, does not represent revenue earned by us, and does not directly correlate to our pricing, revenue, or results of operations. Further, KAV is not a forecast of future revenue and investors should not place undue reliance on KAV as an indicator of our future or expected results.

Seasonality

Generally, demand for our services increases during the fourth quarter as our customers run more marketing campaigns and deploy marketing spend as a result of increased consumer spending patterns during the holiday shopping season. This is specifically prominent within the retail and eCommerce sector in which the majority of our customers operate today. Given our revenue model allows our customers to scale usage as needed, our sequential revenue growth has been historically stronger in the fourth quarter of each year compared to the revenue growth we see in other quarters. Our customers utilize the SMS offering in particular during the holidays; as such, to the extent that the SMS offering grows in proportion to our other channels, we expect that we would see further seasonality. We believe seasonality may continue to impact our quarterly results going forward.

Components of Results of Operations

Revenue

A significant majority of our revenues are derived from sales of subscriptions, which are comprised of fees paid by customers to access our cloud-based software platform for storing first-party consumer data and using it to create and deliver personalized and targeted consumer experiences across digital channels. A small portion of our revenue is currently derived from professional services. For more information on how we recognize our revenues, see *Note 2. Summary of Significant Accounting Policies* within the Notes to the Consolidated Financial Statements.

Cost of Revenue

Our cost of revenue primarily consists of cloud-based infrastructure costs, outbound communication sending costs, employee-related costs including payroll, benefits, bonuses, and stock-based compensation expense related to our customer support team, amortization of capitalized internal-use software development costs, and allocated overhead costs, including rent, facilities, depreciation, and costs related to information technology.

We expect our cost of revenue to increase in dollar amount as we continue to invest in our platform infrastructure and support, acquire new customers, and drive existing customers to expand their usage of our platform.

Gross Profit

Our gross profit represents revenue, less all cost of revenue.

We expect our gross profit to increase over time due to an increase in revenue. We expect our gross margin to decline modestly in the near term as the volume of SMS messages sent through our platform increases, and it could fluctuate in the long term due to timing of investments and expected increases in our cloud-based infrastructure costs and outbound communication sending costs, including email and SMS, as our customers increase usage of our platform and capabilities. We expect to continue to optimize inputs to our cost of revenue through continued work on data storage architecture and gaining further leverage on costs with our increased scale.

Selling and Marketing

Our selling and marketing costs primarily consist of employee-related costs including payroll, benefits, bonuses, and stock-based compensation; sales commissions and partnership expenses for revenue sharing agreements, including to Shopify, other commerce platform partners, and agency partners; costs associated with advertising and marketing activities; and allocated overhead costs, including rent, facilities, depreciation, and costs related to information technology. Sales commissions are considered an incremental cost to obtain contracts with customers and these costs are deferred and amortized over the expected benefit period. On July 28, 2022, we entered into a collaboration agreement and strategic partnership with Shopify pursuant to which we issued warrants to Shopify (the "Shopify Warrants"), in exchange for promotion of our marketing services with customers within the Shopify ecosystem. In accordance with relevant accounting policies, we recognize a prepaid marketing expense in connection with vesting of the Shopify Warrants. This prepaid marketing expense represents the probable future economic benefit being amortized over a seven-year expected benefit period and is recorded based on the fair value of the warrants on the grant date.

We expect to continue to make investments in our selling and marketing organization, and expect selling and marketing expense to remain our largest operating expense in dollar amount. Selling and marketing expense may fluctuate from period to period depending on the extent and timing of our marketing initiatives. We expect selling and marketing expense to increase in dollar amount but decrease as a percentage of revenue over the longer term. In the short term, we expect selling and marketing costs to increase as we increase headcount in our go-to-market team, grow into new markets, and pay more in partnership fees to Shopify and other partners as we continue to grow.

Research and Development

Our research and development costs primarily consist of employee-related costs associated with research and development staff, including payroll, benefits, bonuses, stock-based compensation, and allocated overhead costs, including rent, facilities, depreciation, and costs related to information technology. We capitalize a portion of our research and development costs that meet the criteria for capitalization of internal-use software. All other research and development costs are expensed as incurred.

We believe continued investment and innovation in our platform, capabilities, and offerings are important for our growth and, as such, expect our research and development costs to continue to increase in dollar amount but remain consistent as a percentage of revenue for the foreseeable future. This percentage may fluctuate from period to period depending on the timing and amount of these expenses.

General and Administrative

Our general and administrative expenses consist of employee-related costs including payroll, benefits, bonuses, and stock-based compensation in general corporate functions, such as procurement, accounting and finance, tax, legal, project management, and human resources, as well as allocated overhead costs, including rent, facilities, depreciation, and costs related to information technology. Credit card processing fees are also part of general and administrative expenses.

We expect general and administrative expenses to increase in the near term as a result of operating as a public company, including expenses associated with compliance with the rules and regulations governing public companies, such as Section 404 of the Sarbanes-Oxley Act, and an increase in legal, audit, insurance, investor relations, professional services and other administrative expenses. Further, we expect an increase in dollar amount of credit card processing fees in line with the expected increase in revenue for the foreseeable future. As a result, we expect our general and administrative expenses to increase in dollar amount for the foreseeable future but to generally decrease as a percentage of our revenue over the longer term as we scale our business. This percentage may fluctuate from period to period depending on the timing and amount of our general and administrative expenses, including in the short term due to heightened compliance requirements associated with operating as a public company. These expenses include increased professional service costs, the increased cost of directors' and officers' liability insurance, and costs associated with increasing our employee headcount in certain departments, such as accounting, internal audit, and investor relations.

Interest Income

Interest income consists of income earned from our cash deposits held in interest-bearing accounts and money market funds.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes related to U.S. and foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our U.S. federal and state net deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized.

The OECD is coordinating negotiations among more than 140 countries with the goal of achieving consensus around substantial changes to international tax policies, including the implementation of a minimum global effective tax rate of 15%. Various countries have implemented or are in the process of implementing the legislation, which does not currently apply to us. As additional jurisdictions enact such legislation, we expect our effective tax rate and cash tax payments could increase in future years.

Segments

We operate our business through one reportable segment, as well as one business activity, providing software that brings first-party consumer data together and uses it to create and deliver highly personalized consumer experiences across digital channels.

Results of Operations

The following tables set forth our results of operations for the fiscal years presented and express the relationship of certain line items as a percentage of revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
($ in thousands)	2024	2023	2022
Consolidated Statements of Operations			
Revenue	$ 937,464	$ 698,099	$ 472,748
Cost of revenue[1]	221,305	177,888	128,025
Gross profit	716,159	520,211	344,723
Operating expenses:			
Selling and marketing[1]	404,209	394,369	213,848
Research and development[1]	238,459	262,177	104,077
General and administrative[1]	157,569	194,287	81,834
Total operating expenses	800,237	850,833	399,759
Operating loss	(84,078)	(330,622)	(55,036)
Other income (expense):			
Other income (expense), net	816	(470)	388
Interest income	39,582	24,051	5,538
Total other income (expense), net	40,398	23,581	5,926
Loss before income taxes	(43,680)	(307,041)	(49,110)
Provision for income taxes	2,462	1,192	83
Net loss	$ (46,142)	$ (308,233)	$ (49,193)

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

	Year Ended December 31,		
	2024	2023	2022
Cost of revenue	$ 8,917	$ 24,973	$ 129
Selling and marketing	40,907	107,954	985
Research and development	50,693	120,184	1,230
General and administrative	34,695	87,688	5,958
Stock-based compensation, net of amounts capitalized	135,212	340,799	8,302
Capitalized stock-based compensation expense	3,555	1,349	—
Total stock-based compensation expense	$ 138,767	$ 342,148	$ 8,302

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue:

	Year Ended December 31,		
	2024	2023	2022
Consolidated Statements of Operations			
Revenue	100.0 %	100.0 %	100.0 %
Cost of revenue	23.6	25.5	27.1
Gross profit	76.4	74.5	72.9
Operating expenses:			
Selling and marketing	43.1	56.5	45.2
Research and development	25.4	37.6	22.0
General and administrative	16.8	27.8	17.3
Total operating expenses	85.3	121.9	84.6
Operating income (loss)	(8.9)	(47.4)	(11.6)
Other income (expense):			
Other income (expense), net	0.1	(0.1)	0.1
Interest income	4.2	3.4	1.2
Total other income (expense), net	4.3	3.3	1.3
Income (loss) before income taxes	(4.6)	(44.0)	(10.4)
Provision for income taxes	0.3	0.2	—
Net loss	(4.9)%	(44.2)%	(10.4)%

Comparison of the Years Ended December 31, 2024 and 2023

Revenue

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
Revenue	$ 937,464	$ 698,099	$ 239,365	34.3 %

Revenue for the year ended December 31, 2024 increased by $239.4 million or 34.3%, to $937.5 million compared to $698.1 million for the year ended December 31, 2023. The increase was primarily due to expansion with existing customers driven by expanded usage of our platform as well as our SMS channel. For the year ended December 31, 2024, sales to existing customers accounted for approximately 54% of the increase in revenue while approximately 46% of the increase in revenue was related to new customers, particularly in the mid-market and outside of the Americas. Sales to new customers represent the revenue recognized from new customers acquired in the 12 months prior to the period end.

Cost of Revenue

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
Cost of revenue	$ 221,305	$ 177,888	$ 43,417	24.4 %

Cost of revenue for the year ended December 31, 2024 increased by $43.4 million or 24.4%, to $221.3 million compared to $177.9 million for the year ended December 31, 2023. This increase was primarily due to an increase of $24.5 million in cloud-based infrastructure costs, $24.2 million in outbound communication sending costs on behalf of our customers, $8.6 million in salaries and personnel expenses as a result of increases in headcount, and $2.8 million in amortization related to capitalized software development costs. The increase was offset by a decrease of approximately $16.1 million in stock-based compensation expense related to the vesting of restricted stock units ("RSUs") in connection with our IPO in September 2023.

Gross Profit

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
Gross profit	$ 716,159	$ 520,211	$ 195,948	37.7 %

Gross profit for the year ended December 31, 2024 increased by $195.9 million or 37.7%, to $716.2 million compared to $520.2 million for the year ended December 31, 2023. This increase was primarily due to revenue growth and a decrease in stock-based compensation expense.

Selling and Marketing

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
Selling and marketing	$ 404,209	$ 394,369	$ 9,840	2.5 %

Selling and marketing expenses for the year ended December 31, 2024 increased by $9.8 million or 2.5%, to $404.2 million compared to $394.4 million for the year ended December 31, 2023. This increase was primarily due to an increase of approximately $51.7 million in salaries and personnel expenses as a result of increases in headcount and the introduction of a company-wide bonus program, $12.7 million in marketing related services, $10.2 million in partnership-related expenses across our ecosystem, and $3.7 million in technology expenses. The increase was offset by a decrease of approximately $67.0 million in stock-based compensation expense related to the vesting of RSUs in connection with our IPO in September 2023 and $2.1 million in restructuring expenses.

Research and Development

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
Research and development	$ 238,459	$ 262,177	$ (23,718)	(9.0)%

Research and development costs for the year ended December 31, 2024 decreased by $23.7 million or 9.0%, to $238.5 million compared to $262.2 million for the year ended December 31, 2023. This decrease was primarily due to a decrease of approximately $69.5 million in stock-based compensation expense related to the vesting of RSUs in connection with our IPO in September 2023 and $2.6 million in restructuring expenses. The decrease was offset by an increase of approximately $42.2 million in salaries and related personnel expenses as a result of increases in headcount and the introduction of a company-wide bonus program, $4.5 million in technology expenses, and $1.2 million in professional services.

General and Administrative

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
General and administrative	$ 157,569	$ 194,287	$ (36,718)	(18.9)%

General and administrative expenses for the year ended December 31, 2024 decreased by $36.7 million or 18.9%, to $157.6 million compared to $194.3 million for the year ended December 31, 2023. This decrease was primarily due to a decrease of approximately $53.0 million in stock-based compensation expense related to the vesting of RSUs in connection with our IPO in September 2023 and a $6.1 million release in reserves due to tax filings in international jurisdictions. The decrease was offset by an increase of approximately $10.4 million in salaries and personnel expenses as a result of increases in headcount and the introduction of a company-wide bonus program, $6.6 million in payment processing fees, $3.6 million in professional expenses, primarily attributed to expenses incurred to operate as a public company, and $2.2 million in technology expenses, primarily attributed to an increase in licenses as a result of the aforementioned increases in headcount.

Other Income

	Year Ended December 31,			
	2024	2023	$ Change	% Change
		($ in thousands)		
Other income (expense), net	$ 816	$ (470)	$ 1,286	(273.6)%

Other income for the year ended December 31, 2024 increased by $1.3 million or 273.6%, to $0.8 million compared to $(0.5) million for the year ended December 31, 2023. This increase was primarily due to favorable foreign exchange fluctuations.

Interest Income

	Year Ended December 31,			
	2024	2023	$ Change	% Change
		($ in thousands)		
Interest income	$ 39,582	$ 24,051	$ 15,531	64.6 %

Interest income for the year ended December 31, 2024 increased by $15.5 million or 64.6%, to $39.6 million compared to $24.1 million for the year ended December 31, 2023. This increase was primarily due to an increase in interest rates, greater cash balances due to our IPO, and the volume of newly opened interest-bearing accounts, including money market funds, as part of our diversified cash management strategy.

Provision for Income Taxes

	Year Ended December 31,			
	2024	2023	$ Change	% Change
	($ in thousands)			
Provision for income taxes	$ 2,462	$ 1,192	$ 1,270	106.5 %

Income tax expense for the year ended December 31, 2024 increased by $1.3 million or 106.5% to $2.5 million compared to $1.2 million for the year ended December 31, 2023. The increase was primarily due to the increase in profits before taxes in our international entities and an increase in our U.S. taxable income.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. In doing so, we review and analyze our primary sources and uses of liquidity to include cash balances on hand and cash flows from operations.

Since our inception through December 31, 2024, we have financed our operations primarily through sales of equity securities and payments received from our customers. In September 2023, we completed our IPO, which resulted in aggregate cash proceeds of approximately $320.1 million, after deducting approximately $17.7 million in underwriting discounts and commissions and $7.4 million in offering-related expenses.

As of December 31, 2024, our principal sources of liquidity included cash, cash equivalents, and restricted cash totaling $882.6 million, with such amounts held for working capital purposes. Our cash equivalents were comprised of $278.2 million in money market funds.

Our primary cash needs are for personnel-related expenses, selling and marketing expenses, and third-party cloud infrastructure expenses.

Based upon our current levels of operations, we believe our operating cash flows provide sufficient liquidity to support liquidity and financing needs for at least the next twelve months. Our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow from operations, and our ability to manage costs and working capital successfully. Additionally, our cash flow generation ability is subject to general economic, financial, competitive, legislative, and regulatory factors, and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to fund our liquidity needs.

The following table sets forth, for the periods indicated, our working capital:

($ in thousands)	As of December 31, 2024	2023
Cash	$ 881,473	$ 738,562
Restricted cash, current[(1)]	375	409
Accounts receivable, net of allowance for doubtful accounts	43,095	23,076
Deferred contract acquisition costs	20,544	15,198
Prepaid expenses and other current assets	34,262	26,244
Accounts payable	14,579	13,597
Accrued expenses	99,828	62,838
Operating lease liabilities	20,989	14,081
Deferred revenue	64,497	40,100
Total Working Capital	**$ 779,856**	**$ 672,873**

(1) Restricted cash related to our required collateral to fund payroll and credit card obligations in our Australia entity.

Working capital consists of current assets (including cash, current portion of restricted cash, accounts receivable, current deferred contract acquisition costs, current prepaid expenses and other current assets), less current liabilities (including accounts payable, accrued expenses, current lease liabilities, and deferred revenue, all of which is current).

Statement of Cash Flows

The following table sets forth, for the periods indicated, our beginning balance of cash, net cash flows provided by operating, investing and financing activities, and our ending balance of cash. For additional detail, see our consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K.

($ in thousands)	Year Ended December 31, 2024	2023
Net cash provided by (used in)		
Operating activities	$ 165,955	$ 119,371
Investing activities	(17,226)	(9,358)
Financing activities	(5,799)	242,728
Net increase in cash, cash equivalents, and restricted cash	$ 142,930	$ 352,741
Cash, cash equivalents, and restricted cash, beginning of period	739,657	386,916
Cash, cash equivalents, and restricted cash, end of period	$ 882,587	$ 739,657

Operating Activities

Net cash provided by operating activities of $166.0 million for the year ended December 31, 2024 was primarily attributable to a net loss of $46.1 million adjusted for non-cash charges of $239.8 million and net cash outflows of $27.7 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $135.2 million of stock-based compensation expense, $52.9 million of prepaid marketing expense amortization, $19.8 million of deferred contract acquisition cost amortization, $17.7 million of depreciation and amortization expense, and $12.7 million of operating lease costs. Net cash outflows from changes in operating assets and liabilities primarily consisted of a $34.4 million increase in deferred contract acquisition costs related to increase in sales commissions resulting from our increase in revenues, a $20.8 million increase in accounts receivable due to an increase in customer billings, a $17.3 million increase in prepaid expenses and other noncurrent assets, and a $16.7 million decrease in operating lease liabilities due to payments related to our operating lease obligations. The cash outflow was offset by cash inflows primarily from a $36.3 million net increase in accrued expenses and accounts payable due to timing of vendor payments and introduction of the company-wide bonus program and a $24.4 million increase in deferred revenue resulting from increased billings for subscriptions.

Net cash provided by operating activities of $119.4 million for the year ended December 31, 2023 was primarily attributable to a net loss of $308.2 million adjusted for non-cash charges of $433.5 million and net cash outflows of $5.9 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $340.8 million of stock-based compensation expense, $52.9 million of prepaid marketing expense amortization, $15.8 million of deferred contract acquisition cost amortization, $13.7 million of depreciation and amortization expense, and $13.0 million of operating lease costs. Net cash outflows from changes in operating assets and liabilities primarily consisted of a $26.9 million increase in deferred contract acquisition costs related to increase in sales commissions resulting from our increase in revenues, a $15.2 million decrease in operating lease liabilities due to payments related to our operating lease obligations, and a $12.9 million increase in accounts receivable due to an increase in customer billings. The cash outflow was offset by cash inflows primarily from a $31.2 million net increase in accrued expenses and accounts payable due to timing of vendor payments and the implementation of a company-wide sabbatical program and a $15.0 million increase in deferred revenue resulting from increased billings for subscriptions.

Investing Activities

Net cash used in investing activities of $17.2 million for the year ended December 31, 2024 consisted of $11.3 million of capitalized software costs and $5.9 million purchases of property and equipment.

Net cash used in investing activities of $9.4 million for the year ended December 31, 2023 consisted of $5.7 million of capitalized software costs and $3.7 million purchases of property and equipment.

Financing Activities

Net cash used in financing activities of $5.8 million for the year ended December 31, 2024 primarily consisted of approximately $23.7 million used for the payment of employee tax obligations related to the vesting of stock-based compensation awards offset by $9.7 million of proceeds from the exercise of stock options and $8.1 million of proceeds from the employee stock purchase plan.

Net cash provided by financing activities of $242.7 million for the year ended December 31, 2023 primarily consisted of approximately $320.1 million of our IPO proceeds net of issuance costs and $4.2 million of proceeds from the exercise of common stock options offset by $81.6 million used for the payment of employee tax obligations related to the net share settlement of stock-based compensation awards.

Cash Management

We manage our operating cash management activities through banking relationships with our domestic and international subsidiaries and all of our cash requirements were serviced by the operating cash flows of our business. We diversify our cash deposits across a variety of well-established financial institutions based on ratings from nationally recognized rating organizations to reduce our exposure to counterparty and concentration risk.

We expect a continued increase in our cash balances as our business continues to grow. We expect to continue to diversify our cash management strategy to primarily include money market funds, highly-liquid debt instruments of the U.S. government and its agencies, senior corporate bonds, and commercial paper to reduce our global exposure on banking deposits.

Lease Obligations

We enter into various noncancellable lease agreements for certain office space and equipment used in the normal course of business. Our noncancellable lease obligations as of December 31, 2024 were $57.2 million, with $21.5 million payable within 12 months.

Other Contractual Obligations

We enter into various noncancellable agreements with marketing vendors and various service providers. Our noncancellable obligations as of December 31, 2024 were $225.5 million, with $102.5 million payable within 12 months.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements included elsewhere in this filing, which have been prepared in accordance with GAAP. In preparing the consolidated financial statements, we make estimates and judgements that affect the reported amounts in the consolidated financial statements and related footnote disclosures included elsewhere in this filing. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We re-evaluate our estimates on an ongoing basis.

The accounting estimates we use in the preparation of our consolidated financial statements will change as new events occur, more experience is acquired, additional information is obtained and our operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in our reported results of operations and, if material, the effects of changes in estimates are disclosed in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results could differ materially from the amounts reported based on these estimates.

The critical accounting estimates that reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements included elsewhere in this filing include those noted below.

Revenue Recognition

We derive revenue from subscription fees and other related professional services. Revenue is recognized when, or as, the performance obligation is satisfied by transferring the control of the promised service to a customer. The amount of revenue recognized reflects the consideration that we expect to be entitled to receive in exchange for these services.

Our SaaS subscription agreements with customers offer personalized email and SMS marketing services through a cloud-based software platform, as well as add-ons, such as reviews and our CDP offering. Subscription fees are generated from customers accessing our hosted platform services and our subscription agreements do not provide our customers with the right to take possession of our software. Contractual subscriptions for customers generally auto-renew on either a monthly, quarterly, or annual basis, and customers may elect not to renew by providing at least five days' advance notice for contracts on a monthly billing cycle and thirty days' advance notice for contracts with any other billing cycles. Subscription pricing is determined based on a customer's profile count and monthly messaging quantities based on a tiered pricing structure and is considered fixed. Variable consideration in our contracts is not material but represents the overage charges incurred by customers who exceed their allotments.

We recognize revenue under the core principle to depict the transfer of control to our customers in an amount reflecting the consideration to which we expect to be entitled. We account for individual performance obligations separately if they have been determined to be distinct and we allocate the transaction price to the distinct performance obligations on a relative stand-alone selling price basis. The determination of stand-alone selling price uses judgments and estimates that are based upon the prices at which we separately sell subscriptions. If not considered distinct, the goods or services promised by us are combined and accounted for as a combined performance obligation. Determining the distinct performance obligations in a contract requires judgment. Typically, our SaaS subscription agreements consist of a single performance obligation, and revenue is recognized over time as the performance obligation is satisfied. Our single performance obligation primarily consists of access to our platform and professional services.

Costs to Obtain Customers

We capitalize incremental costs of obtaining revenue contracts, which primarily consist of sales commissions. Contract costs are amortized on a straight-line basis over a period of up to five years, which reflects the expected period of benefit of the performance obligation and may be longer than the initial contract period. We determine the estimated benefit period by considering both qualitative and quantitative factors, including the length of the subscription terms in our customer contracts and the anticipated life of our technology, among other factors.

Shopify Collaboration Agreement

We entered into a collaboration agreement on July 28, 2022 with Shopify to form a strategic relationship for the purposes of creating greater interoperability between the Klaviyo and Shopify platforms. In connection with the collaboration agreement, we entered into three separate agreements, including a revenue sharing agreement, common stock warrant agreement, and stock purchase agreement.

The revenue sharing agreement was entered into in connection with, and the Shopify Warrants were issued in exchange for, compensation for marketing services that we will receive from Shopify under the collaboration agreement. We have estimated the fair value of the Shopify Warrants on the date of issuance using the Black-Scholes option pricing model. The Black-Scholes option pricing model uses assumptions that are based upon estimates made by management. The key assumptions used to value the Shopify Warrants include the fair value of the common stock, a dividend yield of zero, contractual term of 10 years, volatility of 55.00%, and a risk-free rate of 2.85%. We estimate the volatility based upon an average historical volatility of several peer public companies over a period equivalent to the term of the Shopify Warrants. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for time periods approximately equal to the expected term of the Shopify Warrants. Expected dividend yield is 0.0% as we have not paid and do not anticipate paying dividends on our common stock. We recognize a prepaid marketing expense asset associated with the Shopify Warrants over a straight-line five-year vesting period. Pursuant to the common stock warrant agreement, upon our IPO, 25% of the total number of warrants were accelerated, and the remaining unvested portion vests quarterly over the remaining vesting term. The prepaid marketing expense asset is amortized into selling and marketing expense on a straight-line basis over the expected benefit period, which we determine to be the seven-year term of the collaboration agreement as the core activities and deliverables of the collaboration agreement will remain in place for seven years and Shopify does not have the right to terminate the collaboration agreement for convenience.

Under the stock purchase agreement, we issued and sold shares of common stock to Shopify and provided an investment option which allows Shopify to purchase additional shares of common stock at a fixed price, exercisable at any time at Shopify's option until July 28, 2030. We determined that the purchase price equals the fair market value of the instruments issued as Shopify was an outside investor at the time we entered into the stock purchase agreement and the purchase represented an arms-length transaction. Further, the fair value of the instruments was substantiated through a probability weighted expected return method analysis as part of common stock valuations performed at the time the agreement was entered into. The common stock and investment option are classified as equity on our Consolidated Balance Sheets. We do not recognize marketing expense associated with these instruments as they are freestanding from the other agreements entered into with Shopify and were issued at fair market value.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee, directors, and non-employee awards as well as secondary market transactions, is measured and recognized in the consolidated financial statements based on fair value. Pursuant to our 2015 Plan, we have issued stock options, RSUs, and restricted stock awards ("RSAs"); however, all equity grants issued subsequent to our IPO are made pursuant to our 2023 Stock Option and Incentive Plan ("2023 Plan"), which was approved by our board of directors effective as of September 19, 2023. During the year ended December 31, 2024, stock-based compensation awards issued were in the form of RSUs subject to only service-based vesting conditions under our 2023 Plan. During the year ended December 31, 2023, stock-based compensation awards issued were in the form of RSUs subject to both service-based and performance-based vesting conditions under our 2015 Plan and RSUs subject to only service-based vesting conditions under our 2023 Plan.

Stock-based compensation awards that contain only service-based vesting conditions are recognized as expense, on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award. In addition to service requirements, RSUs granted under our 2015 Plan prior to our IPO are subject to a performance-based vesting condition, which we have concluded represents a performance condition. Fair value of such awards is measured on the grant date and recognized over the vesting term when the performance condition is considered probable of being achieved. This performance condition was achieved when our registration statement on Form S-1 filed with the SEC in connection with our IPO became effective on September 19, 2023. Compensation expense for these awards with both service-based and performance-based vesting conditions is expensed under the accelerated attribution method, which includes a cumulative catch up recorded upon the satisfaction of the performance-based vesting condition for services that had been completed as of the satisfaction of the performance-based vesting condition. The remaining expense for these awards is being recognized using the accelerated attribution method over the remaining service period.

For option awards granted in prior years, we estimate grant date fair value using the Black-Scholes option pricing model. The grant date fair value of RSUs and RSAs is estimated based on fair value of the underlying common stock.

Recent Accounting Pronouncements

See Note 2. Summary of Significant Accounting Policies in the notes to our consolidated financial statements included elsewhere in this filing for a discussion about new accounting pronouncements adopted as of the date of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have operations within the United States and several international jurisdictions, and are exposed to market risk in the ordinary course of our business. Market risk is the risk of loss that may impact our financial position, future earnings, or future cash flows that may result from changes in financial market prices and rates. Our market risk is primarily a result of fluctuations in interest rates and inflation. We do not use derivative financial instruments for speculative, hedging, or trading purposes, although in the future we might enter into exchange rate hedging arrangements to manage the risks described below.

Interest Rate Risk

We had cash of $882.6 million as of December 31, 2024, which consisted of cash, cash equivalents, and restricted cash held in deposit accounts at financial institutions, and money market funds held with financial institutions. Our cash is held for working capital and general corporate purposes. We do not enter into investments for trading or speculative purposes. Our cash holdings in interest bearing accounts are exposed to market risk due to fluctuations in interest rates, which may affect our interest income. As of December 31, 2024, we had no debt, and therefore no potential market risk for interest expense.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. We continue to monitor the impact of inflation in order to reduce its effects through pricing strategies, productivity improvements, and cost reductions. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Foreign Currency Risk

Our reporting currency is the U.S. dollar. The reporting and functional currency of our wholly-owned foreign subsidiaries is the U.S. dollar. All of our sales are denominated in U.S. dollars, and therefore our revenue is not subject to significant foreign currency risk.

Our operating expenses are denominated in the currencies of the countries in which our operations are located. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. A hypothetical 10% increase or decrease in the relative value of the U.S. dollar would not have a material impact on our operating results.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Klaviyo, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Klaviyo, Inc. and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive loss, changes in redeemable common stock and stockholders' equity (deficit), and cash flows, for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also 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 December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2025, expressed an unqualified opinion on the Company's internal control over financial reporting.

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 Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates 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 financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company's revenue is comprised primarily of subscription fees made up of a large volume of low-dollar subscription transactions, sourced from various applications and supporting databases. The processing and recording of revenue is highly automated and is based on the contractual terms with customers. Because of the nature of the Company's subscription fees, the Company uses automated systems to process and record its revenue transactions. Given the Company's systems to process and record revenue are highly automated, auditing revenue is complex and challenging due to the extent of audit effort required and involvement of professionals with expertise in information technology ("IT") necessary to identify, test, and evaluate the Company's systems, software applications, and automated controls.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's systems that process revenue transactions included the following procedures, among others:

- With the assistance of our IT specialists, we:
    - Identified the significant systems used to process revenue transactions and tested the effectiveness of general IT controls over each of these systems, including testing of user access controls, change management controls, and IT operations controls.
    - Performed testing of system interface controls and automated controls within the relevant revenue streams, as well as the controls designed to ensure the accuracy and completeness of revenue.
- We tested internal controls over the Company's relevant revenue business processes, including those in place to reconcile the various systems to the Company's general ledger.
- We created data visualizations to evaluate recorded revenue and evaluate trends in the transactional revenue data.
- For a sample of revenue transactions, we compared the recorded revenue to source documents and tested the accuracy of the recorded revenue.
- For the revenue billed through a payment processor, we tested the reconciliation of the recorded revenue to total cash received during the year.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 19, 2025

We have served as the Company's auditor since 2020.

Klaviyo, Inc.
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Data)

	As of, December 31, 2024	As of, December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 881,473	$ 738,562
Restricted cash	375	409
Accounts receivable, net of allowance for doubtful accounts	43,095	23,076
Deferred contract acquisition costs, current	20,544	15,198
Prepaid expenses and other current assets	34,262	26,244
Total current assets	979,749	803,489
Property and equipment, net	48,200	43,450
Right-of-use assets, net	42,917	36,987
Deferred contract acquisition costs, non-current	32,527	23,177
Restricted cash, non-current	739	686
Prepaid marketing expense	153,346	173,844
Other non-current assets	15,830	7,417
Total assets	$ 1,273,308	$ 1,089,050
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 14,579	$ 13,597
Accrued expenses	99,828	62,838
Lease liabilities, current	20,989	14,081
Deferred revenue	64,497	40,100
Total current liabilities	199,893	130,616
Lease liabilities, non-current	32,449	37,498
Other non-current liabilities	6,979	6,159
Total liabilities	239,321	174,273
Stockholders' Equity		
Preferred stock: $0.001 par value; 100,000,000 and 100,000,000 shares authorized; 0 and 0 shares issued; 0 and 0 shares outstanding at December 31, 2024 and 2023, respectively.	—	—
Series A common stock: $0.001 par value; 3,000,000,000 and 3,000,000,000 shares authorized; 88,956,301 and 40,841,834 shares issued and outstanding at December 31, 2024 and 2023, respectively.	89	41
Series B common stock: $0.001 par value; 350,000,000 and 350,000,000 shares authorized; 183,801,332 and 218,524,009 shares issued and outstanding at December 31, 2024 and 2023, respectively.	184	219
Additional paid-in capital	1,878,899	1,713,560
Accumulated deficit	(845,185)	(799,043)
Total stockholders' equity	1,033,987	914,777
Total liabilities and stockholders' equity	$ 1,273,308	$ 1,089,050

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

Klaviyo, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(In Thousands, Except Share and Per Share Data)

	Year Ended December 31, 2024	2023	2022
Revenue	$ 937,464	$ 698,099	$ 472,748
Cost of revenue	221,305	177,888	128,025
Gross profit	716,159	520,211	344,723
Operating expenses:			
Selling and marketing	404,209	394,369	213,848
Research and development	238,459	262,177	104,077
General and administrative	157,569	194,287	81,834
Total operating expenses	800,237	850,833	399,759
Operating loss	(84,078)	(330,622)	(55,036)
Other income (expense):			
Other income (expense)	816	(470)	388
Interest income	39,582	24,051	5,538
Total other income	40,398	23,581	5,926
Loss before income taxes	(43,680)	(307,041)	(49,110)
Provision for income taxes	2,462	1,192	83
Net loss	(46,142)	(308,233)	(49,193)
Comprehensive loss	$ (46,142)	$ (308,233)	$ (49,193)
Net loss per share attributable to Series A and Series B common stockholders, basic and diluted	$ (0.17)	$ (1.27)	$ (0.21)
Weighted average common shares outstanding, basic and diluted	266,336,826	242,889,272	229,857,206

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

Klaviyo, Inc.
Consolidated Statements of Changes in Redeemable Common Stock and Stockholders' Equity (Deficit)
(In Thousands, Except Share and Per Share Data)

	Redeemable Common Stock		Series A Common Stock		Series B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Number of Shares	Amount	Number of Shares	$0.001 Par Value	Number of Shares	$0.001 Par Value			
Balance as of January 1, 2022	64,046,223	$ 2,566,332	—	$ —	161,756,287	$ 162	$ —	$ (2,236,226)	$ (2,236,064)
Issuance of common stock upon exercise of common stock options	—	—	—	—	1,551,963	2	1,632	—	1,634
Accretion of redeemable common stock to redemption value	—	(1,034,479)	—	—	—	—	1,034,479	—	1,034,479
Issuance of common stock, net of issuance costs of $307	—	—	—	—	2,951,846	3	69,117	—	69,120
Issuance of investment option, net of issuance costs of $135	—	—	—	—	—	—	30,438	—	30,438
Issuance of common stock upon exercise of collaboration agreement warrants	—	—	—	—	4,526,157	4	41	—	45
Vested warrants related to the collaboration agreement	—	—	—	—	—	—	106,455	—	106,455
Stock-based compensation expense	—	—	—	—	—	—	6,802	—	6,802
Vesting of restricted common stock	—	—	—	—	35,727	—	101	—	101
Vesting of restricted stock units	—	—	—	—	33,333	—	—	—	—
Net loss	—	—	—	—	—	—	—	(49,193)	(49,193)
Balance as of December 31, 2022	64,046,223	$ 1,531,853	—	$ —	170,855,313	$ 171	$ 1,249,065	$ (2,285,419)	$ (1,036,183)
Issuance of common stock upon exercise of common stock options	—	—	—	—	2,419,308	3	4,141	—	4,144
Issuance of common stock upon vesting of restricted stock units	—	—	27,250	—	7,179,136	7	(7)	—	—
Accretion of redeemable common stock to redemption value	—	399,685	—	—	—	—	(399,685)	—	(399,685)
Issuance of common stock upon exercise of collaboration agreement warrants	—	—	—	—	6,051,285	6	56	—	62
Vested warrants related to the collaboration agreement	—	—	—	—	—	—	142,326	—	142,326
Stock-based compensation expense	—	—	—	—	—	—	342,148	—	342,148
Vesting of restricted common stock	—	—	—	—	26,795	—	75	—	75
Issuance of common stock in connection with Initial Public Offering, net of underwriters' discounts, commissions and offering costs of $25,135	—	—	11,507,693	12	—	—	320,084	—	320,096
Shares withheld for tax withholding upon vesting of restricted stock units	—	—	(11,874)	(1)	(2,735,286)	(2)	(81,508)	—	(81,511)
Reclassification of redeemable common stock to Series B common stock	(64,046,223)	(1,931,538)	—	—	64,046,223	64	136,865	1,794,609	1,931,538
Conversion of Series B common stock to Series A common stock upon shareholder election and vesting of certain equity awards	—	—	27,548,447	28	(27,548,447)	(28)	—	—	—
Conversion of Series B common stock to Series A common stock upon exercise of greenshoe option	—	—	1,770,318	2	(1,770,318)	(2)	—	—	—
Net loss	—	—	—	—	—	—	—	(308,233)	(308,233)
Balance as of December 31, 2023	—	$ —	40,841,834	$ 41	218,524,009	$ 219	$ 1,713,560	$ (799,043)	$ 914,777

Klaviyo, Inc.
Consolidated Statements of Changes in Redeemable Common Stock and Stockholders' Equity (Deficit) (cont.)
(In Thousands, Except Share and Per Share Data)

	Redeemable Common Stock		Series A Common Stock		Series B Common Stock				
	Number of Shares	Amount	Number of Shares	$0.001 Par Value	Number of Shares	$0.001 Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance as of December 31, 2023	—	$ —	40,841,834	$ 41	218,524,009	$ 219	$ 1,713,560	$ (799,043)	$ 914,777
Issuance of common stock upon exercise of common stock options	—	—	—	—	6,567,334	7	9,705	—	9,712
Issuance of common stock upon vesting of restricted stock units	—	—	1,663,016	2	4,176,480	4	(6)	—	—
Issuance of common stock upon exercise of collaboration agreement warrants	—	—	—	—	1,377,528	1	13	—	14
Issuance of common stock under the employee stock purchase plan	—	—	387,773	—	—	—	8,125	—	8,125
Vested warrants related to the collaboration agreement	—	—	—	—	—	—	32,399	—	32,399
Stock-based compensation expense	—	—	—	—	—	—	138,767	—	138,767
Tax withholdings on settlement of stock-based awards	—	—	(139,996)	—	(640,345)	(1)	(23,664)	—	(23,665)
Conversion of Series B common stock to Series A common stock upon shareholder election and vesting of certain equity awards	—	—	46,203,674	46	(46,203,674)	(46)	—	—	—
Net loss	—	—	—	—	—	—	—	(46,142)	(46,142)
Balance as of December 31, 2024	—	$ —	88,956,301	$ 89	183,801,332	$ 184	$ 1,878,899	$ (845,185)	$ 1,033,987

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

Klaviyo, Inc.
Consolidated Statements of Cash Flow
(In Thousands)

	Year Ended December 31,		
	2024	2023	2022
Operating activities			
Net loss	$ (46,142)	$ (308,233)	$ (49,193)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	17,717	13,651	9,040
Non-cash operating lease costs	12,682	12,997	11,831
Amortization of deferred contract acquisition costs	19,752	15,764	10,613
Amortization of prepaid marketing expense	52,897	52,897	22,040
Loss on disposal of property and equipment	235	6	—
Bad debt expense	741	524	734
Stock-based compensation expense	135,212	340,799	6,802
Deferred income tax	559	(3,229)	—
Other	10	118	75
Changes in operating assets and liabilities:			
Accounts receivable	(20,761)	(12,877)	(5,164)
Deferred contract acquisition costs	(34,448)	(26,941)	(20,195)
Prepaid expenses, prepaid taxes, and other assets	(17,296)	(2,375)	(5,180)
Accounts payable	113	4,505	(21,115)
Accrued expenses	36,169	26,666	15,377
Deferred revenue	24,397	14,991	10,017
Operating lease liabilities	(16,722)	(15,197)	(9,272)
Other non-current liabilities	840	5,305	38
Net cash provided by (used in) operating activities	165,955	119,371	(23,552)
Investing activities			
Acquisition of property and equipment	(5,921)	(3,653)	(15,821)
Capitalization of software development costs	(11,305)	(5,705)	(2,424)
Acquisition of business	—	—	(500)
Net cash used in investing activities	(17,226)	(9,358)	(18,745)
Financing activities			
Proceeds from exercise of common stock options	9,741	4,216	1,718
Cash paid for finance leases	(19)	(21)	(21)
Proceeds from exercise of warrants	14	62	45
Proceeds from issuance of common stock, net of issuance costs	—	—	99,558
Proceeds from issuance of common stock in initial public offering, net of issuance costs	—	320,096	—
Employee taxes paid related to net share settlement of stock-based awards	(23,665)	(81,625)	—
Proceeds from employee stock purchase plan	8,130	—	—
Net cash (used in) provided by financing activities	(5,799)	242,728	101,300
Net increase in cash, cash equivalents, and restricted cash	142,930	352,741	59,003
Cash, cash equivalents, and restricted cash, beginning of period	739,657	386,916	327,913
Cash, cash equivalents, and restricted cash, end of period	$ 882,587	$ 739,657	$ 386,916

Klaviyo, Inc.
Consolidated Statements of Cash Flow
(In Thousands)

Supplemental disclosures of cash flow information:						
Cash paid for income taxes, net of refunds	$	4,691	$	283	$	204
Non-cash investing and financing activities						
Recognition of prepaid marketing asset	$	32,399	$	142,326	$	106,455
Vesting of restricted common stock	$	—	$	75	$	101
Accretion of common stock subject to redemption	$	—	$	(399,685)	$	1,034,479
Unpaid purchases of property and equipment	$	2,158	$	472	$	44
Reclassification of redeemable common stock to Series B common stock	$	—	$	1,931,538	$	—
Capitalization of stock-based compensation expense related to internal-use software	$	3,555	$	1,349	$	—

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

Klaviyo, Inc.
Notes to the Consolidated Financial Statements

1. Organization and Business Description

Klaviyo, Inc. (the "Company") is a technology company that provides a software-as-a-service ("SaaS") platform to enable its customers to send the right messages at the right time across email, short message service ("SMS") and push notifications, more accurately measure and predict performance, and deploy specific actions and campaigns. The Company's reviews add-on allows for the collection of product reviews within its platform and its Customer Data Platform ("CDP") offering gives user-friendly ways to track, transform, and cleanse data as well as run more advanced reporting and predictive analysis to drive revenue growth. The platform combines proprietary data and application layers into one solution with machine learning and artificial intelligence capabilities. The Company focused on marketing automation within eCommerce as its first application use case.

The Company generates revenue through the sale of subscriptions to its customers for the use of its platform. Subscription plans are tiered based on the number of consumer profiles stored on the Company's platform and the number of emails and SMS messages sent.

The Company is headquartered in Boston, Massachusetts and was incorporated in the state of Delaware on September 14, 2012. The Company has several wholly-owned subsidiaries in the United States and international jurisdictions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASUs") of the Financial Accounting Standards Board ("FASB").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the allowance for doubtful accounts, determination of revenue recognition under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), estimated benefit period of deferred contract acquisition costs, estimated life of prepaid marketing expense, and historical valuation of common stock and stock-based compensation, including fair value of the investment option and warrants.

The Company evaluates estimates based on historical and anticipated results, trends, and various other assumptions. The Company assesses these estimates on a regular basis; however, actual results could differ from these estimates.

Segment Information

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined that it operates in one operating segment and one reportable segment as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

The key measure of segment profit or loss that the CODM uses to make operating decisions, allocate resources and evaluate financial performance is the Company's consolidated net income, as reported in the Consolidated Statements of Operations and Comprehensive Loss. Net income is used to plan and forecast for future periods, design and implement key marketing strategies, expand into new markets, and launch new products. Significant expense categories regularly provided to the CODM are those disclosed in the Consolidated Statements of Operations and Comprehensive Loss.

Information related to the geographical distribution of the Company's revenues and long-lived assets is disclosed in *Note 14. Segment Information and Geographic Data*.

Revenue Recognition

The Company provides a SaaS solution for personalized email and SMS marketing services through a cloud-based analytics platform. The core functionalities of the software are segmentation of users' customer lists to facilitate targeted messaging via email, SMS, and push messaging, and the use of data science and analytics to evaluate historical sales and predict consumer activity. Revenues are derived primarily from subscription revenues, which are comprised of subscription fees from customers accessing its hosted platform services for targeted messaging.

Contractual subscriptions for customers generally auto-renew on either a monthly, quarterly, or annual basis, and customers may elect not to renew by providing at least five days' advance notice for contracts on a monthly billing cycle and thirty days' advance notice for contracts with any other billing cycle. The customer does not have the right to take possession of the Company's software. Subscription pricing is determined based on a customer's profile and messaging count and monthly messaging quantities and is considered fixed, based on a tiered pricing structure. Variable consideration in the Company's contracts is not material but represents the overage charges incurred by customers who exceed their allotments.

The Company recognizes revenue under the core principle to depict the transfer of control to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company evaluates its revenue arrangements under the five-step model as follows: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when or as the Company satisfies a performance obligation.

Typically, the SaaS subscription contracts consist of a single performance obligation, and revenue is recognized over time as the performance obligation is satisfied. The performance obligation is deemed to be satisfied ratably as the customer simultaneously receives and consumes the services that the Company performs and typically have the same term. Due to the term of a majority of the Company's contracts being less than one year, the Company has determined a significant financing component does not exist.

The Company accounts for individual performance obligations separately if they have been determined to be distinct (i.e., the services are separate if identifiable from other items in the arrangement and the customer can benefit from them on their own or with other resources that are readily available to the customer). The transaction price is allocated to the distinct performance obligations on a relative stand-alone selling price basis. Stand-alone selling prices are determined based on the prices at which the Company separately sells subscriptions.

Sales and VAT taxes collected from customers and remitted to government authorities are excluded from revenue. The Company incurs fees based on transaction volume and dollars processed through its credit card processor which are classified as general and administrative expense. Through the Company's credit card processor, all receivables related to credit cards are collected within three business days.

Cost of Revenue

Cost of revenue consists of costs related to supporting and hosting the Company's software platform and channel offering for paying customers. These costs primarily include cloud-based infrastructure costs, outbound communication sending costs, employee-related costs including payroll, benefits, bonuses, and stock-based compensation expense related to the customer support team, amortization of capitalized internal-use software development costs, and allocated overhead costs, including rent, facilities, depreciation, and costs related to information technology.

Deferred Revenue

Deferred revenue primarily consists of billings in advance of revenue recognition from subscription services and is recognized as the revenue recognition criteria is met.

The Company generally bills its subscription customers in advance of their subscription term. Revenue that is expected to be recognized during future periods is recorded as deferred revenue.

Deferred Contract Acquisition Costs

Deferred contract acquisition costs are incremental costs incurred in connection with acquiring a customer contract and consists primarily of sales commissions and the associated payroll taxes. The Company expects to benefit from those costs for more than one year as the Company primarily pays sales commissions on the initial contract, and there are no commensurate commissions paid on contract renewals.

Deferred contract acquisition costs are amortized on a basis consistent with the transfer of the services to which the asset relates. This results in capitalized costs being recognized on a ratable basis over the estimated period of future benefit ranging from 18 months to 60 months. The Company estimates the future period of benefit considering the size of the customer, the current contract term, the impact of estimated customer renewal terms, and the estimated life of the technology solution underlying the contracts. The Company periodically reviews the carrying amount of capitalized costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit.

As of December 31, 2024 and 2023, deferred contract acquisition costs expected to be recognized within one year were $20.5 million and $15.2 million, respectively, and deferred contract acquisition costs expected to be recognized beyond one year were $32.5 million and $23.2 million, respectively.

Shopify Collaboration Agreement

On July 28, 2022, the Company entered into a collaboration agreement with Shopify Inc. and certain of its affiliates (collectively, "Shopify") to form a strategic relationship for the purposes of creating greater interoperability between the Klaviyo and Shopify platforms and forming a strategic product, distribution, and marketing relationship. Shopify became a related party upon execution of this agreement. The collaboration agreement has a term of 7 years and automatically renews for successive one-year periods unless the Company or Shopify provides written notice of non-renewal. In connection with the collaboration agreement, the Company entered into 3 separate agreements including a revenue sharing agreement, common stock warrant agreement, and stock purchase agreement.

Klaviyo, Inc.
Notes to the Consolidated Financial Statements

Under the revenue sharing agreement, the Company will make payments to Shopify in exchange for marketing services received under the collaboration agreement, which are comprised of payments for the Shopify Core Revenue Share and payments for the Shopify Plus Integration Fee. These payments are calculated as follows:

- *Shopify Core Revenue Share:* For all revenue generated through the use of the Company's email and SMS marketing applications by Shopify merchants designated as "Shopify Core Merchants" in respect of leads attributed to Shopify, the Company is obligated to pay Shopify a percentage of such revenues or the amounts owed to Shopify under the terms of Shopify's standard partnership agreements applicable to all Shopify partners, which is 15% of any revenues exceeding a $1 million threshold.

- *Shopify Plus Integration Fee*: On a monthly basis, the Company is required to pay Shopify a fee ("Shopify Plus Integration Fee" or "Integration Fee"), subject to an annual increase at Shopify's election (up to a maximum increase of not more than a percentage calculated through a formula provided in the revenue sharing agreement), with respect to each Shopify Plus Merchant where all of the following circumstances apply: (a) the Shopify Plus Merchant was on Shopify's Plus program at the end of the relevant month; (b) one or more of the Shopify Plus Merchant's covered stores has the Company's application installed at both the beginning and at the end of the relevant month; and (c) the Company's application received a webhook request and/or made any Application Programming Interface calls against one or more of the Shopify Plus Merchant's covered stores in the relevant month (i.e., the Company's application is integrated with the Shopify platform and data is flowing between them).

The Company determined that Shopify is a vendor and not a customer, as the collaboration agreement is a services contract under which the Company is receiving marketing services from Shopify in exchange for payments under the revenue sharing agreement. The revenue sharing agreement is a mechanism for Shopify to be compensated for the customer acquisition and marketing services Shopify is providing to the Company. Shopify is not a reseller or distributor of the Company's platform, nor does Shopify provide any services on the Company's behalf. During the years ended December 31, 2024 and 2023, the Company incurred $27.4 million and $21.9 million, respectively, related to fees paid under the revenue sharing agreement. During the year ended December 31, 2022, the Company incurred an aggregate of $16.2 million fees paid to Shopify pursuant to revenue sharing arrangements, inclusive of $7.7 million paid to Shopify pursuant to the terms of the Shopify revenue sharing agreement and $8.5 million paid to Shopify pursuant to the terms of the Company's prior agreement with Shopify that was in place prior to, and replaced by, the Shopify revenue sharing agreement. As of December 31, 2024 and 2023, the Company had $2.6 million and $4.5 million, respectively, in accrued expenses owed to Shopify for fees payable under the revenue sharing agreement.

As consideration for the collaboration agreement, the Company also issued warrants that allow Shopify to purchase up to 15,743,174 shares of common stock at a price of $0.01 per share, of which 25% of the warrants vested on the grant date on July 28, 2022, and the remaining 75% of the warrants vest quarterly over the remaining 5 year period. The aggregate grant date fair value of the warrants was $370.3 million and is being capitalized to prepaid marketing expense as the warrants vest. The prepaid marketing expense asset is amortized into selling and marketing expense on a straight-line basis over the expected benefit period, which is the 7 year term of the collaboration agreement.

Pursuant to the common stock warrant agreement, upon the Company's initial public offering ("IPO") in September 2023, 25% of the total number of warrants were accelerated, and the remaining unvested portion vests quarterly over the remaining term. Specifically, the vesting associated with 3,935,793 of the outstanding warrants was accelerated resulting in an increase to prepaid marketing expense of $92.6 million. During the years ended December 31, 2024 and 2023, the Company capitalized prepaid marketing expense of $32.4 million and $142.3 million related to the vested warrants, respectively. For the years ended December 31, 2024, 2023 and 2022, the Company recorded marketing expense of $52.9 million, $52.9 million and $22.0 million, respectively, in the Consolidated Statements of Operations and Comprehensive Loss as a component of selling and marketing expense related to the amortization of the prepaid marketing expense. As of December 31, 2024 and 2023, the Company's prepaid marketing expense were $153.3 million and

$173.8 million, respectively. As of December 31, 2024, there was $242.4 million of unrecognized marketing expense related to the warrants that will be recognized over 4.6 years. Refer to *Note 11. Redeemable Common Stock, Common Stock, and Stockholders' Equity (Deficit)* for further discussion of the warrants.

On June 24, 2022, the Company entered into a stock purchase agreement with Shopify. On the closing date of July 28, 2022, Shopify purchased 2,951,846 shares of common stock for $33.88 per share. The stock purchase agreement gives Shopify the right to purchase 15,743,174 additional shares of common stock for $88.93 per share (the "Investment Option"). The common stock and Investment Option were determined to be freestanding financial instruments purchased at fair value and were accounted for separately from the collaboration agreement, revenue sharing agreement, and common stock warrant agreement. Refer to *Note 11. Redeemable Common Stock, Common Stock, and Stockholders' Equity (Deficit)* for further discussion of the common stock purchase and Investment Option.

Research and Development Costs

Research and development costs are expensed as incurred, unless they qualify as capitalized internal-use software development costs. Research and development costs consist primarily of personnel-related expenses associated with the Company's research and development staff, including payroll, benefits, bonuses, and stock-based compensation.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended December 31, 2024, 2023 and 2022, the Company incurred advertising expenses, which are included within selling and marketing expenses on the Consolidated Statements of Operations and Comprehensive Loss, in the amount of $45.9 million, $41.6 million, and $40.3 million, respectively.

Stock-Based Compensation

The Company recognizes stock-based compensation on awards granted under stock compensation plans, which are described in more detail in *Note 12. Stock-Based Compensation*.

The Company measures stock-based compensation awards, including stock options and restricted stock units ("RSUs"), based on the estimated fair value of the awards on the date of grant. Stock-based compensation expense is recorded for awards issued to employees and non-employees at fair value with a corresponding increase in additional paid-in capital. For awards with service conditions only, the Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. Forfeitures are recognized when they occur.

RSUs granted under the Company's 2015 Stock Incentive Plan (the "2015 Plan") are subject to both service-based and performance-based vesting conditions, whereby the performance condition is satisfied upon occurrence of a liquidity event. Upon the effectiveness of the Company's registration statement on Form S-1 filed with the SEC in connection with its IPO in September 2023, the performance vesting condition was satisfied and cumulative compensation cost was recognized using the accelerated attribution method. Compensation costs continue to be recognized under this method as the RSUs vest over the remaining service period. Generally, 2015 Plan awards vest or are exercisable into shares of Series B common stock and are immediately reclassified to shares of Series A common stock based upon the employee's conversion election made at the time of the Company's IPO. The fair value of each RSU grant is calculated based on the estimated fair value of the Company's common stock on the date of grant, or, if modified, the date of modification.

RSUs granted under the Company's 2023 Stock Option and Incentive Plan (the "2023 Plan") are for shares of Series A common stock and are subject to service-based vesting conditions only. Compensation costs related to these awards are recognized using the straight-line method over the service period of the award. The fair value of each RSU grant is calculated based on the fair value of the Company's Series A common stock on the date of grant, or, if modified, the date of modification.

Rights granted to employees to purchase shares of Series A common stock under the Company's 2023 Employee Stock Purchase Plan (the "ESPP") are subject to service-based vesting conditions only. Compensation costs related to the ESPP are recognized using the straight-line method over the service period of the award. The fair value of the estimated shares of Series A common stock to be purchased is computed as the sum of (a) 15% purchase discount off the grant date quoted trading price of the Company's Series A common stock and (b) the fair value of the look-back feature of the Company's Series A common stock on the grant date which consists of a call option on 85% of a share of Series A common stock and a put option on 15% of a share of Series A common stock.

Redeemable Common Stock

Redeemable common stock represents shares of the Company's common stock that were redeemable at the option of the investor after a specified date. The initial carrying amount of redeemable common stock is equal to the respective issuance date fair value of the common stock subject to redemption, less issuance costs. The carrying amount is adjusted to equal the redemption value, which is equal to the fair value of a single share of common stock at the end of each reporting period. The carrying amount is subject to a floor equal to the initial carrying amount. The resulting changes in the redemption value are recorded with corresponding adjustments against retained earnings, if available, additional paid-in capital or accumulated deficit. Redeemable common stock is classified outside of permanent equity on the Consolidated Balance Sheets as the redemption option was outside of the Company's control. As the redemption feature applicable to certain shares of the Company's common stock was terminated upon the Company's IPO, all shares of the Company's redeemable common stock converted into 64,046,223 shares of Series B common stock upon the effectiveness of the Company's registration statement on Form S-1 filed with the SEC on September 19, 2023. Refer to *Note 11. Redeemable Common Stock, Common Stock, and Stockholders' Equity (Deficit)* for further discussion.

Non-Vested Restricted Common Stock

The Company may grant non-vested restricted common stock to employees, directors, and consultants with or without cash consideration. These grants contain certain restrictions on the sale of the shares. Non-vested restricted common stock are considered issued, but not outstanding, for accounting purposes until they vest. Upon termination of the relationship with a holder of the non-vested restricted common stock, the Company has the right to repurchase the non-vested restricted common stock at the price paid by the holder or, if there was no consideration, a price per share as defined in the Company's agreement with the holder of the restricted common stock. All restricted common stock was vested as of December 31, 2023.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which utilizes the asset and liability method for the financial accounting and reporting of income taxes. Under this method, deferred income taxes are recognized for the expected future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. The amount of any future tax benefit associated with deferred tax assets is reduced by a valuation allowance when there is uncertainty that those tax benefits will be realized.

The Company accounts for uncertain tax positions using a more-likely-than-not recognition threshold in accordance with ASC 740. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity, and changes in facts or circumstances related to a tax position. Interest and penalties related to uncertain tax positions are included as a component of income tax expense.

As of December 31, 2024, the liability for income taxes associated with uncertain tax positions was $1.3 million. As of December 31, 2023, the Company had no recorded liabilities for uncertain tax positions and had no accrued interest or penalties related to uncertain tax positions.

Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of $1.0 million and $1.5 million as of December 31, 2024 and 2023, respectively. The allowance for doubtful accounts is established to represent the Company's best estimate of the net realizable value of the outstanding amount of receivables that it will be unable to collect. The development of the Company's allowance for doubtful accounts is based on a review of factors such as the customer's payment history, historical loss patterns, the general economic climate, age, and past due status of invoices. If circumstances relating to specific customers change or unanticipated changes occur in the general business environment, the Company's estimates of the recoverability of receivables could be further adjusted.

The allowance for doubtful accounts consists of the following activity (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Balance at beginning of the period	$ 1,479	$ 2,253	$ 1,917
Provisions for uncollectible accounts, net of recoveries	349	28	1,224
Write offs	(798)	(802)	(888)
Balance at end of the period	$ 1,030	$ 1,479	$ 2,253

Accounts receivable is shown inclusive of unbilled accounts receivable of $1.7 million and $1.8 million as of December 31, 2024 and 2023, respectively. The unbilled accounts receivable is made up entirely of overages incurred by customers who have exceeded their subscription allotment as of period end but are not yet due for their period end billing.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents. As of December 31, 2024 and 2023, the Company had cash equivalents of $278.2 million and $314.5 million, respectively, in money market funds.

As of December 31, 2024 and 2023, the Company had a current restricted cash balance of $0.4 million and $0.4 million, respectively. As of December 31, 2024 and 2023, the Company had a non-current restricted cash balance of $0.7 million and $0.7 million, respectively. Restricted cash at December 31, 2024 and 2023 related to the Company's required collateral to fund payroll and credit card obligations in its Australian entity as well as collateral required to be held as a result of the Company's office lease in Australia. Restricted cash is included in current assets for obligations that expire within one year and is included in non-current assets for assets that expire more than one year from the balance sheet date.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the Consolidated Balance Sheets to the total of the amounts reported in the Consolidated Statements of Cash Flow (in thousands):

	As of,	
	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 881,473	$ 738,562
Restricted cash - current	375	409
Restricted cash - non-current	739	686
Total cash, cash equivalents, and restricted cash	$ 882,587	$ 739,657

Concentrations of Credit Risk, Significant Customers, and Vendors

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash, restricted cash, and accounts receivable.

The Company maintains its cash and restricted cash at accredited financial institutions. Bank accounts in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of December 31, 2024 and 2023, the Company's primary operating accounts significantly exceeded federally insured limits. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Credit risk with respect to accounts receivable is dispersed due to the Company's large number of customers. The Company routinely assesses the creditworthiness of its customers. The Company does not require collateral. The Company maintains an allowance for potentially uncollectible accounts receivable. Accounts receivable is stated at the amount management expects to collect from outstanding balances. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable.

Significant concentrations of credit risk constitute customers that represent 10% or more of accounts receivable. As of December 31, 2024 and 2023, no individual customer accounted for more than 10% of accounts receivable. Additionally, there were no customers that represented 10% or more of the Company's revenue for the years ended December 31, 2024, 2023, and 2022.

The Company had certain vendors who individually represented 10% or more of the Company's total vendor expenditures. For the year ended December 31, 2024, three vendors represented 17%, 16%, and 12% of total vendor expenditures. For the year ended December 31, 2023, three vendors represented 19%, 14%, and 12% of total vendor expenditures. For the year ended December 31, 2022, two vendors represented 19% and 13% of total vendor expenditures.

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation, are removed from the accounts, and any resulting gain or loss is included in the determination of net income or loss in the period of retirement. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements are capitalized as additions to property and equipment. The estimated useful lives of the Company's property and equipment are as follows:

Office equipment	5 years
Computer equipment	3 years
Furniture and fixtures	3 - 5 years
Leasehold improvements	Lesser of lease term or useful life
Asset retirement cost	Lesser of lease term or 5 years

Asset Retirement Obligations ("ARO")

As part of the build out of the Company's headquarters in Boston, Massachusetts, the Company built an internal staircase connecting multiple floors. This staircase required the removal of ground space to connect the floors. The lease agreement requires the Company to incur the costs required to restore the leased space to its original condition. During fiscal year 2020, on the lease commencement date, the Company established an ARO based on the present value of contractually required estimated future costs to retire long-lived assets at the termination or expiration of a lease and to return the space to its original condition. The asset associated with the ARO is amortized over the lease term or 5 years to operating expense, and the ARO is accreted to the end of lease obligation value over the same term. The ARO established by the Company is described in more detail in *Note 5. Property and Equipment, Net.*

Capitalized Internal-Use Software

The Company capitalizes qualifying costs incurred during the application development stage in connection with the development of internal-use software, which are included on the Consolidated Balance Sheets as a component of property and equipment, net. Costs related to preliminary project activities and post-implementation stages of software development are expensed as incurred.

Costs capitalized as internal-use software development costs include eligible salaries, stock-based compensation, and other compensation-related costs of employees incurred in developing new features and enhancements when the costs will result in additional functionality. Capitalized internal-use software development costs are amortized on a straight-line basis over their estimated useful life of 3 years. Computer software development costs that do not qualify for capitalization are expensed as incurred.

Capitalization begins when the preliminary project stage is complete, management authorizes and commits to the funding of the software project with appropriate authority, it is probable the project will be completed, the software will be used to perform the functions intended, and certain functional and quality standards have been met.

Leases

The Company determines whether an arrangement contains a lease at inception. At the commencement date, the Company will perform the classification tests to determine whether its leases are operating or financing and recognize the related lease liability and right-of-use ("ROU") asset. The Company, as the lessee, recognizes on the Consolidated Balance Sheets a liability to make lease payments and an ROU asset representing the right to use the underlying asset for both finance and operating leases with a lease term longer than twelve months. Lease liabilities and their corresponding ROU assets are recognized based on the present value of unpaid lease payments over the expected lease term.

The Company has elected the following practical expedients: (1) not to separate lease and non- lease components for all asset classes and (2) not to recognize leases with a term of 12 months or less at commencement on the Consolidated Balance Sheets for all asset classes. If there is a change in the Company's assessment of the lease term and, as a result, the remaining lease term extends more than 12 months from the end of the previously determined lease term, the lease no longer meets the definition of a short-term lease and is accounted for as either an operating or finance lease and recognized on the Consolidated Balance Sheets.

The Company leases office space and office equipment under non-cancelable operating leases ranging from 1 to 8 years. Certain leases include options to extend the leases for up to 5 years. These options will be included in the lease term when they are reasonably certain to be exercised. The Company's leases generally do not include options to terminate the leases or to purchase the underlying asset.

The Company's leases are primarily fixed payments. Certain of the Company's leases include variable lease payments, generally related to the lessor's operating costs associated with the underlying asset, which are expensed as incurred. The Company's leases generally do not contain residual value guarantees.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate ("IBR") to calculate the present value of future minimum lease payments, which is the estimated rate the Company would be required to pay for fully collateralized borrowing over the period similar to lease terms. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Foreign Currency Translation

The functional currency of the Company's foreign subsidiaries is the U.S. dollar ("USD"). In certain instances, the Company enters into transactions that are denominated in a currency other than the USD. At the date that such transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured and recorded in USD using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the USD are adjusted to USD using the exchange rate at the balance sheet date, with gains or losses recognized in other, net in the Consolidated Statements of Operations and Comprehensive Loss. Foreign currency translation gains and losses were immaterial for the periods presented. Foreign currency transaction gains were $1.0 million for the year ended December 31, 2024. The Company recognized an immaterial foreign currency transaction loss for the year ended December 31, 2023 and an immaterial foreign currency transaction gain for the year ended December 31, 2022.

Fair Value Measurements

Certain assets and liabilities are carried at fair value in accordance with Accounting Standards Codification ASC 820, *Fair Value Measurement* ("ASC 820"). Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities
- *Level 2* – Observable inputs (other than level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Certain non-financial assets, such as intangible assets, right of use assets, and property and equipment, are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. Such fair value measures are considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used. The Company has not recorded any impairment charges during any of the periods presented.

Loss Per Share

In accordance with FASB ASC 260, *Earnings Per Share*, the basic net loss per share attributable to Series A and Series B common stockholders is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the applicable period.

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Diluted net loss per share attributable to Series A and Series B common stockholders is computed in the same manner as basic net income loss per share as the inclusion of all potentially dilutive securities outstanding would be antidilutive. See *Note 13. Loss Per Share* for further information.

Impairment of Long-Lived Assets

The Company periodically evaluates all long-lived assets or asset groups for impairment. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset or asset group exceeds its estimated undiscounted future net cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset. There was no impairment recorded during the years ended December 31, 2024, 2023, and 2022.

Recent Accounting Pronouncements

The Company has implemented all applicable accounting pronouncements that are in effect. In November 2023, the FASB issued Accounting Standards Update ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an interim and annual basis. The amendments in ASU 2023-07 are effective for all public entities for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company adopted ASU 2023-07 effective December 31, 2024, with no material impact to its consolidated financial statements and disclosed accordingly within the *Segment Information* section of *Note 2. Summary of Significant Accounting Policies* and *Note 14. Segment Information and Geographic Data*.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09 on its consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Disaggregation of Income Statement Expenses*. The new guidance requires additional disclosure related to the disaggregation of income statement expense categories. ASU 2024-03 is effective for annual periods beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2024-03 on its consolidated financial statements.

There are no other new accounting pronouncements that have been issued that would have a material impact on the Company's financial position or results of operations.

3. Revenue Recognition

Disaggregation of Revenue

The Company provides disaggregation of revenue based on geographic region in *Note 14. Segment Information and Geographic Data.*

Deferred Revenue

The change in deferred revenue reflects billings during the period for which the performance obligation was not satisfied prior to the end of the period, partially offset by revenues recognized during the period. The following table summarizes the changes in the balance of deferred revenue during the periods presented (in thousands):

	Year Ended December 31,	
	2024	2023
Balance at beginning of the period	$ 40,100	$ 25,109
Plus: Billings during the period	961,861	713,090
Less: Revenue recognized during the period	(937,464)	(698,099)
Balance at end of the period	$ 64,497	$ 40,100

For the years ended December 31, 2024 and 2023, revenue recognized from amounts included in deferred revenue at the beginning of the period was $40.1 million and $25.1 million, respectively.

Remaining Performance Obligations

Remaining performance obligations represents the amount of contracted future revenue that has not yet been recognized, including deferred revenue. As of December 31, 2024, the Company's remaining performance obligations are $154.5 million, of which $145.2 million is expected to be recognized within the next twelve months and $9.3 million is expected to be recognized during a period greater than twelve months.

4. Fair Value Measurements

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

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 278,235	$ —	$ —	$ 278,235
Total	$ 278,235	$ —	$ —	$ 278,235

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 314,511	$ —	$ —	$ 314,511
Total	$ 314,511	$ —	$ —	$ 314,511

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As of December 31, 2024 and 2023, certain of the Company’s cash equivalents were held in money market funds. The Company’s investments in money market funds are classified within Level 1 of the fair value hierarchy as they are valued using quoted market prices in active markets.

As of December 31, 2024 and 2023, the Company’s carrying amounts of financial instruments, including cash, restricted cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair value due to their short-term maturities.

5. Property and Equipment, Net

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

	As of,	
	December 31, 2024	December 31, 2023
Capitalized internal-use software	$ 26,698	$ 11,682
Office equipment	4,841	3,633
Computer equipment	7,027	2,939
Furniture and fixtures	8,052	7,242
Leasehold improvements	46,062	45,768
Construction-in-progress	124	78
Asset retirement cost	643	643
Total property and equipment	93,447	71,985
Less accumulated depreciation and amortization	(45,247)	(28,535)
Total property and equipment, net	$ 48,200	$ 43,450

In the years ended December 31, 2024, 2023, and 2022, depreciation and amortization expense related to property and equipment was approximately $17.7 million, $13.7 million, and $8.9 million, respectively.

During the years ended December 31, 2024, 2023 and 2022, the Company capitalized $14.9 million, $7.0 million, and $2.4 million of internal-use software development costs, respectively. The Company recorded amortization expense associated with its capitalized internal-use software development costs of $4.6 million, $1.8 million, and $0.7 million for the years ended December 31, 2024, 2023, and 2022, respectively. Amortization expense is included in cost of revenue in the Consolidated Statements of Operations and Comprehensive Loss.

The asset retirement obligation is included in other non-current liabilities on the Consolidated Balance Sheets. Asset retirement obligation activity is as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Beginning balance	$ 761	$ 722
Additions	—	—
Accretion	41	39
Ending balance	$ 802	$ 761

6. Accrued Expenses

The following table presents components of accrued expenses (in thousands):

	As of,	
	December 31, 2024	December 31, 2023
Accrued compensation and employee related costs	$ 53,652	$ 25,644
Accrued sabbatical	3,233	3,394
Accrued value added tax	1,000	7,530
Other accrued taxes	7,055	6,830
Accrued cost of revenue	18,216	6,656
Accrued professional services	3,475	3,605
Accrued marketing	8,739	6,374
Other accrued expenses	4,458	2,805
Total accrued expenses	$ 99,828	$ 62,838

7. Commitments and Contingencies

Contractual Obligations and Commitments

The Company has material long-term non-cancellable contractual obligations outstanding with marketing vendors and various service providers. Future minimum payments under the Company's non-cancellable purchase commitments as of December 31, 2024, are presented in the table below (in thousands):

Year Ending December 31,	Contractual Commitments
2025	$ 102,514
2026	78,820
2027	44,094
2028	48
2029	—
Total Contractual Commitments:	$ 225,476

Legal Matters

From time to time, the Company may become involved in legal proceedings or be subject to claims arising in the course of its business, including but not limited to claims brought by its customers in connection with commercial disputes and litigation arising from employee and ex-employee related matters. The Company is not presently subject to any pending or threatened litigation, individually or taken together, for which it is reasonably possible to have a material effect on its consolidated financial position or results of operations.

Guarantees and Indemnification Obligations

In the ordinary course of business, the Company enters into agreements with its customers that include commercial provisions with respect to licensing, infringement, indemnification, and other common provisions. The Company does not, in the ordinary course of business, agree to indemnification obligations for the Company under its contracts with customers except for intellectual property infringement claims related to the Company's services. Based on historical experience and information known at December 31, 2024 and 2023, the Company has not incurred any costs for guarantees or indemnities.

8. Leases

The components of lease expense are as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Operating lease cost	$ 12,682	$ 12,618	$ 12,091
Short-term lease cost	178	630	121
Financing lease cost	19	21	21
Total lease cost	$ 12,879	$ 13,269	$ 12,233

Supplemental balance sheet information related to the Company's operating leases is as follows (in thousands):

	As of,	
	December 31, 2024	December 31, 2023
Operating lease ROU assets	$ 42,917	$ 36,987
Operating lease liabilities, current	20,989	14,081
Operating lease liabilities, non-current	32,449	37,498
Total lease liabilities	$ 53,438	$ 51,579

Supplemental cash flow information and non-cash activity related to the Company's leases are as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Cash paid for operating lease liabilities, net of tenant incentives received	$ 16,722	$ 15,197	$ 9,272
ROU assets recognized for new leases and amendments (non-cash)	$ 17,039	$ 1,299	$ 3,452

Other information related to leases is as follows:

	As of,	
	December 31, 2024	December 31, 2023
Weighted average remaining lease term	2.8 years	4.1 years
Weighted average discount rate	5.13 %	4.97 %

Future undiscounted annual cash flows for the Company's operating leases as of December 31, 2024 are as follows (in thousands):

Year Ending December 31,	Operating Leases
2025	$ 21,498
2026	19,838
2027	12,692
2028	3,205
2029	—
Thereafter	—
Total future undiscounted lease payments	57,233
Less imputed interest	(3,795)
Total lease liabilities	$ 53,438

The table above does not include options to extend lease terms that are not reasonably certain of being exercised or leases signed but not yet commenced as of December 31, 2024.

9. Income Taxes

The domestic and foreign components of loss before income taxes are as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
United States	$ (54,059)	$ (312,759)	$ (51,729)
Foreign	10,379	5,718	2,619
Loss before income taxes	$ (43,680)	$ (307,041)	$ (49,110)

The provision (benefit) for income taxes contained the following components (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	$ 750	$ —	$ —
State	211	(26)	99
Foreign	942	4,652	56
	1,903	4,626	155
Deferred:			
Federal	—	—	(95)
State	—	—	(16)
Foreign	559	(3,434)	39
	559	(3,434)	(72)
Provision for income taxes	$ 2,462	$ 1,192	$ 83

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The Company's effective tax rates for the years ended December 31, 2024, 2023, and 2022 are less than the U.S. federal statutory income tax rate of 21.0% primarily due to valuation allowance on the U.S. federal and state deferred tax assets.

	Year Ended December 31,		
	2024	2023	2022
U.S. federal taxes at statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	7.6	4.3	4.4
Federal research and development credits	48.3	3.8	10.3
State research and development credits	20.2	0.9	7.8
Permanent items	(2.4)	(0.4)	(1.0)
Stock-based compensation	57.3	1.6	5.6
Foreign rate differential	0.1	—	—
Non-deductible officers compensation	(32.2)	(2.3)	—
Prepaid marketing expense	3.2	3.6	—
Other	(2.7)	—	(0.8)
Change in valuation allowance	(126.0)	(32.9)	(47.5)
Total	(5.6)%	(0.4)%	(0.2)%

Deferred income taxes reflect the impact of carryforwards and temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The carryforwards and temporary differences that give rise to a significant portion of the Company's deferred tax assets and liabilities as of December 31, 2024 and 2023, are as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	$ 76,714	$ 88,200
Research and development credits	63,894	36,217
Stock-based compensation	25,544	32,204
Lease liability	13,146	12,933
Capitalized research and development	105,266	63,701
Other	7,582	5,553
Total deferred tax assets	292,146	238,808
Deferred tax liabilities:		
Depreciation	(2,362)	(3,543)
Deferred commissions	(9,818)	(7,657)
Amortization	(4,579)	(2,049)
ROU asset	(10,604)	(9,303)
Prepaid marketing expense	(37,112)	(43,084)
Total deferred tax liabilities	(64,475)	(65,636)
Valuation allowance	(225,135)	(170,076)
Net deferred tax assets	$ 2,536	$ 3,096

As of December 31, 2024 and 2023, the Company has federal net operating loss ("NOL") carryforwards of $304.1 million and $349.2 million, respectively, which can be carried forward indefinitely, and state net operating loss carryforwards of $232.6 million and $245.1 million, respectively, which expire at various dates beginning in 2027. As of December 31, 2024 and 2023, the Company has federal credit carryforwards of $44.0 million and $25.1 million, respectively, and state credit carryforwards of $25.2 million and $14.0 million, respectively, which are available to reduce future tax liabilities. If not utilized, the federal research and development credit will begin to expire in 2037 and the state research and development credit will begin to expire in 2025.

The Company is not subject to an annual limitation of its NOL and research and development credit attributes as of December 31, 2024, but subsequent ownership changes may affect the limitation in future years.

The net changes in the total valuation allowance for the year ended December 31, 2024, was an increase of $55.1 million, primarily as a result of the increase in IRC Section 174 R&D capitalization and federal research and development credits offset by the utilization of net operating losses. The net changes in the total valuation allowance for the year ended December 31, 2023 was an increase of $100.9 million, primarily as a result of the generation of additional net operating losses and federal research and development credits.

As of December 31, 2024 and 2023, the Company had an immaterial amount of earnings from its wholly-owned non-U.S. subsidiaries indefinitely reinvested outside the U.S. The Company does not intend to repatriate these earnings or realize the outside basis differences in its foreign subsidiaries, and accordingly, the Company has not provided any taxes for those amounts, given the indefinite reinvestment and it is not practicable to estimate the amount of deferred tax liability that would be incurred.

Uncertain Tax Positions

The Company has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of December 31, 2023 and 2022. The changes in the balance of gross unrecognized tax benefits as of December 31, 2024, excluding accrued net interest and penalties, is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Unrecognized tax benefits, beginning balance	$ —	$ —	$ —
Gross increases for tax positions taken in prior years	1,334	—	—
Unrecognized tax benefits, ending balance	$ 1,334	$ —	$ —

The unrecognized tax benefits as of December 31, 2024, if recognized, would not affect the effective income tax rate due to the valuation allowance that currently offsets the deferred tax assets.

The Company had no interest and penalties accrued related to uncertain tax positions as of December 31, 2024, 2023 and 2022. The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

The Company files income tax returns in the United States and in foreign jurisdictions. All periods since inception are subject to examination in most jurisdictions.

10. Employee Benefit Plans

The Company maintains a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pretax basis, subject to legal limitations. Employees can designate the investment of their 401(k) accounts into several mutual funds. The Company does not allow investment in its common stock through the 401(k) plan. During the years ended December 31, 2024, 2023, and 2022, the Company made contributions to the plan of $11.2 million, $7.4 million, and $6.6 million respectively.

The Company contributes to defined contribution savings plans for its employees in the United Kingdom and Australia who satisfy certain eligibility requirements. The plans allow each participant from the United Kingdom and Australia to defer a percentage of their compensation and the Company contributes an additional 5% and 11% of all wages for those employees in the scheme on a monthly basis, respectively. The Company made contributions to the plans of $2.9 million, $1.8 million, and $0.8 million for the years ended December 31, 2024, 2023, and 2022 respectively.

11. Redeemable Common Stock, Common Stock, and Stockholders' Equity (Deficit)

Initial Public Offering

On September 22, 2023, the Company completed its IPO of 19,200,000 shares of its Series A common stock at a price to the public of $30.00 per share. The Company sold 11,507,693 of such shares and certain existing stockholders sold an aggregate of 7,692,307 of such shares. The Company received net proceeds from the IPO of approximately $320.1 million, after deducting approximately $17.7 million in underwriting discounts and commissions, and $7.4 million in offering-related expenses. In connection with the IPO, all shares of the Company's redeemable common stock automatically converted into 64,046,223 shares of Series B common stock. In connection with and immediately subsequent to the IPO, 21,233,074 shares of Series B common stock were converted to shares of Series A common stock. On October 19, 2023, the underwriters for the IPO exercised their option to purchase additional shares granted in connection with the IPO, with respect to 2,764,066 shares of Series A common stock of a possible 2,880,000 shares. The Company received no proceeds from this transaction, as the option was an option to purchase additional shares of Series A common stock from certain existing stockholders.

All RSUs granted to employees prior to the IPO vested upon the satisfaction of both a service condition and a liquidity event condition. These RSUs with both a service condition and liquidity event condition are collectively referred to as "Double-Trigger Awards" and are described in more detail within *Note 12. Stock-Based Compensation.*

Redeemable Common Stock

The Company issued 64,046,223 shares of common stock at various dates in 2019, 2020, and 2021 to select investors that were subject to redemption at fair value of common stock at the investor's option after November 6, 2029. In accordance with the SEC and its staff's guidance on redeemable equity instruments, which has been codified in ASC 480-10-S99, redemption provisions not solely within control of the Company require classification of the associated instrument outside of permanent equity.

During the year ended December 31, 2021, the Company entered into the 2021 Stock Purchase agreement. The Company issued and sold 10,365,017 shares of common stock to investors at a price of $33.38 per share, for an aggregate purchase price and gross proceeds of $346.0 million. At the time of the sale, 3,025,625 of the total shares issued allowed investors to acquire additional substantive rights including financial information rights, restrictive covenants, secondary refusal rights, right of co-sale, and right of redemption after November 6, 2029, at fair value. These shares were classified outside of permanent equity. The remaining 7,339,392 shares were classified in permanent equity as they did not contain the right of redemption after November 6, 2029.

Prior to the IPO, the Company determined that the redeemable shares were probable of becoming redeemable. In accordance with ASC 480-10-S99, the Company elected to recognize changes in redemption value immediately as they occur. The per-share redemption value is equal to the fair market value of a single share of the Company's common stock subject to a floor of the initial carrying value.

Immediately prior to the Company's IPO in September 2023, the redeemable common stock was accreted to the IPO issuance price of $30.00 per share. Upon the IPO, the redemption right of these shares was terminated and all shares of the Company's redeemable common stock automatically converted into 64,046,223 shares of Series B common stock. This transaction resulted in a reclassification of $1,931.5 million in redeemable common stock to stockholder's equity including an increase to additional paid-in capital of $136.9 million and Accumulated Deficit of $1,794.6 million to reverse accretion recorded to these accounts.

Common Stock

Immediately following the effectiveness of the registration statement relating to the Company's IPO in September 2023, the Company filed its Amended and Restated Certificate of Incorporation, which authorized a total of 3,000,000,000 shares of Series A common stock, 350,000,000 shares of Series B common stock, and 100,000,000 shares of undesignated preferred stock. All shares of common stock then outstanding were reclassified as Series B common stock. The rights of the holders of Series A common stock and Series B common stock are identical, except with respect to voting and conversion. Each share of Series A common stock is entitled to one vote per share and is not convertible into any other shares of the Company's capital stock. Each share of Series B common stock is entitled to ten votes per share and is convertible into one share of Series A common stock at any time. Shares of the Company's Series B common stock will also automatically convert into shares of Series A common stock upon certain transfers and other events. Upon the seventh anniversary of the Company's IPO, all outstanding shares of Series B common stock will automatically convert into shares of Series A common stock.

Preferred Stock

The Company has authorized 100,000,000 shares of preferred stock with a par value of $0.001 per share. As of December 31, 2024, there were no shares of preferred stock issued or outstanding.

Common Stock Warrants

On July 28, 2022, the Company granted warrants to purchase up to 15,743,174 shares of Series B common stock in connection with the collaboration agreement and strategic partnership with Shopify as compensation for marketing services. 25% of the shares subject to the warrants vested on the grant date, and the remaining 75% of the shares subject to the warrants vest quarterly in equal amounts until July 28, 2027. On September 22, 2023, upon the Company's IPO, the vesting of 25% of the total number of warrants was accelerated, and the remaining unvested portion vests quarterly over the remaining term. Vesting will cease, and any unvested portion of the warrants will be cancelled, in the event of a material breach or early termination of the collaboration agreement by Shopify. The exercise price is $0.01 per share, and the term of the warrants is 10 years. These common stock warrants are included as a component of additional paid-in capital within the Consolidated Balance Sheets upon vesting. The Company valued the warrants at the grant date using the Black-Scholes option pricing model with the following assumptions: fair value of common stock, a dividend yield of zero, contractual terms of 10 years, volatility of 55.00%, and a risk-free rate of 2.85%.

The following table summarizes the warrants activity during the year ended December 31, 2024:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
Warrants outstanding at December 31, 2023	5,165,732	$ 0.01	8.58
Granted	—	—	—
Exercised	(1,377,528)	0.01	8.12
Cancelled	—	—	—
Warrants outstanding at December 31, 2024	3,788,204	$ 0.01	7.58

During the years ended December 31, 2024, 2023, and 2022, 1,377,528, 6,051,285, and 4,526,161 warrants vested, respectively. The Company has no vested but not exercised warrants outstanding as of December 31, 2024.

Restricted Stock

In 2019, the Company permitted the purchase of 142,908 shares of restricted stock prior to vesting by an employee of the Company. These shares are restricted and subject to repurchase by the Company until the conditions for vesting are met. Upon termination of employment of the restricted stockholder, the Company has the right to repurchase, at the original purchase price, any unvested restricted shares. Accordingly, the Company recorded the proceeds from the issuance of restricted stock as a liability given the implicit repurchase feature. The Company reclassified an immaterial amount of restricted stock liability to stockholders' deficit upon vesting of restricted shares during the years ended December 31, 2023 and 2022. During the years ended December 31, 2023 and 2022, the aggregate fair value of restricted stock that vested was $0.7 million and $1.2 million, respectively. All restricted stock became fully vested during the year ended December 31, 2023.

Stock Purchase and Investment Option

On July 28, 2022, the Company entered into a stock purchase agreement in connection with the collaboration agreement and strategic partnership with Shopify. Under the stock purchase agreement, the Company issued and sold 2,951,846 shares of common stock to Shopify at a price of $33.88 per share. The stock purchase agreement also granted Shopify an Investment Option, which allows Shopify to purchase an additional 15,743,174 shares of common stock at a purchase price of $88.93 per share. The Investment Option is exercisable at any time at Shopify's option until July 28, 2030. As of December 31, 2024, the Investment Option has not been exercised. The Company determined that the $100.0 million purchase price represents the fair value of the common stock and Investment Option issued to Shopify since the transaction occurred at arm's length and was not compensatory.

The gross proceeds of $100.0 million were allocated to the common stock and Investment Option based on the relative fair value of each instrument, resulting in $69.4 million being allocated to the common stock and $30.6 million allocated to the Investment Option. The Company incurred $0.4 million of issuance costs which were allocated to the common stock and Investment Option based on their relative fair values. The proceeds allocated to the Investment Option, net of issuance costs, are included as a component of additional paid-in capital presented in the Consolidated Statements of Changes in Redeemable Common Stock and Stockholders' Equity (Deficit).

12. Stock-Based Compensation

Equity Incentive Plans

On September 1, 2015, the Company's board of directors (the "Board") adopted the 2015 Plan. The Board or, at its sole discretion, a committee of the Board, is responsible for the administration of the 2015 Plan. As of December 31, 2024, outstanding awards under the 2015 Plan include stock options and RSUs. Generally, 2015 Plan awards vest or are exercisable into shares of Series B common stock and are immediately reclassified to shares of Series A common stock based upon the employee's conversion election made at the time of the IPO. All equity grants subsequent to the IPO are made pursuant to the 2023 Plan, which was approved by the Board effective as of September 18, 2023. The Board or, at its sole discretion, a committee of the Board, is responsible for the administration of the 2023 Plan. As of December 31, 2024, the Company's authorized common stock includes 59,987,841 shares of Series A common stock reserved for issuance of equity awards under the 2023 Plan, of which 45,919,187 shares are available for future grants.

The 2015 Plan provides for the grant of various types of stock-based compensation awards including, but not limited to, RSUs, incentive stock options ("ISOs"), non-qualified stock options ("NSOs," referred to collectively with ISOs as "Options") and restricted stock awards ("RSAs") to directors, consultants, employees, and officers of the Company. ISOs may only be granted to employees, and the exercise price thereon cannot be less than the fair value of the Company's common stock on the date of grant or less than 110% of the fair value in the case of employees holding 10% or more of the voting stock of the Company. The exercise price on NSOs must be at least equal to the fair value of the Company's common stock on the date of grant. The Company has historically granted RSUs, ISOs, NSOs, and RSAs.

The 2023 Plan provides for the grants of various types of stock-based compensation awards including, but not limited to, RSUs, ISOs, NSOs, and RSAs. During the years ended December 31, 2024, 2023 and 2022, the Company solely granted RSUs as further described below.

Stock Options

Options generally vest over 4 years with the first 25% of the award vesting upon the 12-month anniversary of the vesting commencement date and the remaining 75% vesting monthly over the following 3 years. Grants of Options shall not be exercisable after expiration of 10 years from the date of grant or such shorter period specified in the associated award agreement. Options may not be transferable except by will or by the laws of descent and distribution and domestic relations orders. The 2015 Plan does not allow for the early exercise of Options. The Company did not grant any Options during the years ended December 31, 2024, 2023 and 2022.

Option activity for the year ended December 31, 2024 is as follows (in thousands, except per share data):

	Number of Options	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2024	31,734,725	$ 0.54	2.65	$ 864,605
Exercised	(6,567,334)	1.48		
Forfeited and expired	(2,976)	3.09		
Outstanding at December 31, 2024	25,164,415	$ 0.29	1.21	$ 1,030,511
Exercisable at December 31, 2024	25,164,415	$ 0.29	1.21	$ 1,030,511

The total intrinsic value of Options exercised during the years ended December 31, 2024, 2023 and 2022 amounted to $177.7 million, $54.7 million and $53.2 million, respectively.

Restricted Stock Units

During the years ended December 31, 2024, 2023 and 2022, the Company granted RSUs to employees under the 2015 Plan and 2023 Plan. In general, RSUs granted under the 2015 Plan vest upon the satisfaction of both a service-based vesting condition and a performance-based vesting condition. Generally, the service-based vesting condition requires the grantee to remain an eligible participant, as that term is defined in the 2015 Plan, for a period of 4 years. Generally, RSUs vest quarterly over the entire 4-year period or vest 25% after 1 year, with the remainder vesting quarterly over the following 3 years. The performance-based vesting condition was satisfied upon the occurrence of the IPO. In general, RSUs granted after the IPO under the 2023 Plan vest upon the satisfaction of service-based vesting conditions only. These service-based vesting conditions are consistent with those under the 2015 Plan detailed above.

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Restricted stock unit activity for the year ended December 31, 2024 is as follows (in thousands, except per share data):

	Number of Units	Weighted Average Grant Date Fair Value
Unvested and outstanding at January 1, 2024	14,690,417	$ 27.44
Granted	10,763,741	28.49
Vested	(5,839,496)	27.07
Forfeited	(2,193,212)	26.52
Unvested and outstanding at December 31, 2024	17,421,450	$ 28.33

The fair value of the RSUs that vested during the years ended December 31, 2024, 2023 and 2022 was $158.1 million, $214.7 million and $1.3 million, respectively.

Employee Stock Purchase Plan

On August 24, 2023, the Board adopted the ESPP pursuant to which eligible employees may contribute up to 15% of their base compensation to purchase shares of the Company's Series A common stock at a price equal to 85% of the lower of (1) the fair market value of a share of the Company's Series A common stock at the beginning of the offering period and (2) the fair market value of a share of the Company's Series A common stock on the purchase date. The ESPP provides for 12-month offering periods beginning January 1 and July 1 of each year, or the next trading date thereafter. Each offering period consists of two six-month purchase periods. As of December 31, 2024, the Company has 8,405,885 shares of Series A common stock available for issuance pursuant to purchase rights granted to the Company's eligible employees under the ESPP. The ESPP provides that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2024, by the least of 6,200,000 shares of the Company's Series A common stock, 1% of the outstanding number of shares of the Company's Series A common stock and Series B common stock on the immediately preceding December 31, or such lesser number of shares as determined by the administrator of the ESPP.

The fair value of employee options granted under the ESPP is based on a 15% purchase discount off the grant date quoted trading price of the Company's Series A common stock and the underlying value of the awards as estimated using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31, 2024
Risk-free rate	4.79% - 5.33%
Expected term	0.5 - 1.0 years
Volatility	45.90% - 64.12%
Expected dividends	—

The interest rate is based on the U.S. Treasury bond rate at the date of grant with a maturity approximately equal to the expected term. The expected term is based on the term of the offering period. The expected volatility for the common stock is based on the average of the Company's historical volatility over the expected term of the award. The assumed dividend yield is based upon the Company's expectation of not paying dividends in the foreseeable future. The fair value of the common stock is the closing price of the stock on the date the offering period starts.

The Company recognized stock-based compensation expense related to the ESPP of $4.3 million during the year ended December 31, 2024. As of December 31, 2024, $2.2 million of unrecognized stock-based compensation expense related to the ESPP is expected to be recognized on a straight-line basis over the subsequent 0.5 years. The weighted average grant date fair value of ESPP awards granted during the year ended December 31, 2024 was $9.28 per share.

During the year ended December 31, 2024, the Company issued 387,773 shares of Series A common stock under the ESPP.

Modifications

During the year ended December 31, 2023, the Company extended the expiration dates of four employees' options. The extension of the expiration date impacted 1,004,667 granted stock options, resulting in incremental stock-based compensation expense of $0.8 million during the year ended December 31, 2023.

During the year ended December 31, 2023, the Company accelerated the vesting start dates of two employees' RSUs. The modification impacted 167,500 previously granted RSUs that were Double-Trigger awards in which the liquidity-based vesting condition was not considered probable at the date of modification. As the liquidity-based vesting condition was met upon the IPO, the impact of the modified RSUs is included in the total stock-based compensation recognized during the year ended December 31, 2023.

On April 10, 2023, the Company approved an amendment to the vesting schedule of 4,250,947 RSUs governed by the 2015 Plan. Specifically, the vesting schedule of these RSUs were amended to align with the Company's standard four quarterly vesting dates that were established on a prospective basis in June of 2022. This modification impacted 657 grantees, and all RSUs that were modified were Double-Trigger awards in which the liquidity-based vesting condition was not considered probable at the date of modification. As the liquidity-based vesting condition was met upon the IPO, the impact of this modification is included in the total stock-based compensation recognized during the year ended December 31, 2023 and is based on the fair value of the award on the date of modification.

On March 15, 2023, the Company announced a reduction in workforce that resulted in the termination of approximately 8% of the Company's full-time workforce (130 employees). As part of the reduction in workforce, the Company modified 608,698 previously granted stock options and 64,301 previously granted RSUs. During the year ended December 31, 2023, the Company incurred an incremental stock-based compensation expense of $0.6 million related to the modification of the stock options modified. All RSUs that were modified were Double-Trigger awards in which the liquidity-based vesting condition was not considered probable at the date of modification. As the liquidity-based vesting condition was met upon the IPO, the impact of the modified RSUs is included in the total stock-based compensation recognized during the year ended December 31, 2023 and is based on the fair value of the award on the date of modification.

During the year ended December 31, 2022, the Board approved the modification of an executive's stock-based awards. At the modification date, the executive had 177,684 RSUs outstanding for which the service-based vesting condition was satisfied but the liquidity-based vesting condition was not. Pursuant to the modification agreement, the Company elected to cancel 63,775 of the unvested RSUs in exchange for $1.5 million, which the Company recorded stock-based compensation as general and administrative expense in the Consolidated Statements of Operations and Comprehensive Loss. Additionally, during the year ended December 31, 2022, the Company recorded incremental stock-based compensation expense of $0.1 million associated with 2,616 stock options granted and 154 RSUs granted to one employee that was terminated but continued to vest in previously issued awards for a limited period after provision of substantive services ceased.

During the year ended December 31, 2022, the Company amended the terms of certain stock option awards issued to three employees to add a change of control provision. Such modification did not result in any incremental stock-based compensation expense. The Company also extended the post-termination exercise periods for two terminated employees holding 65,704 stock options. The Company determined the incremental stock-based compensation expense resulting from the modifications was not material. Additionally, the Company provided two terminated employees with accelerated vesting on the service-based vesting condition of 22,029 Double-Trigger RSUs held. Because satisfaction of the liquidity-based vesting condition was not probable, the Company did not record the incremental stock-based compensation expense resulting from the modifications. Such amounts will be recorded upon vesting (that is, upon occurrence of a qualifying liquidity event).

Secondary Transactions

The Company’s employees historically participated in secondary market transactions whereby existing or third-party investors purchased shares owned by the employee associated with previously issued stock-based compensation awards. The Company’s involvement in such secondary market transactions was generally limited to waiving or assigning its right of first refusal over the respective shares. During the years ended December 31, 2023 and 2022 secondary investors purchased 912,187 and 1,002,968 shares of common stock from certain employees, respectively. There were no secondary market transactions during the year ended December 31, 2024. Stock-based compensation expense related to secondary market transactions, representing amounts paid in excess of then current fair value, totaled $0.8 million during the year ended December 31, 2022, and is recorded in operating expenses in the accompanying Consolidated Statements of Operations and Comprehensive Loss. No stock-based compensation expense was recorded during the year ended December 31, 2023 related to secondary transactions.

Stock-Based Compensation Expense

During the years ended December 31, 2024 and 2023, the Company capitalized $3.6 million and $1.3 million of stock-based compensation expense related to services performed on capitalized internal-use software, respectively. During the year ended December 31, 2022, the Company did not capitalize any stock compensation expense related to services performed on capitalized software development projects.

Stock-based compensation included in the Consolidated Statements of Operations and Comprehensive Loss is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Cost of revenue	$ 8,917	$ 24,973	$ 129
Selling and marketing	40,907	107,954	985
Research and development	50,693	120,184	1,230
General and administrative	34,695	87,688	5,958
Stock-based compensation, net of amounts capitalized	135,212	340,799	8,302
Capitalized stock-based compensation expense	3,555	1,349	—
Total stock-based compensation expense	$ 138,767	$ 342,148	$ 8,302

During the year ended December 31, 2022, stock-based compensation expense included $1.5 million paid in cash in exchange for the cancellation of an executive’s unvested RSUs outstanding for which the service-based vesting condition was satisfied but the liquidity-based vesting condition was not. This is included within general and administrative expense in the Company’s Consolidated Statements of Operations and Comprehensive Loss.

As of December 31, 2024, total unrecognized compensation cost related to unvested RSUs was $371.8 million, which will be recognized over a weighted-average remaining period of 3.1 years.

13. Loss Per Share

Basic net loss per share attributable to Series A and Series B common stockholders is computed by dividing the net loss by the number of weighted-average outstanding common shares. Diluted net loss per share attributable to Series A and Series B common stockholders is determined by giving effect to all potential common equivalents during the reporting period, unless including them yields an antidilutive result, and is calculated using the treasury stock method. The Company considers its warrants, Investment Option, restricted stock units and stock options as potential common equivalents, but excluded them from the computation of diluted earnings per share attributable to common stockholders in the periods presented, as their effect was antidilutive during the years ended December 31, 2024, 2023 and 2022.

The rights, including the liquidation and dividend rights, of the holders of Series A and Series B common stock are identical, except with respect to voting and conversion. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis to each series of common stock and the resulting basic and diluted net loss per share attributable to common stockholders are, therefore, the same for both Series A and Series B common stock on both individual and combined basis.

The following table presents the calculation of basic and diluted net loss per share attributable to Series A and Series B common stockholders for the periods presented, (in thousands, except share and per share data):

	Year Ended December 31,		
	2024	2023	2022
Net loss per share attributable to Series A and Series B common stockholders, basic and diluted:			
Numerator:			
Net loss	$ (46,142)	$ (308,233)	$ (49,193)
Denominator:			
Weighted-average shares - basic and diluted	266,336,826	242,889,272	229,857,206
Net loss per share attributable to Series A and Series B common stockholders, basic and diluted	$ (0.17)	$ (1.27)	$ (0.21)

The following table summarizes the potential common shares excluded from the computation of diluted net income (loss) per share:

	Year Ended December 31,		
	2024	2023	2022
Warrants outstanding	3,788,204	5,165,732	11,217,017
Investment Option	15,743,174	15,743,174	15,743,174
RSUs outstanding	17,421,450	14,690,417	11,712,446
Options outstanding	25,164,415	31,734,725	34,207,554
Restricted stock outstanding	—	—	26,795
ESPP	258,033	—	—
Total	62,375,276	67,334,048	72,906,986

14. Segment Information and Geographic Data

As described in the Company's Summary of Significant Accounting Policies, the Company operates as one operating segment. Revenue and long-lived assets by geographic region are as follows:

Disaggregation of Revenue

Revenue by geographic area, based on the location of the Company's customers, is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Americas:			
United States	$ 584,844	$ 443,471	$ 307,222
Other Americas [1]	47,461	38,180	26,790
APAC [1][2]	95,920	72,797	47,905
EMEA [1][3]	209,239	143,651	90,831
Total Revenue	$ 937,464	$ 698,099	$ 472,748

(1) Other than the United States, no other individual country accounted for 10% or more of total revenue for any of the periods presented.
(2) Asia-Pacific
(3) Europe, the Middle East and Africa

Disaggregation of Long-lived Assets

Long-lived assets consist of property and equipment and ROU assets. Long-lived assets by geographical region are as follows:

	Year Ended December 31,	
	2024	2023
Americas	$ 71,894	$ 75,659
APAC [1]	2,207	2,952
EMEA [2]	17,016	1,826
Total Long-lived Assets	$ 91,117	$ 80,437

(1) Asia-Pacific
(2) Europe, the Middle East and Africa

15. Restructuring Costs

On March 15, 2023, the Company announced a restructuring plan that resulted in a reduction of approximately 8% of the Company's full time workforce. The Company's restructuring actions were intended to improve operational efficiencies. Restructuring costs consist primarily of employee severance and related benefits as well as stock-based compensation from the modification of terminated employee stock options. See *Note 12. Stock-Based Compensation* for further detail on award modifications due to the restructuring. Restructuring costs included in the Consolidated Statements of Operations and Comprehensive Loss is as follows (in thousands):

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	Year ended, December 31, 2023
Cost of revenue	$ 1,138
Selling and marketing	1,832
Research and development	3,375
General and administrative	1,532
Total	$ 7,877

There were no unpaid restructuring costs as of December 31, 2023.

16. Subsequent Events

On January 10, 2025, the Company entered into a sublease agreement for new office space in San Francisco, California. The lease commenced on January 21, 2025 and has a term of approximately six years with an option to terminate after year three. The aggregate lease payments due over the term of the lease are $15.3 million.

On January 31, 2025, the Company amended the lease agreement for its corporate headquarters located in Boston, Massachusetts. The amendment (i) modifies the lease term and payment terms for the existing leased premises and (ii) expands the leased premises under the lease. The newly leased premises have phased lease commencement dates ranging from February 2025 to June 2026. Following the amendment, the lease term for the existing and newly leased premises ends in March 2033. The aggregate lease payments due over the amended term of the lease are $139.1 million.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f)) of the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management assessed our internal control over financial reporting as of December 31, 2024. Management based its assessment on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the three months ended December 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, the effectiveness of any internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, no matter how well designed and operated, can only provide reasonable, not absolute assurance that its objectives will be met. In addition, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Klaviyo, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Klaviyo, Inc. and subsidiaries (the "Company") as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2024, of the Company and our report dated February 19, 2025, 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 appearing under Item 9A. 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/ Deloitte & Touche LLP

Boston, Massachusetts
February 19, 2025

Item 9B. Other Information

October 2024 Cybersecurity Incident

(a) On October 25, 2024, the Company determined that an unauthorized third-party gained access to the Company's source code, as well as other system and application credentials. Following detection of this unauthorized activity, the Company initiated its response protocols and took steps to contain, assess and remediate the incident, including launching an investigation with the assistance of counsel and leading external cybersecurity experts. As of the date of this Annual Report on Form 10-K, the Company has concluded its investigation, has found no evidence of continued unauthorized activity on its systems and believes the incident to be contained. The Company's operations have continued throughout this matter in all material respects.

As of the date of this Annual Report on Form 10-K, the Company does not believe that the incident will have a material impact on the Company's business, financial condition, or results of operations.

Securities Trading Plans of Directors or Executive Officers

(b) During the three months ended December 31, 2024, two of the Company's officers (as defined in Rule 16a-1(f) under the Exchange Act) each adopted a written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act for the sale of the Company's securities as set forth in the table below.

Name	Position	Adoption Date	Earliest Trade Date	Total Shares Subject to Trading Arrangement	Expiration Date
Steve Rowland	President	November 22, 2024	March 7, 2025	183,382[(1)]	January 31, 2026
Carmel Galvin	Chief People Officer	November 26, 2024	February 25, 2025	86,392[(1)]	December 5, 2025

(1) The actual number of shares of common stock sold pursuant to this plan will be less, after shares are withheld to satisfy tax withholding obligations in connection with the net settlement of equity awards.

No other directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408, during the three months ended December 31, 2024.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference herein to our definitive Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of our fiscal year.

Code of Conduct and Ethics

Our board of directors has adopted a code of conduct that applies to all our employees, officers, contractors, and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our code of conduct is posted on our website at investors.klaviyo.com under “Governance.” We intend to disclose any amendments to our code of conduct, or waivers of its requirements, on our website or in filings under the Exchange Act.

Insider Trading Policies and Procedures

We have adopted an insider trading policy and related Rule 10b5-1 trading plan policy that are reasonably designed to promote compliance with applicable insider trading laws, rules, regulations, and New York Stock Exchange listing standards.

Our insider trading policy prohibits our officers, directors, employees, designated consultants, and their affiliated persons from trading in company securities while in possession of material nonpublic information about the Company. The policy also prohibits tipping (i.e., disclosing material nonpublic information about the Company to others who may trade of the basis of that information).

Under our insider trading policy, insiders may only trade in Company securities during open trading windows at a time when they do not possess material nonpublic information about the Company. We have also designated our executive officers, directors, and certain other designated employees as pre-clearance insiders who must receive approval before trading in our securities.

Our insider trading policy also expressly prohibits short sales; purchases or sales of puts, calls, or other derivative securities or hedging transactions; using company securities as collateral in a margin account; or pledging company securities as collateral for a loan.

Any waiver of the provisions of our insider trading policy requires approval of our Compliance Officer and all waivers are reported to our Audit Committee.

We have adopted an additional policy that governs when our directors, executive officers, and others may adopt written securities trading plans, known as Rule 10b5-1 plans. These plans are intended to take advantage of a safe harbor provided under SEC rules from liability for violating federal antifraud prohibitions that proscribe certain insider trading, including Section 10(b) of the Exchange Act. A qualifying Rule 10b5-1 plan may only be entered into when the individual is not in possession of material nonpublic information about the Company and must authorize a broker other third-party administering the plan to buy or sell our securities on a periodic basis pursuant to parameters established by the director or executive officer when entering into the plan, without further direction from them. A director or executive officer may amend or terminate a Rule 10b5-1 plan in certain circumstances. Our policy provides that all Rule 10b5-1 plans must comply with SEC rules applicable to the Rule 10b5-1 safe harbor and provides additional requirements and limitations applicable to plans. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information, subject to compliance with the terms of our insider trading policy.

A copy of our insider trading policy and related Rule 10b5-1 trading plan policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference herein to our definitive Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference herein to our definitive Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference herein to our definitive Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024.

Item 14. Principal Accountant Fees and Services

Our independent public accounting firm is Deloitte & Touche LLP, Boston, Massachusetts, PCAOB ID No 34.

The information required by this Item is incorporated by reference herein to our definitive Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2024.

Part IV

Item 15. Exhibit and Financial Statement Schedules

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

(a) Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

(b) Financial Statement Schedules

All financial statement schedules are omitted because the required information is either not present, not present in material amounts, or is presented within our Consolidated Financial Statements and the related notes thereto included in this Annual Report on Form 10-K.

(c) Exhibits

The documents listed in the exhibit index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated herein (numbered in accordance with Item 601 of Regulation S-K).

		Incorporated by Reference				
Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Klaviyo, Inc.	10-K	001-41806	3.1	February 29, 2024	
3.2	Amended and Restated Bylaws of Klaviyo, Inc.	10-K	001-41806	3.2	February 29, 2024	
4.1	Specimen Series A Common Stock Certificate of Klaviyo, Inc.	S-1	333-274211	4.1	August 25, 2023	
4.2	Description of Securities.	10-K	001-41806	4.2	February 29, 2024	
4.3	Amended and Restated Investors' Rights Agreement by and among Klaviyo, Inc. and certain of its stockholders, dated May 10, 2021.	S-1	333-274211	4.2	August 25, 2023	
4.4	Warrant Agreement by and between Klaviyo, Inc. and Shopify Inc., dated July 28, 2022.	S-1	333-274211	4.3	August 25, 2023	
4.5	Warrant Agreement by and between Klaviyo, Inc. and Shopify International Limited, dated July 28, 2022.	S-1	333-274211	4.4	August 25, 2023	
4.6	Warrant Agreement by and between Klaviyo, Inc. and Shopify Commerce Singapore PTE. LTD., dated July 28, 2022.	S-1	333-274211	4.5	August 25, 2023	
4.7	Stock Purchase Agreement by and between Klaviyo, Inc. and Shopify Strategic Holdings 3 LLC, dated June 24, 2022.	S-1	333-274211	4.6	August 25, 2023	
10.1	Forms of Indemnification Agreement between Klaviyo, Inc. and each of its directors and executive officers.	S-1	333-274211	10.1	August 25, 2023	
10.2*	2015 Stock Incentive Plan, as amended, and forms of award agreements thereunder.	S-1	333-274211	10.2	August 25, 2023	
10.3*	2023 Stock Option and Incentive Plan, and forms of award agreements thereunder.	S-1/A	333-274211	10.3	September 11, 2023	
10.4*	Senior Executive Cash Incentive Bonus Plan.	S-1	333-274211	10.4	August 25, 2023	
10.5*	Employment Agreement by and between Klaviyo, Inc. and Landon Edmond, effective August 27, 2023.	S-1	333-274211	10.6	August 25, 2023	
10.6*	Employment Agreement by and between Klaviyo, Inc. and Amanda Whalen, effective August 27, 2023.	S-1	333-274211	10.8	August 25, 2023	
10.7*	Employment Agreement by and between Klaviyo, Inc. and Steve Rowland, effective August 27, 2023.	10-Q	001-41806	10.1	May 8, 2024	
10.8*	Form of Director Offer Letter.	S-1	333-274211	10.10	August 25, 2023	

10.9	Lease Agreement by and between Klaviyo, Inc. and OPG 125 Summer Owner (DE) LLC, dated August 9, 2012, as amended on August 7, 2020.	S-1	333-274211	10.11	August 25, 2023	
10.10#	Collaboration Agreement by and among Klaviyo, Inc., Shopify Inc., Shopify International Limited, Shopify Commerce Singapore PTE. LTD., and Shopify Strategic Holdings 3 LLC, dated July 28, 2022.	S-1	333-274211	10.12	August 25, 2023	
10.11#	Revenue Sharing Agreement by and between Klaviyo, Inc. and Shopify Inc., dated July 28, 2022.	S-1	333-274211	10.13	August 25, 2023	
10.12*	2023 Employee Stock Purchase Plan.	S-1/A	333-274211	10.14	September 11, 2023	
10.13*	Non-Employee Director Compensation Policy.	S-1	333-274211	10.15	August 25, 2023	
10.14	Second Amendment dated June 30, 2022 to Lease Agreement by and between Klaviyo, Inc. and OPG 125 Summer Owner (DE) LLC, dated August 9, 2012.					X
10.15#	Third Amendment dated January 31, 2025 to Lease Agreement by and between Klaviyo, Inc. and OPG 125 Summer Owner (DE) LLC, dated August 9, 2012.					X
19.1	Insider Trading Policy and related Rule 10b5-1 Trading Plan Policy					X
21.1	Subsidiaries of Klaviyo, Inc.					X
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.					X
24.1	Power of Attorney (included on signature page).					X
31.1	Certification of Principal Executive Officer pursuant to SEC Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to SEC Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1†	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.					X
32.2†	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.					X
97.1*	Compensation Recovery Policy.	10-K	001-41806	97.1	February 29, 2024	
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).					X
101.SCH	Inline XBRL Taxonomy 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 (formatted as Inline XBRL and contained in Exhibit 101).					X

* Indicates a management contract or any compensatory plan, contract or arrangement.

† This certification will not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

Certain confidential information contains in this exhibit has been omitted because it is both (i) not material and (ii) the type that Klaviyo, Inc. treats as private or confidential.

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

KLAVIYO, INC.

Dated: February 19, 2025	By:	/s/ Andrew Bialecki
	Name:	Andrew Bialecki
	Title:	Chief Executive Officer (Principal Executive Officer)
Dated: February 19, 2025	By:	/s/ Amanda Whalen
	Name:	Amanda Whalen
	Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew Bialecki, Amanda Whalen, and Landon Edmond, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew Bialecki Andrew Bialecki	Chief Executive Officer and Director *(Principal Executive Officer)*	February 19, 2025
/s/ Amanda Whalen Amanda Whalen	Chief Financial Officer (*Principal Financial and Accounting Officer*)	February 19, 2025
/s/ Jennifer Ceran Jennifer Ceran	Director	February 19, 2025
/s/ Luciano Fernandez Gomez Luciano Fernandez Gomez	Director	February 19, 2025
/s/ Edward Hallen Edward Hallen	Chief Strategy Officer and Director	February 19, 2025
/s/ Ping Li Ping Li	Director	February 19, 2025
/s/ Michael Medici Michael Medici	Director	February 19, 2025
/s/ Roxanne Oulman Roxanne Oulman	Director	February 19, 2025
/s/ Susan St. Ledger Susan St. Ledger	Director	February 19, 2025
/s/ Tony Weisman Tony Weisman	Director	February 19, 2025

APPENDIX A

Statement Regarding Use of Non-GAAP Financial Measures

This Annual Report includes the following non-GAAP financial measures, which should be viewed as an addition to, and not a substitute for or superior to, financial measures calculated in accordance with GAAP.

- **Non-GAAP operating margin**. Our non-GAAP operating margin is calculated as non-GAAP operating income divided by total revenue. Our non-GAAP operating income excludes significant expenses and income that are required by GAAP to be recorded in our consolidated financial statements, including, but not limited to, (i) amortization of prepaid marketing expenses, (ii) stock-based compensation and related employer payroll taxes, and (iii) restructuring expenses.
- **Free cash flow**. Free cash flow is defined as cash and cash equivalents provided by or used in operating activities less purchases of property and equipment and capitalization of software development costs.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our presentation of non-GAAP financial measures may not be comparable to similar measures used by other companies. We encourage stockholders to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand our business.

Please see the tables below for reconciliations of GAAP and non-GAAP financial measures.

Klaviyo, Inc.
Reconciliation of Operating Loss to Non-GAAP Operating Income
(In Thousands)

	Year Ended December 31, 2024
Operating loss	$ (84,078)
Stock-based compensation	135,212
Employer payroll tax on employee stock transactions	8,491
Amortization of prepaid marketing	52,897
Restructuring expense	—
Non-GAAP operating income	$ 112,522
Operating margin	(9.0)%
Non-GAAP operating margin	12.0 %

Reconciliation of Operating Cash Flow to Free Cash Flow
(In Thousands)

	Year Ended December 31, 2024
Cash provided by operating activities	$ 165,955
Acquisition of property and equipment	(5,921)
Capitalization of software development costs	(11,305)
Free cash flow	$ 148,729

Board of Directors

Andrew Bialecki	Co-Founder, Chairperson & Chief Executive Officer, Klaviyo, Inc.
Jennifer Ceran	Former Chief Financial Officer, Smartsheet, Inc.
Chano Fernandez	Co-CEO, Eightfold.ai
Ed Hallen	Co-founder & Chief Strategy Officer, Klaviyo, Inc.
Ping Li	Partner, Accel
Michael Medici	Managing Director, Summit Partners L.P.
Roxanne Oulman	Former Executive Vice President & Chief Financial Officer, Medallia, Inc.
Susan St. Ledger	Former President, Worldwide Field Operations, HashiCorp, Inc.
Tony Weisman	Chief Executive Officer, SnapPoint LLC

Executive Officers

Andrew Bialecki	Chief Executive Officer, Co-Founder, and Chairperson
Amanda Whalen	Chief Financial Officer
Steve Rowland	President
Landon Edmond	Chief Legal Officer and General Counsel
Carmel Galvin	Chief People Officer

Investor Relations	ir@klaviyo.com
Stock Exchange	Klaviyo, Inc. trades on the New York Stock Exchange under the ticker symbol "KVYO"

Note on Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the federal securities laws. Actual results could differ materially from those expressed in such statements. Further information on factors that could affect results is included in the Form 10-K for the fiscal year ended December 31, 2024, included in this Annual Report.