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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from ________ to ________

Commission File Number: **001-39149**

BILL.COM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-2661725**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6220 America Center Drive, Suite 100, San Jose, CA	**95002**
(Address of principal executive offices)	(Zip Code)

(650) 621-7700

(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00001 par value	**BILL**	**The New York Stock Exchange**

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

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

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

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

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

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

As of April 29, 2022, the registrant had 104,267,874 shares of common stock, $0.00001 par value per share, outstanding.

BILL.COM HOLDINGS, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “target,” “plan,” “expect,” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, operating expenses, including changes in research and development, sales and marketing and general and administrative expenses (including any components of the foregoing), and our ability to achieve, and maintain, future profitability;
- our business plan and our ability to effectively manage our growth;
- our market opportunity, including our total addressable market;
- our international expansion plans and ability to expand internationally;
- anticipated trends, growth rates, and challenges in our business and in the markets in which we operate;
- beliefs and objectives for future operations;
- our ability to further attract, retain, and expand our customer base;
- our ability to develop new products and services and bring them to market in a timely manner;
- the effects of seasonal trends on our results of operations;
- our expectations concerning relationships with third parties, including strategic partners;
- our ability to maintain, protect, and enhance our intellectual property;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to successfully integrate and realize the strategic and financial goals that were contemplated upon the acquisition of DivvyPay, Inc. ("Divvy") and Invoice2go, Inc. ("Invoice2go");
- the COVID-19 pandemic, and its impact on our employees, customers, strategic partners, vendors, results of operations, liquidity, and financial condition;
- future acquisitions or investments in complementary companies, products, services, or technologies;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business;
- economic and industry trends, projected growth, or trend analysis;
- our ability to attract and retain qualified talent;

- the increased expenses associated with being a public company; and
- the future market prices of our common stock.

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

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Additionally, the full impact of the COVID-19 pandemic is inherently uncertain at the time of this report. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or to changes in our expectations, except as required by law.

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

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed with the Securities and Exchange Commission (SEC) as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

In this Quarterly Report on Form 10-Q, the words "we," "us," "our," and "Bill.com" refer to Bill.com Holdings, Inc. and its wholly-owned subsidiaries, unless the context requires otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BILL.COM HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share amounts)

	March 31, 2022	June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,639,371	$ 509,615
Short-term investments	1,143,408	655,314
Accounts receivable, net	26,859	18,222
Acquired card receivables, net	237,511	147,093
Prepaid expenses and other current assets	91,865	67,195
Funds held for customers	3,043,540	2,208,598
Total current assets	6,182,554	3,606,037
Non-current assets:		
Operating lease right-of-use assets, net	78,739	71,925
Property and equipment, net	53,279	48,902
Intangible assets, net	452,351	417,341
Goodwill	2,363,109	1,772,043
Other assets	53,804	52,925
Total assets	$ 9,183,836	$ 5,969,173
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,433	$ 11,904
Accrued compensation and benefits	18,478	20,287
Other accruals and current liabilities	155,127	84,870
Borrowings from credit facilities, net	30,370	—
Convertible senior notes, net	1,134,835	—
Customer fund deposits	3,043,540	2,208,598
Total current liabilities	4,391,783	2,325,659
Non-current liabilities:		
Operating lease liabilities	84,931	86,639
Borrowings from credit facilities, net	48,071	79,534
Convertible senior notes, net	561,457	909,847
Other long-term liabilities	29,278	37,904
Total liabilities	5,115,520	3,439,583
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	4,535,699	2,777,155
Accumulated other comprehensive loss	(7,499)	(100)
Accumulated deficit	(459,886)	(247,467)
Total stockholders' equity	4,068,316	2,529,590
Total liabilities and stockholders' equity	$ 9,183,836	$ 5,969,173

See accompanying notes to condensed consolidated financial statements.

BILL.COM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share amounts)

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Revenue	$ 166,911	$ 59,738	$ 441,738	$ 159,992
Cost of revenue	37,342	15,434	101,563	41,513
Gross profit	129,569	44,304	340,175	118,479
Operating expenses				
Research and development	60,230	22,286	154,656	60,558
Sales and marketing	92,065	15,190	235,194	42,272
General and administrative	60,457	22,124	183,788	58,897
Total operating expenses	212,752	59,600	573,638	161,727
Loss from operations	(83,183)	(15,296)	(233,463)	(43,248)
Other expenses, net	(4,416)	(11,432)	(12,891)	(13,943)
Loss before benefit from income taxes	(87,599)	(26,728)	(246,354)	(57,191)
Benefit from income taxes	(879)	—	(4,935)	(333)
Net loss	$ (86,720)	$ (26,728)	$ (241,419)	$ (56,858)
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.84)	$ (0.32)	$ (2.39)	$ (0.70)
Weighted-average number of common shares used to compute net loss per share attributable to common stockholders:				
Basic and diluted	103,830	82,627	100,856	81,446

See accompanying notes to condensed consolidated financial statements.

BILL.COM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Net loss	$ (86,720)	$ (26,728)	$ (241,419)	$ (56,858)
Other comprehensive loss:				
Net unrealized loss on investments in available-for-sale securities	(5,649)	(389)	(7,399)	(2,611)
Comprehensive loss	$ (92,369)	$ (27,117)	$ (248,818)	$ (59,469)

See accompanying notes to condensed consolidated financial statements.

BILL.COM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands)

	Nine months ended March 31, 2022					
	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance at June 30, 2021	94,504	$ 2	$ 2,777,155	$ (100)	$ (247,467)	2,529,590
Cumulative effect of the accounting change upon the adoption of ASU 2020-06	—	—	(245,066)	—	29,000	(216,066)
Issuance of common stock upon public offering, net of underwriting discounts and other offering costs	5,074	—	1,341,122	—	—	1,341,122
Issuance of common stock as consideration for an acquisition, net of issuance costs	1,788	—	488,263	—	—	488,263
Fair value of replacement awards	—	—	26,710	—	—	26,710
Issuance of common stock upon exercise of stock options and release of restricted stock units	1,033	—	8,644	—	—	8,644
Issuance of common stock under the employee stock purchase plan	40	—	5,726	—	—	5,726
Purchase of capped calls	—	—	(37,893)	—	—	(37,893)
Stock-based compensation	—	—	38,839	—	—	38,839
Other comprehensive loss	—	—	-	(39)	—	(39)
Net loss	—	—	-	—	(75,685)	(75,685)
Balance at September 30, 2021	102,439	2	4,403,500	(139)	(294,152)	4,109,211
Effect of the accounting change upon the adoption of ASU 2021-08	—	—	—	—	1,426	1,426
Issuance of common stock upon exercise of stock options and release of restricted stock units	1,022	—	14,140	—	—	14,140
Stock-based compensation	—	—	50,701	—	—	50,701
Other comprehensive loss	—	—	—	(1,711)	—	(1,711)
Net loss	—	—	-	—	(80,440)	(80,440)
Balance at December 31, 2021	103,461	2	4,468,341	(1,850)	(373,166)	4,093,327
Issuance of common stock upon exercise of stock options and release of restricted stock units	680	—	6,332	—	—	6,332
Issuance of common stock under the employee stock purchase plan	42	—	7,123	—	—	7,123
Stock-based compensation	—	—	53,903	—	—	53,903
Other comprehensive loss	—	—	—	(5,649)	—	(5,649)
Net loss	—	—	—	—	(86,720)	(86,720)
Balance at March 31, 2022	104,183	$ 2	$ 4,535,699	$ (7,499)	$ (459,886)	$ 4,068,316

	Nine months ended March 31, 2021					
	Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' deficit
	Shares	Amount				
Balance at June 30, 2020	79,635	$ 2	$ 857,044	$ 2,420	$ (148,747)	$ 710,719
Issuance of common stock upon exercise of stock options and release of restricted stock units	1,164	—	8,081	—	—	8,081
Issuance of common stock under the employee stock purchase plan	226	—	4,327	—	—	4,327
Stock-based compensation	—	—	9,894	—	—	9,894
Other comprehensive loss	—	—	—	(1,302)	—	(1,302)
Net loss	—	—	—	—	(12,951)	(12,951)
Balance at September 30, 2020	81,025	2	879,346	1,118	(161,698)	718,768
Equity component of 2025 Notes, net of allocated issuance costs and taxes	—	—	245,066	—	—	245,066
Purchase of capped calls	—	—	(87,860)	—	—	(87,860)
Issuance of common stock upon exercise of stock options and release of restricted stock units	1,089	—	8,184	—	—	8,184
Stock-based compensation	—	—	10,689	—	—	10,689
Other comprehensive loss	—	—	—	(920)	—	(920)
Net loss	—	—	—	—	(17,179)	(17,179)
Balance at December 31, 2020	82,114	2	1,055,425	198	(178,877)	876,748
Issuance of common stock upon exercise of stock options and release of restricted stock units	756	—	5,613	—	—	5,613
Issuance of common stock under the employee stock purchase plan	220	—	4,537	—	—	4,537
Stock-based compensation	—	—	10,680	—	—	10,680
Other comprehensive loss	—	—	—	(389)	—	(389)
Net loss	—	—	—	—	(26,728)	(26,728)
Balance at March 31, 2021	83,090	$ 2	$ 1,076,255	$ (191)	$ (205,605)	$ 870,461

See accompanying notes to condensed consolidated financial statements.

BILL.COM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine months ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (241,419)	$ (56,858)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,220	3,449
Stock-based compensation	140,381	31,263
Amortization of debt discount (accretion of debt premium) and issuance costs	3,362	15,724
Amortization of intangible assets	56,209	—
Amortization of premium (accretion of discount) on investments in marketable debt securities	10,039	1,970
Non-cash operating lease expense	6,307	2,635
Provision for losses on acquired card receivables	15,621	—
Deferred income taxes	(4,691)	(333)
Changes in assets and liabilities:		
Accounts receivable	(5,846)	(5,332)
Prepaid expenses and other current assets	(2,966)	(6,149)
Other assets	(968)	(11,799)
Accounts payable	(4,435)	927
Other accruals and current liabilities	12,665	58
Operating lease liabilities	(5,591)	7,782
Other long-term liabilities	302	576
Deferred revenue	5,191	2,924
Net cash used in operating activities	(7,619)	(13,163)
Cash flows from investing activities:		
Cash paid for acquisition, net of acquired cash and cash equivalents	(144,541)	—
Purchases of corporate and customer fund short-term investments	(2,176,127)	(1,486,025)
Proceeds from maturities of corporate and customer fund short-term investments	1,308,650	830,933
Proceeds from sale of corporate and customer fund short-term investments	50,744	119,072
Increase in other receivables included in funds held for customers	(13,547)	(9,072)
Increase in acquired card receivables	(89,909)	—
Purchases of property and equipment	(3,758)	(17,062)
Capitalization of internal-use software costs	(7,409)	(1,038)
Net cash used in investing activities	(1,075,897)	(563,192)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon public offering, net of underwriting discounts and other offering costs	1,341,122	—
Proceeds from issuance of convertible senior notes, net of discounts and issuance costs	560,075	1,129,379
Purchase of capped call	(37,893)	(87,860)
Increase in customer fund deposits liability	834,942	285,590
Payments of line of credit borrowings	—	(2,300)
Proceeds from exercise of stock options	29,116	23,034
Proceeds from issuance of common stock under the employee stock purchase plan	12,849	8,864
Other	(351)	(664)
Net cash provided by financing activities	2,739,860	1,356,043
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	—	—
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	1,656,344	779,688
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	1,809,692	1,592,377
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	$ 3,466,036	$ 2,372,065
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows above:		
Cash and cash equivalents	$ 1,639,371	$ 1,223,724
Restricted cash included in other current assets	28,343	35
Restricted cash included in other assets	6,724	—
Restricted cash and restricted cash equivalents included in funds held for customers	1,791,598	1,148,306
Total cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	$ 3,466,036	$ 2,372,065

See accompanying notes to condensed consolidated financial statements.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

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

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

Offering of Common Stock and Notes

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

Concurrent with the public offering of common stock, the Company issued and sold $575.0 million in aggregate principal amount of its 0% convertible notes due on April 1, 2027 (2027 Notes) in a private offering. The Company received $560.1 million in net proceeds from the sale of the 2027 Notes, after deducting purchaser discounts, commissions and other offering costs of $14.9 million.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and applicable rules and regulations of the SEC regarding interim financial reporting. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present fairly the Company’s financial position, results of operations, comprehensive loss, changes in stockholders’ equity, and cash flows for the periods presented. The results of operations for the three and nine months ended March 31, 2022 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2022 or for any other future annual or interim period. The unaudited condensed consolidated balance sheet as of June 30, 2021 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis. All intercompany accounts and transactions have been eliminated.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

Segment Reporting

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

Business Combination

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

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

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make various estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Management regularly assesses these estimates, including useful lives of long-lived assets, capitalization of internal-use software costs, incremental borrowing rates for right-of-use operating lease assets and operating lease liabilities, the estimate of credit losses on accounts receivable, acquired card receivables and other financial assets, accrual for rewards, variable consideration used in revenue recognition for certain contracts, benefit periods used to amortize deferred commissions, reserve for losses on funds held for customers, inputs used to value certain stock-based compensation awards, and income tax. The Company evaluates these estimates and assumptions and adjusts them accordingly. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

Cash, cash equivalents, restricted cash and restricted cash equivalents

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

Restricted cash consists of (i) amounts restricted under deposit control agreements, (ii) cash collateral required by the Company's lessors to satisfy letter of credit requirements under its lease agreements, (iii) cash collateral required by a bank in connection with the Company’s money transmission activities, and (iv) cash in bank deposits included in funds held for customers.

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

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

Concentrations of Credit Risk

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

The Company performs credit evaluations to verify the credit quality of its financial assets and determine any at-risk receivables. An allowance for potential credit losses on Financial Assets and customer accounts is recognized, if material. As of March 31, 2022, the allowance for potential credit losses related to accounts receivable and acquired card receivables totaled approximately $6.0 million.

There were no customers that exceeded 10% of the Company’s total revenue during the three and nine months ended March 31, 2022 and 2021.

Foreign Currency

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

Significant Accounting Policies

There have been no changes to the Company’s significant accounting policies described in the Annual Report on Form 10-K for the fiscal year ended June 30, 2021, other than those new accounting policies that were implemented as a result of the Company's business acquisitions and the adoption of new accounting standards as described below.

Recently Adopted Accounting Pronouncements

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

For public business entities, the amendments in ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. An entity that early adopts in an interim period should apply the amendments (i) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (ii) prospectively to all business combinations that occur on or after the date of initial application. The Company early-adopted this ASU on October 1, 2021, retrospectively to September 1, 2021, the date of the Company's acquisition of Invoice2go, the Company's only acquisition since July 1, 2021, the beginning of the fiscal year of adoption.

The adoption of ASU 2021-08 resulted in an increase in deferred revenue assumed and a related increase to goodwill as of September 1, 2021 with a consequent increase in revenue during the three months ended September 30, 2021 and nine months ended March 31, 2022, in connection with the Invoice2go acquisition.

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

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

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

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

These adjustments are reflected in the Company's condensed consolidated statement of operations during the nine months ended March 31, 2022.

The impact of adopting ASU 2021-08 increased reported revenues by $2.6 million and $8.3 million during the three and nine months ended March 31, 2022, respectively.

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

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

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

[(1)] The balance at June 30, 2021 included $5.8 million of deferred tax liability associated with the allocation of the 2025 Notes into equity.

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

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

NOTE 2 – REVENUE, PERFORMANCE OBLIGATIONS, DEFERRED REVENUE AND UNBILLED REVENUE

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

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Small-to-midsize business, accounting firm customers and other	$ 156,518	$ 54,710	$ 417,651	$ 144,609
Financial institution customers	8,950	3,912	20,895	10,134
Total subscription and transaction fees	165,468	58,622	438,546	154,743
Interest on funds held for customers	1,443	1,116	3,192	5,249
Total revenue	$ 166,911	$ 59,738	$ 441,738	$ 159,992

Deferred revenue

Fees from customers with which the Company has annual or multi-year contracts are generally billed in advance. These fees are initially recorded as deferred revenue and subsequently recognized as revenue as the performance obligation is satisfied. Total deferred revenue was $33.6 million and $15.8 million as of March 31, 2022 and June 30, 2021, respectively. The current portion of the deferred revenue, which was $31.6 million and $12.9 million as of March 31, 2022 and June 30, 2021, respectively, is included in other accruals and current liabilities in the accompanying condensed consolidated balance sheets. The non-current portion of the deferred revenue, which was $2.0 million and $2.9 million as of March 31, 2022 and June 30, 2021, respectively, is included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

During the three and nine months ended March 31, 2022, the Company recognized $3.2 million and $12.1 million of revenue, respectively, that was included in the deferred revenue balance as of June 30, 2021.

Remaining performance obligations

The Company has performance obligations associated with commitments in customer contracts for future services that have not yet been recognized as revenue. As of March 31, 2022, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied), including deferred revenue, was approximately $148 million. Of the total remaining performance obligations, the Company expects to recognize approximately 63% within two years and 37% over the next three to five years thereafter. The Company determines remaining performance obligations at a point of time. Actual amounts and timing of revenue recognized may differ due to subsequent contract modifications, renewals and/or terminations.

Unbilled revenue

Unbilled revenue, which is included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets, consists of revenue recognized that has not been billed to the customers yet. The unbilled revenue amounted to $11.0 million and $8.1 million as of March 31, 2022 and June 30, 2021, respectively.

NOTE 3 – BUSINESS COMBINATIONS

Acquisition of Invoice2go

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

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

Equity consideration [(1)]	$	510,218
Cash		164,087
Total	$	674,305

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

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

Cash and cash equivalents	$	19,738
Accounts receivable and other assets		4,518
Intangible assets		91,219
Total identifiable assets acquired		115,475
Accounts payable and other liabilities		(26,618)
Net identifiable assets acquired		88,857
Goodwill		585,448
Net assets acquired	$	674,305

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

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

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

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

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

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

The Company recognized $3.7 million of acquisition-related costs that were expensed in the current period. These costs are shown as part of general and administrative expenses in the accompanying condensed consolidated statements of operations. The Company also recognized $0.2 million in costs associated with the issuance and registration of the shares issued as consideration in the acquisition of Invoice2go. Those costs were reported as a reduction of additional paid-in capital within stockholders' equity.

The amounts of Invoice2go's total revenues that were included in the Company's condensed consolidated statements of operations during the three and nine months ended March 31, 2022, were approximately $10 million and $23 million, respectively. The amounts of Invoice2go's net loss that were included in the Company's condensed consolidated statements of operations during the three and nine months ended March 31, 2022 were approximately $13 million and $28 million, respectively.

Unaudited Pro Forma Financial Information

The unaudited pro forma information below summarizes the combined results (in thousands) of the Company and Invoice2go as if the Company's acquisition of Invoice2go closed on July 1, 2020, but does not necessarily reflect the combined actual results of operations of the Company and Invoice2go that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Invoice2go, including additional depreciation and amortization adjustments for the fair value of the assets acquired and liabilities assumed. The pro forma net loss for the nine months ended March 31, 2022 was adjusted to exclude nonrecurring acquisition-related costs of $19.0 million. The pro forma net loss for the nine months ended March 31, 2021 was adjusted to include nonrecurring acquisition-related costs of $20.6 million.

	Three months ended March 31,	Nine months ended March 31,	
	2021	2022	2021
Total revenue	$ 69,168	$ 448,256	$ 186,788
Net loss	$ (34,732)	$ (242,194)	$ (97,157)

Acquisition of Divvy

On June 1, 2021, the Company acquired 100% of the outstanding equity interests of Divvy for total consideration (equity and cash) of $2.3 billion. Following the acquisition of Divvy, the Company has a period of not more than 12 months to finalize the fair values of assets acquired and liabilities assumed, including valuations of identifiable intangible assets and indemnification asset related to certain assumed liabilities at the acquisition date of Divvy. The Company continues to refine its estimates and assumptions used in the valuation of the assets acquired and liabilities assumed.

As of September 30, 2021, the Company remeasured the fair value of the leases acquired and the replacement stock based awards included in the purchase consideration. The effect of these measurement period adjustments resulted in a decrease of goodwill by $2.7 million as of September 30, 2021.

Unaudited Pro Forma Financial Information

The unaudited pro forma information below summarizes the combined results (in thousands) of the Company and Divvy as if the Company’s acquisition of Divvy closed on July 1, 2019 but does not necessarily reflect the combined actual results of operations of the Company and Divvy that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma information reflects certain adjustments that were directly attributable to the acquisition of Divvy, including additional depreciation and amortization adjustments for the fair value of the assets acquired and liabilities assumed.

	Three months ended March 31, 2021	Nine months ended March 31, 2021
Total revenue	$ 80,808	$ 210,787
Net loss	$ (75,131)	$ (222,918)

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents:				
Money market funds	$ 1,237,003	$ —	$ —	$ 1,237,003
Corporate bonds	—	16,392	—	16,392
	1,237,003	16,392	—	1,253,395
Short-term investments:				
Corporate bonds	—	660,298	—	660,298
U.S. treasury securities	414,825	—	—	414,825
Asset-backed securities	—	49,177	—	49,177
Certificates of deposit	—	19,108	—	19,108
	414,825	728,583	—	1,143,408
Funds held for customers:				
Restricted cash equivalents:				
Money market funds	16,811	—	—	16,811
Corporate bonds	—	107,321	—	107,321
	16,811	107,321	—	124,132
Corporate bonds	—	763,268	—	763,268
Certificates of deposit	—	390,144	—	390,144
Municipal bonds	—	9,512	—	9,512
Asset-backed securities	—	57,397	—	57,397
U.S. treasury securities	6,074	—	—	6,074
	22,885	1,327,642	—	1,350,527
Beneficial interest derivative on card receivables sold	—	—	1,786	1,786
Total assets measured at fair value	$ 1,674,713	$ 2,072,617	$ 1,786	$ 3,749,116

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents:				
Money market funds	$ 365,550	$ —	$ —	$ 365,550
Corporate bonds	—	15,499	—	15,499
	365,550	15,499	—	381,049
Short-term investments:				
Corporate bonds	—	466,459	—	466,459
U.S. treasury securities	155,674	—	—	155,674
Asset-backed securities	—	26,406	—	26,406
Certificates of deposit	—	6,775	—	6,775
	155,674	499,640	—	655,314
Funds held for customers:				
Restricted cash equivalents:				
Money market funds	6,887	—	—	6,887
Corporate bonds	—	79,435	—	79,435
	6,887	79,435	—	86,322
Corporate bonds	—	516,350	—	516,350
Certificates of deposit	—	326,927	—	326,927
Municipal bonds	—	42,957	—	42,957
Asset-backed securities	—	25,085	—	25,085
U.S. treasury securities	3,009	—	—	3,009
	9,896	990,754	—	1,000,650
Beneficial interest derivative on card receivables sold	—	—	2,252	2,252
Total assets measured at fair value	$ 531,120	$ 1,505,893	$ 2,252	$ 2,039,265

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

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

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

The initial and recurring fair value of the beneficial interest derivative on card receivables sold is estimated using a discounted cash flow model, which uses Level 3 inputs including a discount rate and a default rate. The default rate estimate is based upon the expected transferred card receivables that will ultimately default. The default rate is calculated using historical trends and ages of the outstanding card receivable balances. The default rate did not have a material impact in the estimation of fair value of the beneficial interest derivative as of March 31, 2022 and June 30, 2021. Other inputs, such as the discount rate and expected repayments, are generally considered but had no material impact in the estimation of fair value of the beneficial interest derivative as of March 31, 2022 and June 30, 2021. A ten percent increase or decrease in the discount rate or default rate used would not result in a significantly higher or lower fair value measurement.

The Company has $575.0 million and $1.15 billion in aggregate principal amount of its 0% convertible senior notes due in 2027 (2027 Notes) and in 2025 (2025 Notes, together with the 2027 Notes, the Notes), respectively, outstanding as of March 31, 2022. The Company carries the Notes at par value, less the unamortized debt discount and issuance costs in the accompanying condensed consolidated balance sheets. The estimated fair value of the 2027 Notes and 2025 Notes, which is presented for disclosure purposes only, was approximately $556.9 million and $1.9 billion, respectively, as of March 31, 2022. The fair value was based on a market approach, which represents a Level 2 valuation estimate. The market approach was determined based on the actual bids and offers of the Notes in an over-the-counter market as of the last day of trading prior to the end of the period.

NOTE 5 – SHORT-TERM INVESTMENTS

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

	March 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	$ 663,946	$ 5	$ (3,653)	$ 660,298
U.S. treasury securities	416,879	5	(2,059)	414,825
Asset-backed securities	49,403	—	(226)	49,177
Certificates of deposit	19,108	—	—	19,108
Total	$ 1,149,336	$ 10	$ (5,938)	$ 1,143,408

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

The amortized cost and fair value amounts include accrued interest receivable of $3.2 million and $2.5 million as of March 31, 2022 and June 30, 2021, respectively.

As of March 31, 2022, the fair value of the Company’s short-term investments that mature within one year and thereafter was $971.6 million and $171.8 million, respectively, or 85% and 15%, respectively, of the Company’s total short-term investments. As of June 30, 2021, the fair value of the Company’s short-term investments that mature within one year and thereafter was $495.8 million and $159.5 million, respectively, or 76% and 24%, respectively, of the Company’s total short-term investments.

As of March 31, 2022, approximately 300 out of approximately 400 investment positions were in an unrealized loss position. The following table presents gross unrealized losses and fair values for those investments that were in an unrealized loss position as of the dates presented (in thousands):

	March 31, 2022	
	Fair value	Unrealized losses
Corporate bonds	$ 415,637	$ (3,653)
U.S. treasury securities	372,165	(2,059)
Asset backed securities	49,177	(226)
Total	$ 836,979	$ (5,938)

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

Most of the Company investments with unrealized losses had been in a continuous unrealized loss position for less than 12 months. Investments with unrealized losses that had been in a continuous unrealized loss position for more than 12 months have not been material. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which will be at maturity. Therefore, the Company does not consider those unrealized investment losses as other-than-temporary impairment of the investments. There have been no significant realized gains or losses on the short-term investments during the three and nine months ended March 31, 2022 and 2021.

The Company has not recorded an allowance for credit losses on investments that were in an unrealized loss position as of March 31, 2022 and June 30, 2021 because they were not material.

NOTE 6 – FUNDS HELD FOR CUSTOMERS

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

	March 31, 2022	June 30, 2021
Restricted cash	$ 1,667,466	$ 1,195,904
Restricted cash equivalents	124,132	86,322
Funds receivable	26,241	12,694
Corporate bonds	763,268	516,350
Certificates of deposit	390,144	326,927
Municipal bonds	9,512	42,957
Asset backed securities	57,397	25,085
U.S. treasury securities	6,074	3,009
Total funds held for customers	3,044,234	2,209,248
Less - income earned by the Company included in other current assets	(694)	(650)
Total funds held for customers, net of income earned by the Company	$ 3,043,540	$ 2,208,598

Income earned by the Company that is included in other current assets represents interest income, accretion of discount (offset by amortization of premium), and net unrealized gains on customer funds that were invested in money market funds and short-term marketable debt securities. Earnings from these investments are contractually earned by the Company and are expected to be transferred into the Company's corporate deposit account upon sale or settlement of the associated investment.

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

	March 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	$ 764,208	$ 4	$ (944)	$ 763,268
Certificates of deposit	390,145	—	(1)	390,144
Municipal bonds	9,544	—	(32)	9,512
Asset backed securities	57,802	—	(405)	57,397
U.S. treasury securities	6,087	—	(13)	6,074
Total	$ 1,227,786	$ 4	$ (1,395)	$ 1,226,395

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

The amortized cost and fair value amounts include accrued interest receivable of $2.1 million and $1.9 million and as of March 31, 2022 and June 30, 2021, respectively.

As of March 31, 2022, approximately 95%, or $1.2 billion, of the total funds held for customers invested in marketable debt securities mature within one year and approximately 5% or $57.4 million mature thereafter. As of June 30, 2021, approximately 97%, or $882.4 million, of the total funds held for customers invested in marketable debt securities mature within one year and approximately 3% or $31.9 million mature thereafter.

As of March 31, 2022, approximately 200 out of approximately 400 investment positions were in an unrealized loss position. The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of the dates presented (in thousands):

	March 31, 2022	
	Fair value	Unrealized losses
Corporate bonds	$ 267,969	$ (944)
Certificates of deposit	2,055	(1)
Municipal bonds	9,512	(32)
Asset backed securities	57,397	(405)
U.S. treasury securities	6,074	(13)
Total	$ 343,007	$ (1,395)

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

Investments with unrealized losses have been in a continuous unrealized loss position for less than 12 months. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which will be at maturity. Therefore, the Company does not consider those unrealized investment losses as other-than-temporary impairment of the investments. There have been no significant realized gains or losses on funds held for customers that were invested in short-term marketable debt securities during the three and nine months ended March 31, 2022 and 2021.

NOTE 7 – ACQUIRED CARD RECEIVABLES

Acquired Card Receivables

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

	March 31, 2022	June 30, 2021
Gross amount of acquired card receivables	$ 242,911	$ 148,833
Less: allowance for credit losses	(5,400)	(1,740)
Total	$ 237,511	$ 147,093

Certain lines of credit and acquired card receivable balances are collateralized by cash deposits held by the Issuing Banks. Before an account is charged off, the Company obtains any available cash collateral from the Issuing Banks.

As of March 31, 2022, approximately $192 million of the acquired card receivable balance served as collateral for the Company's borrowings from the 2021 Revolving Credit Agreement and the 2019 Credit Agreement (see Note 9).

Credit Quality Information

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

	March 31, 2022	June 30, 2021
Current and less than 30 days past due	$ 237,847	$ 145,993
30 ~ 59 days past due	1,773	1,188
60 ~ 89 days past due	1,613	580
90 ~ 119 days past due	1,583	713
Over 119 days past due	95	359
Total	$ 242,911	$ 148,833

The amount of outstanding balance of acquired card receivables that is (i) 90 days or more past due that continue to accrue fees and have an allowance for outstanding balance and fees, and (ii) classified as nonperforming was not material as of March 31, 2022.

Allowance for Credit Losses

Below is a summary of the changes in allowance for credit losses for the periods presented (in thousands):

	Three months ended March 31, 2022	Nine months ended March 31, 2022
Balance, beginning	$ 4,607	$ 1,740
Initial allowance for credit losses on purchased card receivables with credit deterioration	1	311
Provision for expected credit losses	6,085	15,310
Charge-off amounts	(5,774)	(13,070)
Recoveries collected	481	1,109
Balance, end of period	$ 5,400	$ 5,400

The Company also incurred losses related to card transactions disputed by spending businesses. The amount was not material during the three and nine months ended March 31, 2022.

Purchased Financial Assets with Credit Deterioration

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

The acquired card receivables that were considered PCD assets were not material during the three and nine months ended March 31, 2022.

Card Receivables Held for Sale

The Company sells a portion of acquired card receivables to a Purchasing Bank at a discount. Card receivables held for sale, which are carried at the lower of cost or estimated market value at the individual user account level and included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets, amounted to $6.7 million and $2.6 million as of March 31, 2022 and June 30, 2021.

Card Receivables Sold and Related Servicing and Beneficial Interest Derivative Retained

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

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

The card receivables that the Company transferred to the Purchasing Bank during the three and nine months ended March 31, 2022 met all of the requirements described above; therefore, the Company accounted for the transfer as a sale of financial assets. Accordingly, the Company measures gain or loss on the sales of financial assets as the net proceeds less the carrying amount of the card receivables sold. The net proceeds represent the fair value of any assets obtained or liabilities incurred as part of the transfer, including, but not limited to, servicing assets, servicing liabilities, or beneficial interest derivatives.

The Company has an agreement with the Purchasing Bank to sell its acquired card receivables. The Company has continuing involvement under this agreement as servicer, and by retaining a beneficial interest derivative in the form of a deferred purchase price. The beneficial interest derivative represents the Company's right to receive a portion of collections based on the performance of each cohort of card receivables sold to the Purchasing Bank. The fair value of the beneficial interest derivative was $1.8 million and $2.3 million as of March 31, 2022 and June 30, 2021, respectively, and is included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. The servicing fee income was not material during the three and nine months ended March 31, 2022. The initial fair value of the beneficial interest derivative includes key inputs and assumptions that qualify as Level 3 inputs in the fair value hierarchy including discount rates and delinquency rates. See Note 4 for additional information about the fair value measurement of the beneficial interest derivative as of March 31, 2022 and June 30, 2021.

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

	Three months ended March 31, 2022	Nine months ended March 31, 2022
Initial fair value of consideration received:		
Cash	$ 394,497	$ 1,019,704
Beneficial interest derivative	1,100	3,387
Total	$ 395,597	$ 1,023,091

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

Card receivable repurchases during the three and nine months ended March 31, 2022 were not material.

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

	March 31, 2022	June 30, 2021
Current and less than 30 days past due	$ 60,772	$ 27,763
30 ~ 59 days past due	397	240
60 ~ 89 days past due	802	165
90 ~ 119 days past due	437	301
Over 119 days past due	44	132
Total	$ 62,452	$ 28,601

The difference between the outstanding balance of transferred card receivables as of March 31, 2022 and June 30, 2021 and the amount derecognized for which the Company has a continuing involvement as servicer as of March 31, 2022 and June 30, 2021 was not material.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

	March 31, 2022	June 30, 2021
Balance, beginning	$ 1,772,043	$ —
Addition related to acquisition during the period	585,448	1,772,043
Measurement period adjustments	(2,660)	—
ASU 2021-08 adoption	8,278	—
Balance, ending	$ 2,363,109	$ 1,772,043

Intangible Assets

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

	March 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-average remaining useful life (in years)
Customer relationships	$ 259,269	$ (20,074)	$ 239,195	9.2
Developed technology	206,908	(29,624)	177,284	5
Trade name	48,042	(12,170)	35,872	2.3
Total	$ 514,219	$ (61,868)	$ 452,351	7

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

Amortization of finite-lived intangible assets was as follows during the three and nine months ended March 31, 2022 (in thousands):

	Three months ended March 31, 2022	Nine months ended March 31, 2022
Cost of revenue	$ 9,285	$ 26,971
Sales and marketing	10,484	29,238
Total	$ 19,769	$ 56,209

As of March 31, 2022, future amortization of finite-lived intangible assets that will be recorded in cost of revenue and operating expenses is estimated as follows (in thousands):

Fiscal years ending June 30:	Amount
Remainder of 2022	$ 19,768
2023	79,075
2024	78,147
2025	59,425
2026	57,763
2027	55,094
Thereafter	103,079
Total	$ 452,351

NOTE 9 – DEBT AND BORROWINGS

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

	March 31, 2022	June 30, 2021
Convertible senior notes:		
2027 Notes, principal	$ 575,000	$ —
2025 Notes, principal	1,150,000	1,150,000
Total principal amount of convertible senior notes	1,725,000	1,150,000
Credit facilities:		
2021 revolving credit agreement (Class A)	37,500	37,500
2021 revolving credit agreement (Class B)	10,000	10,000
2019 credit agreement	30,000	30,000
Total principal borrowings from credit facilities	77,500	77,500
Total principal amount of debt and borrowings	1,802,500	1,227,500
Less: unamortized debt discount and issuance costs	(27,767)	(238,119)
Net carrying value of debt and borrowings	$ 1,774,733	$ 989,381
Net carrying value of debt and borrowings consisted of:		
Current liabilities:		
2025 Notes, net	$ 1,134,835	$ 909,847
Borrowings from credit facilities (including unamortized debt premium)	30,370	—
Non-current liabilities:		
2027 Notes, net	561,457	—
Borrowings from credit facilities (including unamortized debt premium)	48,071	79,534
Total	$ 1,774,733	$ 989,381

2027 Notes

On September 24, 2021, the Company issued $575.0 million in aggregate principal amount of its 0% convertible senior notes due on April 1, 2027, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2027 Notes are subject to the terms and conditions of the Indenture governing the 2027 Notes between the Company and Wells Fargo Bank, N.A., as trustee (Trustee). The net proceeds from the issuance of the 2027 Notes were $560.1 million, after deducting debt discount and debt issuance costs totaling $14.9 million.

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

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

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

The holders of the 2027 Notes may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2027 in multiples of $1,000 principal amount, under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, and only during such calendar quarter, if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day periods after any five consecutive trading day period in which the trading price per $1,000 principal amount of the 2027 Notes for each trading day of that period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;

- if the Company calls such notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or

- upon the occurrence of specified corporate events.

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

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

2025 Notes

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

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

2025 Notes are subordinated to any of the Company’s secured indebtedness and to all indebtedness and other liabilities of the Company’s subsidiaries.

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

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

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

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2021, and only during such calendar quarter, if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day periods after any five consecutive trading day period in which the trading price per $1,000 principal amount of the 2025 Notes for each trading day of that period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such trading day;

- if the Company calls such notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or

- upon the occurrence of specified corporate events.

The conversion rate is subject to adjustment upon the occurrence of certain events or if the Company’s Board of Directors determines it is in the best interest of the Company. Additionally, holders of the 2025 Notes that convert their notes in connection with a make-whole fundamental change or during the redemption period, may be eligible to receive a make-whole premium through an increase of the conversion rate based on the estimated fair value of the 2025 Notes for the given date and stock price. The make-whole premium is designed to compensate the holder for lost “time-value” of the conversion option. The maximum number of additional shares that may be issued under the make-whole premium is 2.9525 per $1,000 principal (the lowest price of $109.07 in the make whole).

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

As of March 31, 2022, one of the conditions for early conversion of the 2025 Notes was met. Specifically, the Company's common stock during the three months ended March 31, 2022 traded at a price greater than 130% of the initial conversion price of the 2025 Notes for 20 trading days in a period of 30 consecutive trading days. Pursuant to the terms of the 2025 Notes, the holders of the 2025 Notes have the right to convert their notes at their option at any time in the calendar quarter subsequent to March 31, 2022. As a result, the Company classified the net carrying amount of the 2025 Notes as a current liability in the accompanying condensed consolidated balance sheets as of March 31, 2022.

Additional Information About the Notes

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

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

As of March 31, 2022 and June 30, 2021, the Notes consisted of the following:

	March 31, 2022		June 30, 2021
	2027 Notes	2025 Notes	2025 Notes
Liability component:			
Principal	$ 575,000	$ 1,150,000	$ 1,150,000
Less: unamortized debt discount and issuance costs	(13,543)	(15,165)	(240,153)
Net carrying amount	$ 561,457	$ 1,134,835	$ 909,847
Amount allocated to equity component, net of issuance costs and tax	$ —	$ —	$ 245,066

The debt discount and issuance costs of the Notes are being amortized using the effective interest method. During the three and nine months ended March 31, 2022, the Company recognized $1.7 million and $4.5 million, respectively, of interest expense related to the amortization of the debt discount and issuance costs of the Notes. During the three and nine months ended March 31, 2021, the Company recognized $11.8 million and $15.7 million, respectively, of interest expense related to the amortization of the debt discount and issuance costs of the 2025 Notes. The effective interest rate of the 2027 Notes was 0.48%. The effective interest rate of the 2025 Notes was 0.36% after the adoption of ASU 2020-06 beginning July 1, 2021. Prior to the adoption of ASU 2020-06, the effective interest rate of the liability component of the 2025 Notes was 5.37% and was based on the interest rate of similar debt instruments, at the time of the offering, that do not have associated convertible features. As of March 31, 2022, the weighted-average remaining life of the Notes was 4.1 years.

The “if-converted” value of the 2027 Notes did not exceed the principal amount of $575.0 million as of March 31, 2022. The “if-converted” value of the 2025 Notes exceeded the principal amount by approximately $471 million as of March 31, 2022.

Capped Call Transactions

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

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

2021 Revolving Credit Agreement (as amended)

The 2021 Revolving Credit Agreement was executed in March 2021, and was most recently amended in October 2021, to finance the acquisition of card receivables. The 2021 Revolving Credit Agreement matures in June 2023 or earlier pursuant to the agreement and has a total commitment of $95.0 million consisting of a Class A facility amounting to $75.0 million and a Class B facility amounting to $20.0 million. Both Class A and Class B facilities require a minimum utilization of 50%. Borrowings from the Class A and Class B facilities, which are secured by acquired card receivables, bear interest at 2.75% and 10.25% per annum, respectively, plus LIBOR (subject to a floor rate of 0.25%). The interest rates on borrowings from the Class A and Class B facilities were 3.27% and 10.77% per annum, respectively, as of March 31, 2022. The 2021 Revolving Credit Agreement requires the Company to pay an unused fee of up to 0.50%. The 2021 Revolving Credit Agreement requires the Company to comply with certain restricted covenants, including certain liquidity requirements. As of March 31, 2022, the Company was in compliance with those covenants.

2019 Credit Agreement (as amended)

The 2019 Credit Agreement was executed in January 2019 and was most recently amended in March 2022. The amended 2019 Credit Agreement, which matures in January 2023, has a total commitment of $60.0 million with a minimum utilization requirement of $30.0 million. Borrowings from the amended 2019 Credit Agreement, which are secured by acquired card receivables, bear interest at 6.0% per annum plus LIBOR (subject to a floor rate of 2.0%). The interest rate dropped to 4.50% per annum plus LIBOR (subject to a floor rate of 0.25%) beginning October 2021. The interest rate was 5.02% per annum as of March 31, 2022. The amended 2019 Credit Agreement requires the Company to pay an unused fee of 0.50%; however, to the extent utilization requirements are not met, the unused fee is equal to the stated interest rate for the portion unused funds under the utilization requirement. The amended 2019 Credit Agreement requires the Company to comply with certain restricted covenants, including certain liquidity requirements. As of March 31, 2022, the Company was in compliance with those covenants.

The debt premium associated with the 2021 Revolving Credit Agreement and the 2019 Credit Agreement is amortized using the effective interest method over the remaining term of the credit agreements, with a weighted-average remaining amortization period of approximately 1 year. The interest income related to the amortization of the debt premium during the three and nine months ended March 31, 2022 was not material.

NOTE 10 – STOCKHOLDERS' EQUITY

Equity Incentive Plans

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

Equity Awards Assumed in Acquisition

In connection with the acquisition of Invoice2go, the Company assumed and replaced the outstanding stock options on the acquisition date of Invoice2go under the Invoice2go 2014 Plan. The assumed equity awards will be settled in shares of the Company's common stock and will retain the terms and conditions under which they were originally granted.

No additional equity awards will be granted under the Invoice2go 2014 Plan and the forfeited awards will not be returned to the Invoice2go 2014 Plan.

Stock Options

The stock option awards granted during the nine months ended March 31, 2022 and 2021 were not material. As of March 31, 2022, the total unamortized stock-based compensation expense related to the unvested stock options was $83.9 million, which the Company expects to recognize over a weighted-average period of 2.1 years.

Restricted Stock Units (RSUs)

During the nine months ended March 31, 2022, the Company granted an aggregate of approximately 2.5 million RSUs with a weighted grant-date fair value of $212.33 per unit. The fair value of the RSUs was estimated based upon the market closing price of the Company's common stock on the date of grant. The RSUs vest over the requisite service period, which generally range between 1 year and 4 years from the date of grant, subject to the continued employment of the employees and services of the nonemployee board members.

As of March 31, 2022, the total unamortized stock-based compensation expense related to the unvested RSUs options was $435.8 million, which the Company expects to amortize over a weighted-average period of 3.0 years.

Market-based RSUs

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

As of March 31, 2022, the total unrecognized compensation expense related to the market-based RSUs was $7.7 million, which is expected to be amortized over a weighted-average period of 1.8 years.

2019 Employee Stock Purchase Plan (ESPP)

The fair value of the ESPP offering during the nine months ended March 31, 2022 was estimated at the date of the offering using the Black-Scholes option-pricing model with the following assumptions: (i) expected term range of 0.6 to 1.0 years, (ii) expected volatility of 77.2%, (iii) risk-free interest rate range of 0.63% to 0.88% and (iv) expected dividend yield of 0%.

As of March 31, 2022, the total unrecognized compensation expense related to the ESPP was $6.6 million, which is expected to be amortized over the next 12 months.

Warrants

The Company has an agreement with a customer to issue warrants for up to 5.6 million shares of the Company's common stock at an exercise price of $4.50 per share over a period of five years, ending in September 2023. Issuance of the warrants is contingent upon certain performance conditions and subject to certain limits. As of March 31, 2022, there were no warrants issued or issuable under this agreement. The Company has concluded that the performance conditions for the issuance of this warrant are not probable of being met.

Stock Based Compensation Cost

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

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Cost of revenue	$ 1,262	$ 728	$ 3,674	$ 1,971
Research and development	13,912	3,638	38,752	9,953
Sales and marketing	17,758	1,711	36,911	5,086
General and administrative	19,878	4,603	61,044	14,253
Total amount charged to expense	52,810	10,680	140,381	31,263
Property and equipment (capitalized internal-use software)	1,093	—	3,050	—
Total stock-based compensation cost	$ 53,903	$ 10,680	$ 143,431	$ 31,263

NOTE 11 – OTHER EXPENSES, NET

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

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Interest expense	$ (2,462)	$ (11,888)	$ (6,785)	$ (15,846)
Lower of cost or market adjustment on card receivables sold and held for sale	(3,179)	—	(7,824)	—
Interest income	1,185	460	2,456	1,914
Other	40	(4)	(738)	(11)
Total	$ (4,416)	$ (11,432)	$ (12,891)	$ (13,943)

NOTE 12 – INCOME TAXES

The Company’s provision for income taxes during the interim periods is determined using an estimate of the Company’s annual effective tax rate, which is adjusted for certain discrete tax items during the interim period.

The Company’s effective tax rate differs from the federal statutory rate primarily due to its federal, state and foreign valuation allowance positions. The income tax benefit during the three and nine months ended March 31, 2022 consisted primarily of the Company's net losses and credits generated, offset with a corresponding valuation allowance, and the discrete income tax benefit recorded after a partial release of valuation allowance due to the acquisition of Invoice2go.

The Company is subject to income tax audits in the U.S. and in Australia. The Company records liabilities related to uncertain tax positions, which provide adequate reserves for income tax uncertainties in all open tax years. Due to the Company’s history of tax losses, all years remain open to tax audit. The Company’s management evaluates the realizability of the Company’s deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is dependent on the Company’s ability to generate sufficient future taxable income during the foreseeable future.

NOTE 13 – LEASES

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

As of March 31, 2022, the weighted-average remaining term of these operating leases is 8.4 years and the weighted-average discount rate used to estimate the net present value of the operating lease liabilities was 5.10%.

The total amount paid for amounts included in the measurement of operating lease liabilities was $3.9 million and $10.3 million during the three and nine months ended March 31, 2022, respectively, and was $0.5 million and $1.2 million during the three and nine months ended March 31, 2021, respectively.

The total amount of right-of-use assets obtained in exchange for new operating lease liabilities was $4.2 million and $5.3 million during the three and nine months ended March 31, 2022, respectively, and was $0.3 million and $2.6 million during the three and nine months ended March 31, 2021, respectively.

The components of lease expense during the three and nine months ended March 31, 2022 and 2021 is shown on the table below (in thousands).

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Operating lease expense	$ 3,580	$ 1,767	$ 10,098	$ 5,016
Short-term lease expense	—	52	77	381
Variable lease expense, net of credit	(345)	598	2,564	1,917
Sublease income	(215)	—	(546)	—
Total	$ 3,020	$ 2,417	$ 12,193	$ 7,314

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Commitments

The Company has non-cancelable operating leases for office and other facilities in various locations, and certain equipment, which expire through 2031. Future minimum lease payments as of March 31, 2022 are as follows (in thousands):

Fiscal years ending June 30:	Amount
Remainder of 2022	$ 3,477
2023	14,000
2024	13,651
2025	13,425
2026	13,292
2027	13,226
Thereafter	49,508
Gross lease payments	120,579
Less - present value adjustments	(23,426)
Total operating lease liabilities, net	$ 97,153

In addition to the minimum lease payments above, the Company has multi-year agreements with certain third parties and financial institution partners, expiring through 2029, which require the Company to pay fees over the term of the respective agreements. Future payments under these agreements as of March 31, 2022 are as follows (in thousands):

Fiscal years ending June 30:	Amount
Remainder of 2022	$ 2,152
2023	21,066
2024	8,892
2025	5,385
2026	4,750
2027	4,750
Thereafter	34,250
Total	$ 81,245

Card Receivable Repurchase Obligations with Purchasing Bank

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

Purchase of Card Receivables that have not Cleared

The Company is contractually obligated to purchase all card receivables from the Issuing Banks including authorized transactions that have not cleared. The transactions that have been authorized but not cleared totaled $41.0 million as of March 31, 2022 and have not been recorded on the accompanying consolidated balance sheets. The Company has credit exposures with these authorized but not cleared transactions; however, the expected credit losses recorded was not material as of March 31, 2022.

Litigation

From time to time, the Company is involved in lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. The Company records a provision for a liability when management believes that it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of March 31, 2022, the Company's reserve for litigation is immaterial. The Company reviews these provisions periodically and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable.

NOTE 15 – NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

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

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
Numerator:				
Net loss attributable to common stockholders	$ (86,720)	$ (26,728)	$ (241,419)	$ (56,858)
Denominator:				
Weighted-average shares used to compute net loss per share attributable to common stockholders				
Basic and diluted	103,830	82,627	100,856	81,446
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.84)	$ (0.32)	$ (2.39)	$ (0.70)

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

	March 31,	
	2022	2021
Stock options	4,232	5,905
Restricted stock units	3,159	1,167
Total	7,391	7,072

In addition, approximately 8.5 million shares underlying the conversion option of the Notes are not considered in the calculation of diluted net loss per share. Such number of shares issuable under the Notes is subject to adjustment up to approximately 12.7 million shares if certain corporate events occur prior to the maturity date of the Notes or if the Company issues a notice of redemption. The Company's current intent is to settle conversions of the Notes through a combination settlement, which involves a repayment of the principal portion in cash with any excess of the conversion value over the principal amount settled in shares of common stock. The Company uses the "as-if converted" method for calculating any potential dilutive effect of the conversion option on diluted earnings per share, if applicable. During the three and nine months ended March 31, 2022, the average market price of the Company's common stock did not exceed the initial conversion price of the 2027 Notes of $414.80 per share; however, it exceeded the initial conversion price of the 2025 Notes of $160.88 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this Quarterly Report on Form 10-Q includes forward-looking statements that involve risks and uncertainties. You should read the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Our fiscal year end is June 30, and our fiscal quarters end on September 30, December 31, and March 31.

Overview

We are a leading provider of cloud-based software that simplifies, digitizes, and automates complex back-office financial operations for SMBs. By transforming how SMBs manage their cash inflows and outflows, we create efficiencies and free our customers to run their businesses. Our vision is to become the leading one-stop solution that helps millions of businesses around the world manage their financial operations.

Our purpose-built, artificial-intelligence (AI)-enabled financial software platform creates seamless connections between our customers, their suppliers, and their clients. Customers use our platform to generate and process invoices, streamline approvals, make and receive payments, reconcile their books, and manage their cash. We have built sophisticated integrations with popular accounting software solutions, banks, card issuers, and payment processors, enabling our customers to access these mission-critical services through a single connection. In essence, we sit at the center of an SMB's accounts payable and accounts receivable operations.

We efficiently reach SMBs through our proven direct and indirect go-to-market strategies. We acquire customers directly through digital marketing and inside sales, and indirectly through accounting firms and strategic partnerships. As of March 31, 2022, our partners included some of the most trusted brands in the financial services business, including 84 of the top 100 accounting firms and six of the top ten largest financial institutions in the U.S., including Bank of America, JPMorgan Chase, Wells Fargo Bank and American Express. As we add customers and partners, we expect our network to continue to grow organically.

On September 1, 2021, we completed our acquisition of Invoice2go, Inc. (Invoice2go), a provider of mobile-first accounts receivable software that empowers SMBs and freelancers to grow their client base, manage invoicing and payments, and build their brand, for an aggregate purchase price of $674.3 million. On June 1, 2021, we completed our acquisition of DivvyPay, Inc. (Divvy), a leading provider of cloud-based spend management application and smart corporate cards to SMBs in the U.S., for an aggregate purchase price of $2.3 billion. Following the acquisitions, Invoice2go and Divvy became our wholly-owned subsidiaries. Our condensed consolidated results of operations shown below for the three and nine months ended March 31, 2022 include the operating results of Invoice2go from the date of the acquisition and of Divvy. See Note 3 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional discussion about our acquisitions.

We have grown rapidly and scaled our business operations in recent periods. Our revenue was $166.9 million and $59.7 million during the three months ended March 31, 2022 and 2021, respectively, an increase of $107.2 million. Our revenue was $441.7 million and $160.0 million during the nine months ended March 31, 2022 and 2021, respectively, an increase of $281.7 million. We generated net losses of $86.7 million and $26.7 million during the three months ended March 31, 2022 and 2021, respectively, and $241.4 million and $56.9 million during the nine months ended March 31, 2022 and 2021, respectively.

Impact of COVID-19

The full impact of the COVID-19 pandemic is inherently uncertain at the time of this report. The COVID-19 pandemic has resulted in travel restrictions and greater uncertainty in global financial markets. As the COVID-19 pandemic persists, including the outbreak of new variants of COVID-19, it has significantly impacted the health and economic environment around the world. Many public and commercial establishments, including schools, restaurants, and shopping malls, have restricted their operations due to restrictions imposed by the government since the outbreak of the COVID-19 pandemic and may need to do so in the future. Our customers, spending businesses, and subscribers have been, and may continue to be, negatively impacted by government restrictions. These conditions may continue to have negative implications on demand for goods, the supply chain, production of goods, and transportation. A negative impact on our customers, spending businesses, and subscribers may cause them to go out of business, request discounts, extend payment terms, or discontinue using our services. Any of these actions may have a negative impact on our future results of operations, liquidity, and financial condition.

Although we have not experienced significant business disruptions thus far from the COVID-19 pandemic and there have been positive developments recently in the U.S. and in other countries in combating the COVID-19 pandemic because of vaccinations, we are unable to predict the full impact that the COVID-19 pandemic will have on our future results of operations, liquidity and financial condition due to numerous uncertainties, including the duration of the pandemic, the actions that may be taken by government authorities across the U.S. or other countries, the efficacy of vaccinations, the impact to our customers, strategic partners, and suppliers, and other factors described in the section titled “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Our Revenue Model

We generate revenue primarily from subscription and transaction fees.

Our subscription revenue is primarily based on a fixed monthly or annual rate per user charged to our customers. Our transaction revenue consists of transaction fees and interchange income on a fixed or variable rate per transaction. Transactions primarily include card payments, check issuances, ACH origination, cross-border payments, and creation of invoices. Much of our revenue comes from repeat transactions, which are an important contributor to our recurring revenue.

Our Receivables Purchases and Servicing Model

We market Divvy charge cards to potential spending businesses and issue business-purpose charge cards through our partnerships with card issuing banks. When a business applies for a Divvy card, we utilize proprietary risk management capabilities to confirm the identity of the business, and perform a credit underwriting process to determine if the business is eligible for a Divvy card pursuant to our credit policies. Once approved for a Divvy card, the business is provided a credit limit and can use the Divvy software to request virtual cards or physical cards.

The majority of cards on our platform are issued by Cross River Bank, an FDIC-insured New Jersey state chartered bank, and WEX Bank, an FDIC-insured Utah state chartered bank. Under our arrangements with these banks, we must comply with their respective credit policies and underwriting procedures, and the banks maintain ultimate authority to decide whether to issue a card or approve a transaction. We are responsible for all fraud and unauthorized use of a card and generally are required to hold the bank harmless from such losses unless claims regarding fraud or unauthorized use are due to the sole gross negligence of the bank.

When a spending business completes a purchase transaction, the payment to the merchant is made by our bank partner that issued the card. Obligations incurred by the spending business in connection with their purchase transaction are reflected as receivables on the bank’s balance sheet. The bank then sells a 100% participation interest in the receivable to us. Pursuant to our agreements with the banks, we are obligated to purchase the participation interests in all of the receivables originated through our platform, and our obligations are secured by cash deposits. When we purchase the participation right in the receivable, the purchase price is equal to the outstanding principal balance of the receivable.

We act as the servicer on all receivables we purchase from our issuing bank partners and earn a servicing fee on loans we sell to our funding sources. We do not sell the servicing rights on any of the loans, allowing us to control the consumer experience end-to-end.

In order to purchase the participation rights in the receivables, we maintain a variety of funding arrangements, including warehouse facilities and other purchase arrangements with a diverse set of funding sources. We typically fund some portion of these receivable purchases by borrowing under our credit facilities, although we may also fund receivables purchases using corporate cash. Typically, we immediately sell a portion of the receivables interests we have purchased to our warehousing subsidiary which funds the purchases through loans provided by our financing partners, and we may sell a portion of our receivables to a third-party institution pursuant to a purchase arrangement. As of March 31, 2022, we had $155.0 million in committed credit facility capacity and with a total balance drawn of $77.5 million, of which $30.0 million is included in current liabilities and $47.5 million is included in long-term liabilities on our condensed consolidated balance sheets included elsewhere in this Quarterly Report on Form 10-Q. On average, our spending businesses pay their statement balances in approximately 20 days.

Key Business Metrics

We regularly review several metrics, including the metrics presented in the table below, to measure our performance, identify trends affecting our business, prepare financial projections, and make strategic decisions. We believe that these key business metrics provide meaningful supplemental information for management and investors in assessing our historical and future operating performance. The calculation of the key metrics and other measures discussed below may differ from other similarly-titled metrics used by other companies, securities analysts or investors. The table below excludes the metrics of the Divvy and Invoice2go businesses. Relevant metrics for Divvy and Invoice2go are set forth in the footnotes to the table.

	As of March 31,		
	2022	2021	% Growth
Number of customers [1]	146,600	115,600	27%

	Three months ended March 31,			Nine months ended March 31,		
	2022	2021	% Growth	2022	2021	% Growth
Total Payment Volume (amounts in millions) [2]	$ 55,066	$ 34,971	57%	$ 158,346	$ 98,573	61%

	Three months ended March 31,			Nine months ended March 31,		
	2022	2021	% Growth	2022	2021	% Growth
Transactions processed [3]	9,462,000	7,182,000	32%	28,053,000	20,951,000	34%

[1] As of March 31, 2022, the total number of spending businesses that used Divvy's spend management platform was approximately 18,100 and the total number of Invoice2go subscribers was approximately 221,400.

[2] The total card payment volume transacted by spending businesses that used Divvy cards was approximately $2.1 billion and $5.4 billion during the three and nine months ended March 31, 2022, respectively. The total payment volume transacted by Invoice2go subscribers was approximately $259.0 million and $628.0 million, during the three and nine months ended March 31, 2022, respectively.

[3] The total transactions executed by spending businesses that used Divvy cards were approximately 5.9 million and 15.9 million during the three and nine months ended March 31, 2022, respectively. The total transactions executed by Invoice2go subscribers were over 312,000 and 766,000 during the three and nine months ended March 31, 2022, respectively.

Number of Customers

For the purposes of measuring our key business metrics, we define customers as entities that are either billed directly by us or for which we bill our strategic partners during a particular period. Customers who are using our solutions during a trial period are not counted as new customers during that period. If an organization has multiple entities billed separately for the use of our platform, each entity is counted as a customer. The number of customers in the table above represents the total number of customers at the end of each fiscal quarter.

Total Payment Volume (TPV)

To grow revenue from customers we must deliver a product experience that helps them automate their back-office financial operations. The more they use the product and rely upon our features to automate their operations, the more transactions they process on our platform. This metric provides an important indication of the value of transactions that customers are completing on the platform and is an indicator of our ability to generate revenue from our customers. We define TPV as the value of customer transactions that we process on our platform during a particular period. Our calculation of TPV includes payments that are subsequently reversed. Such payments comprised approximately 1% of TPV during the three and nine months ended March 31, 2022 and 2021. The TPV in the table above does not include transactions made by spending businesses on our spend management platform and subscribers of Invoice2go.

Transactions Processed

We define transactions processed as the number of customer payment and spend transactions initiated and processed through our platform during a particular period. Payment transactions include checks, ACH items, wire transfers and card payments. The transactions processed in the table above do not include transactions made by spending businesses on our spend management platform and subscribers of Invoice2go.

Components of Results of Operations

Revenue

We generate revenue primarily from subscription and transaction fees.

Subscription fees are fixed monthly or annually and charged to our customers for the use of our platform to process transactions. Subscription fees are generally charged on a per user per period basis, normally monthly or annually. Transaction fees are fees collected for each transaction processed, on either a fixed or variable fee basis. Transaction fees primarily include processing of payments in the form of checks, ACH, cross-border payments, virtual cards, and the creation of invoices. Transaction fees also include interchange fees paid by suppliers that accept cards as a means of payment.

Our contracts with SMB and accounting firm customers provide them with access to the functionality of our cloud-based payments platform to process transactions. These contracts are either monthly contracts paid in arrears or annual arrangements paid up front. We charge our SMB and accounting firm customers subscription fees to access to our platform based on the number of users and level of service. We also charge these customers transaction fees based on transaction volume and the category of transaction. The contractual price for subscription and transaction services is based on either negotiated fees or the rates published on our website. Revenues recognized exclude amounts collected on behalf of third parties, such as sales taxes collected and remitted to governmental authorities.

We maintain agreements with WEX Bank and Cross River Bank for card transactions on the MasterCard and Visa networks, respectively. We facilitate the extension of credit to spending businesses through our Divvy platform in the form of Divvy cards, which are originated through our agreements with WEX Bank and Cross River Bank. The spending businesses utilize the credit on the Divvy cards as a means of payment for goods and services provided by suppliers. On a transaction basis, these suppliers are required to pay interchange fees to the issuer of the credit. Based on our agreement with WEX Bank, we recognize interchange fees net of the rebate we receive from WEX Bank as we are the agent in the card transactions and recognize the interchange fees on the gross amount under our agreement with Cross River Bank, as we are the principal in the card transactions.

We enter into multi-year contracts with financial institution customers to provide access to our cloud-based payments platform to process transactions. These contracts typically include fees for initial implementation services that are paid during the period the implementation services are provided as well as fees for subscription and transaction processing services, which are subject to guaranteed monthly minimum fees that are paid monthly over the contract term. These contracts enable the financial institutions to provide their customers with access to online bill pay services through the financial institutions' online platforms. Implementation services are required up-front to establish an infrastructure that allows the financial institutions' online platforms to communicate with our online platform. A financial institution's customers cannot access online bill pay services until implementation is complete. The total consideration in these contracts varies based on the number of users and transactions to be processed. For additional discussion about revenue, refer to Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 20221.

Cost of Revenue and Expenses

Cost of revenue **–** Cost of revenue consists primarily of personnel-related costs, including stock-based compensation expenses, for our customer success and payment operations teams, costs that are directly attributed to processing customers' transactions (such as the cost of printing checks), postage for mailing checks, expenses for processing payments (ACH, check, and cross-border wires), direct and amortized costs for implementing and integrating our cloud-based platform into our strategic partners' systems, costs for maintaining, optimizing, and securing our cloud payments infrastructure, amortization of capitalized internal-use developed software, amortization of developed technology, fees on the investment of customer funds, and allocation of overhead costs. We expect that cost of revenue will increase in absolute dollars, but may fluctuate as a percentage of total revenue from period to period, as we continue to invest in growing our business.

Research and development **–** Research and development expenses consist primarily of personnel-related expenses, including stock-based compensation expenses, for our research and development teams, incurred in developing new products or enhancing existing products, and allocated overhead costs. We capitalize certain software development costs that are attributable to developing new products and adding incremental functionality to our platform and amortize such costs in cost of revenue over the estimated life of the new product or incremental functionality, which is generally three years.

We expense a substantial portion of research and development expenses as incurred. We believe that delivering new and enhanced functionality is critical to attract new customers and expand our relationship with existing customers. We expect to continue to make investments in and expand our offerings to enhance our customers' experience and satisfaction, and to attract new customers. We expect our research and development expenses to increase in absolute dollars, but they may fluctuate as a percentage of total revenue from period to period as we expand our research and development team to develop new products and product enhancements.

Sales and Marketing **–** Sales and marketing expenses consist primarily of personnel-related expenses, including stock-based compensation expenses, for our sales and marketing teams, rewards expense in connection with our card rewards programs, sales commissions, marketing program expenses, travel-related expenses and costs to market and promote our platform through advertisements, marketing events, partnership arrangements, direct customer acquisition, amortization of certain intangible assets, and allocated overhead costs. Sales commissions that are incremental to obtaining new customer contracts are deferred and amortized ratably over the estimated period of our relationship with new customers.

We focus our sales and marketing efforts on generating awareness of our company, platform, and products, creating sales leads, and establishing and promoting our brand. We plan to continue investing in sales and marketing efforts by driving our go-to-market strategies, building our brand awareness, and sponsoring additional marketing events; however, we will adjust our sales and marketing spend level as needed, as the spend may fluctuate from period to period, in response to changes in the economic environment.

General and Administrative **–** General and administrative expenses consist primarily of personnel-related expenses, including stock-based compensation expenses, for finance, payment operations, risk management, legal and compliance, human resources and information technology, costs incurred for external professional services, provision for credit losses, losses from fraud, and allocated overhead costs. We expect to incur additional general and administrative expenses as we explore various growth initiatives, which include incurring higher costs for professional services. We also expect to increase the size of our general and administrative functions to support the growth in our business. As a result, we expect that our general and administrative expenses will increase in absolute dollars but may fluctuate as a percentage of total revenue from period to period.

Other expenses, net **–** Other expenses, net consist primarily of the amortization of debt discount and issuance costs in connection with our Notes, interest expense on our borrowings from credit agreements, lower of cost or market adjustment on card receivables sold and held for sale, interest income on corporate funds, accretion of debt premium, and gains or losses resulting from remeasurement of foreign currency transactions.

Benefit from income taxes – Benefit from income taxes consists primarily of a reduction of valuation allowance in connection with the acquisition of Invoice2go.

Results of Operations

The following table sets forth our results of operations together with the dollar and percentage change for the periods presented (amounts in thousands):

	Three months ended March 31,		Change		Nine months ended March 31,		Change	
	2022	2021 [1]	$	%	2022	2021 [1]	$	%
Revenue	$ 166,911	$ 59,738	$ 107,173	179 %	$ 441,738	$ 159,992	$ 281,746	176 %
Cost of revenue [2]	37,342	15,434	21,908	142 %	101,563	41,513	60,050	145 %
Gross profit	129,569	44,304	85,265	192 %	340,175	118,479	221,696	187 %
Operating expenses								
Research and development [2]	60,230	22,286	37,944	170 %	154,656	60,558	94,098	155 %
Sales and marketing [2]	92,065	15,190	76,875	506 %	235,194	42,272	192,922	456 %
General and administrative [2]	60,457	22,124	38,333	173 %	183,788	58,897	124,891	212 %
Total operating expenses	212,752	59,600	153,152	257 %	573,638	161,727	411,911	255 %
Loss from operations	(83,183)	(15,296)	(67,887)	(444)%	(233,463)	(43,248)	(190,215)	(440)%
Other expenses, net	(4,416)	(11,432)	7,016	61 %	(12,891)	(13,943)	1,052	8 %
Loss before benefit from income taxes	(87,599)	(26,728)	(60,871)	(228)%	(246,354)	(57,191)	(189,163)	(331)%
Benefit from income taxes	(879)	—	(879)	—	(4,935)	(333)	(4,602)	(1,382)%
Net loss	$ (86,720)	$ (26,728)	$ (59,992)	(224)%	$ (241,419)	$ (56,858)	$ (184,561)	(325)%

[1] Excludes the results of Divvy and Invoice2go.

[2] Includes stock-based compensation expenses as follows (in thousands):

	Three months ended March 31,		Change		Nine months ended March 31,		Change	
	2022	2021 [1]	$	%	2022	2021 [1]	$	%
Cost of revenue	$ 1,262	$ 728	$ 534	73 %	$ 3,674	$ 1,971	$ 1,703	86 %
Research and development	13,912	3,638	10,274	282 %	38,752	9,953	28,799	289 %
Sales and marketing	17,758	1,711	16,047	938 %	36,911	5,086	31,825	626 %
General and administrative	19,878	4,603	15,275	332 %	61,044	14,253	46,791	328 %
Total	$ 52,810	$ 10,680	$ 42,130	394 %	$ 140,381	$ 31,263	$ 109,118	349 %

The following table presents the components of our consolidated statements of operations for the periods presented as a percentage of revenue:

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021 [1]	2022	2021 [1]
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	22 %	26 %	23 %	26 %
Gross margin	78 %	74 %	77 %	74 %
Operating expenses				
Research and development	36 %	37 %	35 %	38 %
Sales and marketing	55 %	25 %	53 %	26 %
General and administrative	37 %	38 %	41 %	37 %
Total operating expenses	128 %	100 %	129 %	101 %
Loss from operations	(50)%	(26)%	(52)%	(27)%
Other expenses, net	(3)%	(19)%	(3)%	(9)%
Loss before benefit from income taxes	(53)%	(45)%	(55)%	(36)%
Benefit from income taxes	(1)%	—	(1)%	—
Net loss	(52)%	(45)%	(54)%	(36)%

[1] Excludes the results of Divvy and Invoice2go.

Comparison of the three and nine months ended March 31, 2022 and 2021

Revenue

Revenue consists mainly of subscription and transactions fees. Subscription revenue increased by $22.8 million, or 78%, and $57.9 million, or 72%, during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021, primarily due to the increase in customers and average subscription revenue per customer due to an increase in the number of users. Transaction fee revenue increased by $84.1 million, or 286%, and $225.9 million, or 304%, during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021, primarily due to increased adoption of new product offerings and the mix of transaction revenues shifting to variable-priced products.

We expect revenue to be affected by fluctuations in foreign currency rates in the future, especially if our revenue through our international operations grows as a percentage of our total revenue or our international operations increase.

Cost of Revenue, Gross Profit, and Gross Margin

Cost of revenue, gross profit, and gross margin during the three and nine months ended March 31, 2022 and 2021 were as follows (amounts in thousands):

	Three months ended March 31,		Change		Nine months ended March 31,		Change	
	2022	2021 [(1)]	Amount	%	2022	2021 [(1)]	Amount	%
Cost of revenue	$ 37,342	$ 15,434	$ 21,908	142 %	$ 101,563	$ 41,513	$ 60,050	145 %
Gross profit	$ 129,569	$ 44,304	$ 85,265	192 %	$ 340,175	$ 118,479	$ 221,696	187 %
Gross margin	78 %	74 %			77 %	74 %		

[(1)] Excludes the results of Divvy and Invoice2go.

Cost of revenue increased by $21.9 million and $60.1 million during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021 primarily due to:

- a $9.3 million and $27.0 million increase during the three and nine months ended March 31, 2022, respectively, in amortization of acquired developed technology;

- a $5.4 million and $13.9 million increase during the three and nine months ended March 31, 2022, respectively, in direct costs associated with the processing of our customers' payment transactions, use of software applications and equipment, bank fees for funds held for customers, and data hosting services, which were driven by the increase in the number of customers, increased adoption of new product offerings, and an increase in the volume of transactions;

- a $4.7 million and $12.9 million increase during the three and nine months ended March 31, 2022, respectively, in personnel-related costs, including stock-based compensation expense and amortization of increased deferred service costs, due to the hiring of additional personnel and new headcount from our acquisitions of Divvy and Invoice2go, who were directly engaged in providing implementation and support services to our customers; and

- a $2.5 million and $6.3 million increase during the three and nine months ended March 31, 2022, respectively, in costs for consultants, temporary contractors, and shared overhead and other costs.

Gross margin increased to 78% and 77% during the three and nine months ended March 31, 2022, respectively, from 74% for the same periods in fiscal 2021 primarily due to a higher mix of variable-priced transaction revenue.

Research and Development Expenses

Research and development expenses increased by $37.9 million and $94.1 million during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021 primarily due to the following:

- a $32.1 million and $79.4 million increase during the three and nine months ended March 31, 2022, respectively, in personnel-related costs, including stock-based compensation expense, resulting from the hiring of additional personnel and new headcount from our acquisitions of Divvy and Invoice2Go, who were directly engaged in developing new product offerings; and

- a $5.8 million and $14.7 million increase during the three and nine months ended March 31, 2022, respectively, in shared overhead costs, costs for engaging consultants and temporary contractors who provided product development services, and other costs.

Our research and development expenses decreased to 36% and 35% as a percentage of total revenue during the three and nine months ended March 31, 2022, respectively, from 37% and 38% for the same periods in fiscal 2021, primarily due to the leveraging of our total research and development spend relative to the increase in our total revenue.

We expect research and development expenses to be affected by fluctuations in foreign currency rates in the future, especially if our international operations increase.

Sales and Marketing Expenses

Sales and marketing expenses increased by $76.9 million and $192.9 million during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021, primarily due to the following:

- a $30.5 million and $67.8 million increase during the three and nine months ended March 31, 2022, respectively, in personnel-related costs, including stock-based compensation expense, due to the hiring of additional personnel and new headcount from our acquisitions of Divvy and Invoice2go, who were directly engaged in acquiring new customers and in marketing our products and services, and the acquisitions of Divvy and Invoice2go;

- a $24.3 million and $61.4 million increase during the three and nine months ended March 31, 2022, respectively, in rewards expense in connection with our rewards programs. We offer promotion programs whereby spending businesses that use our spend management application can earn rewards based on transaction volume on the cards issued to them. Rewards can be redeemed by spending businesses through cash back, statement credit, gift cards and travel. Rewards expense is driven by transaction volume and an estimate of the cost of earned rewards that are expected to be redeemed;

- a $10.5 million and $29.2 million increase during the three and nine months ended March 31, 2022, respectively, in amortization expense from acquired intangible assets;

- a $9.0 million and $26.3 million increase during the three and nine months ended March 31, 2022, respectively, in advertising spend and various marketing initiatives and activities, such as engaging consultants and attending marketing events, as we increased our efforts in promoting our products and services and in increasing brand awareness; and

- a $2.6 million and $8.2 million increase during the three and nine months ended March 31, 2022, respectively, in shared overhead and other costs.

Our sales and marketing expenses increased to 55% and 53% as a percentage of total revenue during the three and nine months ended March 31, 2022, respectively, from 25% and 26% for the same periods in fiscal 2021 primarily due to the rewards expense and the amortization of acquired intangible assets that were recognized during the current periods in fiscal 2022 and none in comparable periods in fiscal 2021. Additionally, the increase was attributed to higher stock-based compensation expense.

General and Administrative Expenses

General and administrative expenses increased by $38.3 million and $124.9 million during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021 primarily due to the following:

- a $26.2 million and $76.8 million increase during the three and nine months ended March 31, 2022, respectively, in personnel-related costs, including stock-based compensation expense, resulting from the hiring of additional general and administrative personnel including executive employees, and new headcount from our acquisitions of Divvy and Invoice2go;

- a $7.4 million and $19.8 million increase during the three and nine months ended March 31, 2022, respectively, in provision for card and fraud losses;

- a $0.9 million and $16.3 million increase during the three and nine months ended March 31, 2022, respectively, in professional and consulting fees as we obtained additional external services to support certain corporate initiatives, including the integration of our acquired businesses; and

- a $3.8 million and $12.0 million during the three and nine months ended March 31, 2022, respectively, increase in shared overhead costs and other costs.

Our general and administrative expenses decreased to 37% as a percentage of total revenue during the three months ended March 31, 2022 from 38% for the same period in fiscal 2021, primarily due to lower expenses incurred from external services and corporate insurance costs relative to the increase in our total revenue, partially offset by the increase in stock-based compensation expense and provision for card and fraud losses.

Our general and administrative expenses increased to 41% as a percentage of our total revenue during the nine months ended March 31, 2022 from 37% for the same period in fiscal 2021 due primarily to the increase in stock-based compensation expense and provision for card and fraud losses.

Other Expenses, Net

Other expenses, net decreased by $7.0 million and $1.0 million during the three and nine months ended March 31, 2022, respectively, as compared to the same periods in fiscal 2021, primarily due to the decrease in interest expense from the amortization of debt discount and issuance costs associated with our 2025 Notes due to the adoption of ASU 2020-06, partially offset by the increase in the amount of discount associated with the measurement of cards receivable sold and held for sale at a lower of cost or market.

Benefit from Income Taxes

Benefit from income taxes during the three and nine months ended March 31, 2022 pertained mainly to the tax benefit of the net loss incurred during the period, and a reduction of valuation allowance in connection with the acquisition of Invoice2go. The benefit from income taxes during the nine months ended March 31, 2021 pertained mainly to a partial reversal of net deferred income tax liability, a majority of which was established in connection with our issuance of the 2025 Notes.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly-titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP metrics to assist investors in seeing our financial performance using a management view. We believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit as gross profit, minus amortization of intangible assets, stock-based compensation expense, payroll taxes related to stock-based compensation expense, and depreciation expense recognized in cost of revenue. Non-GAAP gross margin is defined as non-GAAP gross profit, divided by revenue. We believe non-GAAP gross profit and non-GAAP gross margin provide our management and investors' consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations. The following table presents a reconciliation of our non-GAAP gross profit and non-GAAP gross margin to our gross profit and gross margin for the periods presented (amounts in thousands):

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021 [(1)]	2022	2021 [(1)]
Revenue	$ 166,911	$ 59,738	$ 441,738	$ 159,992
Gross profit	129,569	44,304	340,175	118,479
Add:				
Amortization of intangible assets	9,285	—	26,971	—
Stock-based compensation expense	1,262	728	3,674	1,971
Payroll taxes related to stock-based compensation expense	139	119	391	263
Depreciation expense	881	800	2,365	1,868
Non-GAAP gross profit	$ 141,136	$ 45,951	$ 373,576	$ 122,581
Gross margin	77.6 %	74.2 %	77.0 %	74.1 %
Non-GAAP gross margin	84.6 %	76.9 %	84.6 %	76.6 %

[(1)] Excludes the results of Divvy and Invoice2go.

Free Cash Flow

Free cash flow is defined as net cash used in operating activities, adjusted by purchases of property and equipment and capitalization of internal-use software costs. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment and capitalization of internal-use software costs, for operational expenses and investment in our business. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth. The following table presents a reconciliation of our free cash flow to net cash used in operating activities for the periods presented (in thousands):

	Nine months ended March 31,	
	2022	2021 [(1)]
Net cash used in operating activities	$ (7,619)	$ (13,163)
Purchases of property and equipment	(3,758)	(17,062)
Capitalization of internal-use software costs	(7,409)	(1,038)
Free cash flow	$ (18,786)	$ (31,263)

[(1)] Excludes the results of Divvy and Invoice2go.

Liquidity and Capital Resources

As of March 31, 2022, our principal sources of liquidity were our cash and cash equivalents of $1.6 billion, our available-for-sale short-term investments of $1.1 billion, and our available lines of credit. Our cash equivalents are comprised primarily of money market funds and investments in debt securities with original maturities of three months or less at the time of purchase. Our short-term investments are comprised primarily of available-for-sale investments in corporate bonds, certificates of deposit, asset-backed securities, municipal bonds, and U.S. treasury securities with original maturities of more than three months. Our lines of credit are comprised of Credit Agreements (as defined below), under which we have a total borrowing commitment of $155.0 million. We have drawn a total of $77.5 million under our Credit Agreements as of March 31, 2022 and can draw additional funds to the extent that we maintain a sufficient balance of eligible acquired card receivables that serve as collateral.

A significant portion of our cash, cash equivalents and short-term investments as of March 31, 2022 were derived from the recent public offering of our common stock and issuance of 2027 Notes in a private offering on September 24, 2021, in which we received combined aggregate net proceeds of approximately $1.9 billion, after deducting discounts, commissions and other offering costs.

We believe that our cash, cash equivalents, available-for sale short-term investments, and funds available under our lines of credit will be sufficient to meet our working capital requirements for at least the next 12 months. In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements to fund future operations or obligations, including the repayment of the principal amount of the Notes in the event that the Notes become convertible and the noteholders opt to exercise their right to convert. We may also seek to raise additional capital from these offerings or financings on an opportunistic basis when we believe there are suitable opportunities for doing so. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may have terms that could be unfavorable to equity investors. There can be no assurances that we will be able to raise additional capital. The inability to raise capital would adversely affect our ability to achieve our business objectives.

Cash Flows

Below is a summary of our consolidated cash flows for the periods presented (in thousands):

	Nine months ended March 31,	
	2022	2021 [1]
Net cash provided by (used in):		
Operating activities	$ (7,619)	$ (13,163)
Investing activities	$ (1,075,897)	$ (563,192)
Financing activities	$ 2,739,860	$ 1,356,043

[1] Excludes the results of Divvy and Invoice2go.

Net Cash Used in Operating Activities

Our primary source of cash provided by our operating activities is our revenue from subscription and transaction fees. Our subscription revenue is primarily based on a fixed monthly or annual rate per user charged to our customers. Our transaction revenue is comprised of transaction fees on a fixed or variable rate per type of transaction. Our primary uses of cash in our operating activities include payments for employee salary and related costs, payments to third parties to fulfill our payment transactions, payments to sales and marketing partners, payments for card rewards expenses, and other general corporate expenditures.

Net cash used in operating activities decreased to $7.6 million during the nine months ended March 31, 2022 from $13.2 million during the nine months ended March 31, 2021, due mainly to the increase in revenue and timing of the payments for costs of our services and operating expenses.

Net Cash Used in Investing Activities

Our cash proceeds from our investing activities consist primarily of proceeds from the maturities and sale of corporate and customer fund available-for-sale investments. Our cash usage for our investing activities consists primarily of purchases of corporate and customer fund available for-sale investments, business acquisitions, capitalization of internal-use software, and purchases of property and equipment. Additionally, the increase or decrease in our net cash from investing activities is impacted by the net change in acquired card receivable balances.

Our net cash used in investing activities increased to $1.1 billion during the nine months ended March 31, 2022 from $563.2 million during the nine months ended March 31, 2021 due primarily to the increase in purchases of corporate and customer fund short-term investments, payment to acquire Invoice2go, and increase in acquired card receivables; partially offset by the increase in proceeds from maturities of corporate and customer short-term investments.

Net Cash Provided by Financing Activities

Our cash proceeds from our financing activities consist primarily of proceeds from public offerings of our common stock, issuance of convertible notes, exercises of stock options, and employee purchases of our common stock under our ESPP. Our cash usage for our financing activities consists primarily of payments of costs related to public offerings of our common stock, and issuance of debt. Additionally, the increase or decrease in our net cash from financing activities is impacted by the change in customer fund deposits liability.

Net cash provided by financing activities increased to $2.7 billion during the nine months ended March 31, 2022 from $1.4 billion during the nine months ended March 31, 2021 due primarily to the proceeds from the public offering of our common stock and increase in customer funds liability.

2027 Notes

On September 24, 2021, we issued $575.0 million in aggregate principal amount of our 0% convertible senior notes due on April 1, 2027. The 2027 Notes are senior, unsecured obligations, will not accrue interest unless we determine to pay special interest, and are convertible on or after January 1, 2027 until the close of business on the second scheduled trading day immediately preceding the maturity date on April 1, 2027. The 2027 Notes are convertible by the holders at their option during any calendar quarter after December 31, 2021 under certain circumstances, including if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the $414.80 per share initial conversion price. If the note holders exercise their right to convert, our current intent is to settle such conversion through a combination settlement involving a repayment of the principal portion in cash and the balance in shares of common stock. For additional discussion about our 2027 Notes and the capped call transactions, refer to Note 9 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

2025 Notes

On November 30, 2020, we issued $1.15 billion in aggregate principal amount of our 0% convertible senior notes due on December 1, 2025. The 2025 Notes are senior, unsecured obligations, will not accrue interest unless we determine to pay special interest, and are convertible on or after September 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date on December 1, 2025. The 2025 Notes are convertible by the holders at their option during any calendar quarter after March 31, 2021 under certain circumstances, including if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the $160.88 per share initial conversion price.

As of March 31, 2022, one of the conditions for early conversion of the 2025 Notes was triggered. Specifically, our common stock during the calendar quarter ended March 31, 2022 traded at a price greater than 130% of the initial conversion price of the 2025 Notes for more than 20 consecutive trading days. Pursuant to the terms of the 2025 Notes, the holders of the 2025 Notes have the right to convert their notes at their option at any time during the calendar quarter subsequent to March 31, 2022. If the note holders exercise their right to convert, our current intent is to settle such conversion through a combination settlement involving a repayment of the principal portion in cash and the balance in shares of common stock. As of March 31, 2022, we classified the net carrying amount of the 2025 Notes as a current liability. For additional discussion about our 2025 Notes and the capped call transactions, refer to Note 9 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Credit Agreements

Our credit agreements consisted of (i) Revolving Credit and Security Agreement (2021 Revolving Credit Agreement) and (ii) Warehouse Credit Agreement (2019 Credit Agreement, as amended, and together with the 2021 Revolving Credit Agreement, the Credit Agreements).

Our 2021 Revolving Credit Agreement has a total commitment of $95.0 million consisting of a Class A facility amounting to $75.0 million and a Class B facility amounting to $20.0 million. The total outstanding borrowings from the Class A and Class B facilities, which bear interest at 2.75% and 10.25% per annum, respectively, plus LIBOR (subject to a floor rate of 0.25%), were $37.5 million and $10.0 million, respectively, as of March 31, 2022. Our 2021 Revolving Credit Agreement matures in June 2023 or earlier pursuant to such agreement and the outstanding borrowings are payable on or before the maturity date.

Our 2019 Credit Agreement (as amended) has a total commitment of $60.0 million. The outstanding borrowings from the amended 2019 Credit Agreement, which bear interest at 6.0% per annum plus LIBOR (subject to a floor rate of 2.0%), amounted to $30.0 million as of March 31, 2022. The interest rate dropped to 4.5% per annum plus LIBOR (subject to a floor rate of 0.25%) beginning October 2021. Our 2019 amended Credit Agreement matures in January 2023 and the outstanding borrowings are payable on or before the maturity date.

The available funds under our Credit Agreements, after deducting our borrowings totaling $77.5 million, was $77.5 million as of March 31, 2022. For additional discussion about our Credit Agreements, refer to Note 9 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Contractual Obligations and Other Commitments

There were no material changes in our contractual obligations and other commitments from those disclosed in our Annual Report on Form 10-K for fiscal 2021 other than the transactions described below.

We issued $575.0 million in aggregate principal amount of the 2027 Notes in the first quarter of fiscal 2022. The 2027 Notes are senior, unsecured obligations, and will not accrue interest. The 2027 Notes are convertible on or after January 1, 2027 until the close of business on the second scheduled trading day immediately preceding the maturity date. For additional discussion about our 2027 Notes, refer to Note 9 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

For additional discussion about our contractual commitments, refer to Note 14 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We are contractually obligated to purchase all card receivables from U.S. based card issuing banks (Issuing Banks) including authorized transactions that have not cleared. The transactions that have been authorized but not cleared totaled $41.0 million as of March 31, 2022 and have not been recorded on our condensed consolidated balance sheets. We have off-balance sheet credit exposures with these authorized but not cleared transactions; however, our expected credit losses with respect to these transactions were not material as of March 31, 2022.

Other than our expected credit loss exposure on the card transactions that have not cleared, we had no other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources as of March 31, 2022.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported revenue generated, and reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting estimates as compared to the critical accounting estimates described in “Management's Discussion and Analysis of Financial Condition and Results of Operations” set forth in our Annual Report on Form 10-K for fiscal 2021.

Recent Accounting Pronouncements

See “The Company and its Significant Accounting Policies” in Note 1 of the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our overall investment portfolio is comprised of corporate investments and customer fund assets that have been collected from customers, but not yet remitted to the applicable supplier or deposited into our customers’ accounts. Our corporate investments are invested in cash and cash equivalents and highly liquid, investment-grade fixed income marketable securities. These assets are available for corporate operating purposes and mature within 24 months from the date of purchase. Our customer funds assets are invested with safety of principal, liquidity, and diversification as the primary objectives. As a secondary objective, we seek to maximize interest income. Our customer funds assets are invested in money market funds that maintain a constant net asset value, other cash equivalents, and highly liquid, investment-grade fixed income marketable securities, with maturities of up to 13 months from the time of purchase. Our investment policy, reflecting restrictions on permissible investments in applicable state money transmitter laws, governs the types of investments we make. We classify all of our investments in marketable securities as available-for-sale.

As part of our customer funds investment strategy, we use funds collected daily from our customers to satisfy the obligations of other unrelated customers, rather than liquidating investments purchased with previously collected funds. There is risk that we may not be able to satisfy customer obligations in full or on time due to insufficient liquidity or due to a decline in value of our investments. However, the liquidity risk is minimized by collecting the customer’s funds in advance of the payment obligation and by maintaining significant investments in bank deposits and constant net asset value money market funds that allow for same-day liquidity. The risk of a decline in investment value is minimized by our restrictive investment policy allowing for only short-term, high quality fixed income marketable securities. We also maintain other sources of liquidity including our corporate cash balances.

Interest Rate and Credit Risk

We are exposed to interest-rate risk relating to our investments of corporate cash and funds held for customers that we process through our bank accounts. Our corporate investment portfolio consists principally of interest-bearing bank deposits, money market funds, certificates of deposit, commercial paper, other corporate notes, asset-backed securities, and U.S. Treasury securities. Funds that we hold for customers are held in non-interest and interest-bearing bank deposits, money market funds, certificates of deposit, commercial paper, other corporate notes, and U.S. Treasury securities. We recognize interest earned from funds held for customers as revenue. We do not pay interest to customers.

Factors that influence the rate of interest we earn include the short-term market interest rate environment and the weighting of our balances by security type. The annualized interest rate earned on our corporate investment portfolio and funds held for customers slightly increased to 0.18% during the three months ended March 31, 2022 compared to 0.17% during the same period in fiscal 2021, due partially to the increase in interest rates in March 2022. The annualized interest rate earned on our corporate investment portfolio and funds held for customers decreased to 0.15% during the nine months ended March 31, 2022 compared to 0.31% during the same period in fiscal 2021, due primarily to the changes in the short-term interest rate environment during the past nine months.

Unrealized gains or losses on our marketable debt securities are due primarily to interest rate fluctuations from the time the securities were purchased. We account for both fixed and variable rate securities at fair value with unrealized gains and losses recorded in accumulated other comprehensive income since we classify our marketable debt securities as available for sale. Our investments in marketable debt securities are generally held through maturity with minimal sales before maturity barring unforeseen circumstances, and thus unrealized gains or losses on fixed-income securities from market interest rate decreases or increases are not realized as the securities mature at par.

We are also exposed to interest-rate risk relating to borrowings from our credit agreements. As of March 31, 2022, our available funds under our credit agreements provide for a revolving credit facility of up to $77.5 million, after deducting our outstanding borrowings of $77.5 million. Because the interest rate on the borrowings is indexed to LIBOR, which is a floating rate mechanism, our interest cost may increase if market interest rates rise. A hypothetical 100 basis point increase or decrease in interest rates would not have a material effect on our financial results.

In addition to interest rate risks, we also have exposure to risks associated with changes in laws and regulations that may affect customer fund balances. For example, a change in regulations that restricts the permissible investment alternatives for customer funds would reduce our interest earned revenue.

We are exposed to credit risk in connection with our investments in securities through the possible inability of the borrowers to meet the terms of the securities. We limit credit risk by investing in investment-grade securities as rated by Moody's, Standard & Poor's, or Fitch, by investing only in securities that mature in the near-term, and by limiting concentration in securities other than U.S. Treasuries. Investment in securities of issuers with short-term credit ratings must be rated A-2/P-2/F2 or higher. Investment in securities of issuers with long-term credit ratings must be rated A- or A3, or higher. Investment in asset-backed securities and money market funds must be rated AAA or equivalent. Investment in repurchase agreements will be at least 102 percent collateralized with securities issued by the U.S. government or its agencies. Securities in our corporate portfolio may not mature beyond two years from purchase, and securities held in our customer fund accounts may not mature beyond 13 months from purchase. No more than 5% of invested funds, either corporate or customer, may be held in the issues of a single corporation.

We are also exposed to credit risk related to the timing of payments made from customer funds collected. We typically remit customer funds to our customers' suppliers in advance of having good or confirmed funds collected from our customers and if a customer disputes a transaction after we remit funds on their behalf, then we could suffer a credit loss. Furthermore, our customers generally have three days to dispute transactions, and if we remit funds in advance of receiving confirmation that no dispute was initiated by our customer, then we could suffer a credit loss. We mitigate this credit exposure by leveraging our data assets to make credit underwriting decisions about whether to accelerate disbursements, managing exposure limits, and various controls in our operating systems.

We continually evaluate the credit quality of the securities in our portfolios. If a security holding is downgraded below our credit rating threshold or we otherwise believe the security's payment performance may be compromised, we will evaluate the relevant risks, remaining time to maturity, amount of principal, as well as other factors, and we will make a determination of whether to continue to hold the security or promptly sell it.

We are exposed to credit risk from card receivable balances we have with our spending businesses. Spending businesses may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Although we regularly review our credit exposure to specific spending businesses and to specific industries that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. In addition, our ability to manage credit risk or collect amounts owed to us may be adversely affected by legal or regulatory changes (such as restrictions on collections or changes in bankruptcy laws, and minimum payment regulations). We rely principally on the creditworthiness of spending businesses for repayment of card receivables and therefore have limited recourse for collection. Our ability to assess creditworthiness may be impaired if the criteria or models we use to manage our credit risk prove inaccurate in predicting future losses, which could cause our losses to rise and have a negative impact on our results of operations. Any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. Although we make estimates to provide for credit losses in our outstanding portfolio of card receivables, these estimates may not be accurate.

Foreign Currency Exchange Risk

We are exposed to foreign currency exchange risk relating to our cross-border payment service, which allows customers to pay their international suppliers in foreign currencies. When customers make a cross-border payment, customers fund those payments in U.S. dollars based upon an exchange rate that is quoted on the initiation date of the transaction. Subsequently, when we convert and remit those funds to our customers' suppliers primarily through our global payment partners, the exchange rate may differ, due to foreign exchange fluctuation, from the exchange rate that was initially quoted. Our transaction fees to our customers are not adjusted for changes in foreign exchange rates between the initiation date of the transaction and the date the funds are converted.

We are also exposed to foreign currency exchange risk relating to the operations of our subsidiary in Australia. A change in foreign currency exchange rate, particularly the Australian dollar, can affect our financial results due to transaction gains or losses related to the remeasurement of certain monetary asset and monetary liability balances that are denominated in currencies other than the functional currency of our Australian subsidiary, which is U.S. dollars.

If the value of the U.S. dollar weakens relative to the foreign currencies, this may have an unfavorable effect on our cash flows and operating results. We do not believe that a 10% change in the relative value of the U.S. dollar to other foreign currencies would have a material effect on our cash flows and operating results.

Inflation Risk

We do not believe that inflation had a material effect on our cash flows and operating results during the three months ended March 31, 2022. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through increase in prices of our product offerings.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our management, with the participation and supervision of our chief executive officer (CEO) and our chief financial officer (CFO), have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective because of a material weakness in internal controls over financial reporting identified as of June 30, 2021 that has not been remediated as of March 31, 2022. See Part II, Item 9A "Controls and Procedures" of our Annual Report on Form 10-K for fiscal 2021. Based on additional procedures and post-closing review, management concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States.

We continue to take steps to remediate the material weakness identified as of June 30, 2021. However, we will not be able to demonstrate that this material weakness has been fully remediated or that our controls are operating effectively, until we complete our remediation efforts and both we and our independent registered public accounting firm conduct a year-end assessment of our internal control over financial reporting for the fiscal year ended June 30, 2022, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

Changes in internal control over financial reporting

Except for the acquisition of Invoice2go as described below, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On September 1, 2021, we completed the acquisition of Invoice2go. We are currently integrating Invoice2go into our operations and internal control processes and, pursuant to the Securities and Exchange Commission's guidance that an assessment of an acquired business may be omitted from the scope of an assessment for a period not to exceed one year from the date of acquisition, the scope of our assessment of our internal controls over financial reporting at March 31, 2022 does not include Invoice2go.

Inherent limitation on the effectiveness of internal control

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to litigation and subject to claims incident to the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially affect our future results of operations, cash flows, or financial position. We are not presently party to any legal proceedings that, in the opinion of management, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," our condensed consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, operating results, and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Summary of Risk Factors

Some of the material risks that we face include:

- We have a history of operating losses and may not achieve or sustain profitability in the future;
- Our recent rapid growth, including growth in our volume of payments, may not be indicative of our future growth, and if we continue to grow rapidly, we may not be able to manage our growth effectively;
- Our risk management efforts may not be effective to prevent fraudulent activities by our customers, subscribers, spending businesses or their counterparties, which could expose us to material financial losses and liability and otherwise harm our business;
- We transfer large sums of customer funds daily, and are subject to the risk of errors, which could result in financial losses, damage to our reputation, or loss of trust in our brand, which could harm our business and financial results;
- Customer funds that we hold in trust are subject to market, interest rate, foreign exchange, and liquidity risks, as well as general political and economic conditions. The loss of these funds could have a material adverse effect on our business, financial condition, and results of operations;
- We earn revenue from interest earned on customer funds held in trust while payments are clearing, which is subject to market conditions and may decrease as customers' adoption of electronic payments and technology continues to evolve;
- If we are unable to attract new customers or convert trial customers into paying customers, our revenue growth and operating results will be adversely affected;
- If we are unable to retain our current customers or sell additional functionality and services to them, our revenue growth will be adversely affected;
- We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our operating results, our stock price and the value of your investment could decline;

- We may not be successful in our efforts to promote Divvy corporate card usage through marketing and promotion and rewards, which may materially impact our results of operations and financial condition;
- Our business depends, in part, on our relationships with accounting firms;
- Our business depends, in part, on our strategic partnerships with financial institutions;
- We are subject to numerous risks related to partner banks and financing arrangements for our Divvy spending businesses;
- Our Divvy card exposes us to credit risk and other risks related to spending businesses' ability to pay the balances incurred on their Divvy cards;
- The Invoice2go business presents many risks, we may face challenges integrating the Invoice2go business and we may not realize the strategic and financial goals that were contemplated at the time of the acquisition;
- The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed;
- Our business and operations have and may continue to be affected by the global outbreak of the COVID-19 pandemic;
- Payments and other financial services-related regulations and oversight are material to our business. Our failure to comply could materially harm our business;
- Future acquisitions, strategic investments, partnerships, collaborations, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our operating results and financial condition;
- Our debt service obligations, including the 2027 Notes and 2025 Notes (collectively referred to as Notes), may adversely affect our financial condition and results of operations;
- We may not have the ability to raise funds necessary for cash settlement upon conversion of the Notes or to repurchase the Notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Notes or to repurchase the Notes; and
- We have identified a material weakness in our internal control over financial reporting as of June 30, 2021, and if our remediation of such material weakness is not effective, or if we fail to develop and 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 laws and regulations could be impaired.

Risks Related to Our Business and Industry

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

We were incorporated in 2006 and have mostly experienced net losses and negative cash flows from operations since inception. We generated net losses of $86.7 million and $26.7 million during the three months ended March 31, 2022 and 2021, respectively, and $241.4 million and $56.9 million during the nine months ended March 31, 2022 and 2021, respectively. Our net loss during the three and nine months ended March 31, 2022 includes the results of operations of Invoice2go from the date of acquisition on September 1, 2021 and of Divvy. As of March 31, 2022, we had an accumulated deficit of $459.9 million. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will obtain a high enough volume of subscription and transaction fee revenue to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our platform, including introducing new products and functionality, and to expand our marketing programs and sales teams to drive new customer adoption, expand strategic partner integrations, and support international expansion. Our profitability each quarter is also impacted by the mix of our revenue generated from subscriptions and transaction fees, on the one hand, and interest earned on customer funds that we hold in trust, on the other. Any changes in this revenue mix will have the effect of increasing or decreasing our margins. We will also face increased compliance and security costs associated with growth, the expansion of our customer base, and being a public company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for several reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications, delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease.

Our recent rapid growth, including growth in our volume of payments, may not be indicative of our future growth, and if we continue to grow rapidly, we may not be able to manage our growth effectively. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

Our revenue was $166.9 million and $59.7 million during the three months ended March 31, 2022 and 2021, respectively, and $441.7 million and $160.0 million during the nine months ended March 31, 2022 and 2021, respectively. Our revenue for the three and nine months ended March 31, 2022 includes the revenue of Invoice2go from the date of acquisition on September 1, 2021 and of Divvy. Excluding the card payment volume by the spending businesses using Divvy cards and payment volume transacted by Invoice2go subscribers, our TPV was $55.1 billion and $35.0 billion during the three months ended March 31, 2022 and 2021, respectively, and our TPV was $158.3 billion and $98.6 billion during the nine months ended March 31, 2022 and 2021. Although we have recently experienced significant growth in our revenue and payment volume, even if our revenue continues to increase, we expect our growth rate will decline in the future as a result of a variety of factors, including the increasing scale of our business. Overall growth of our revenue depends on a number of factors, including our ability to:

- price our platform effectively to attract new customers and increase sales to our existing customers;
- expand the functionality and scope of the products we offer on our platform;
- maintain the rates at which customers subscribe to and continue to use our platform;
- maintain payment volume;
- generate interest income on customer funds that we hold in trust;
- provide our customers with high-quality customer support that meets their needs;
- introduce our products to new markets outside of the U.S.;
- serve SMBs across a wide cross-section of industries;
- expand our target market beyond SMBs;
- manage the effects of the COVID-19 pandemic on our business and operations;
- 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 and successfully compete with other companies.

We may not successfully accomplish any of these objectives, which makes it difficult for us to forecast our future operating results. Further, the revenue that we derive from interest income on customer funds is dependent on interest rates, which we do not control. 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 consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. You should not rely on our revenue from any prior quarterly or annual periods as any indication of our future revenue or revenue or payment growth.

In addition, we expect to continue to expend substantial financial and other resources on:

- sales, marketing and customer success, including an expansion of our sales organization and new customer success initiatives;
- our technology infrastructure, including systems architecture, scalability, availability, performance, and security;
- product development, including investments in our product development team and the development of new products and new functionality for our AI-enabled platform;
- acquisitions or strategic investments;
- international expansion;
- regulatory compliance and risk management; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, or if we encounter difficulties in managing a growing volume of payments, our business, financial position, and operating results will be harmed, and we may not be able to achieve or maintain profitability over the long term.

Our risk management efforts may not be effective to prevent fraudulent activities by our customers, subscribers, spending businesses or their counterparties, which could expose us to material financial losses and liability and otherwise harm our business.

We offer software that digitizes and automates back-office financial operations for a large number of customers and executes payments to their vendors or from their clients. We are responsible for verifying the identity of our customers and their users, and monitoring transactions for fraud. We have been in the past and will continue to be targeted by parties who seek to commit acts of financial fraud using techniques such as stolen identities and bank accounts, compromised business email accounts, employee or insider fraud, account takeover, false applications, and check fraud. We may suffer losses from acts of financial fraud committed by our customers and their users, our employees or third-parties. In addition, our customers or spending businesses may suffer losses from acts of financial fraud by third parties posing as our Company through account takeover, credential harvesting, use of stolen identities and various other techniques, which could harm our reputation or prompt us to reimburse our customers for such losses in order to maintain customer and spending business relationships.

The techniques used to perpetrate fraud on our platform are continually evolving, and we expend considerable resources to continue to monitor and combat them. In addition, when we introduce new products and functionality, or expand existing products, we may not be able to identify all risks created by such new products or functionality. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to prevent or mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. Our risk management policies, procedures, techniques, and processes may contain errors, or our employees or agents may commit mistakes or errors in judgment as a result of which we may suffer large financial losses. The software-driven and highly automated nature of our platform could enable criminals and those committing fraud to steal significant amounts of money from businesses like ours.

Our current business and anticipated domestic and international growth will continue to place significant demands on our risk management efforts, and we will need to continue developing and improving our existing risk management infrastructure, policies, procedures, techniques, and processes. As techniques used to perpetrate fraud on our platform evolve, we may need to modify our products or services to mitigate fraud risks. As our business grows and becomes more complex, we may be less able to forecast and carry appropriate reserves in our books for fraud related losses.

Further, these types of fraudulent activities on our platform can also expose us to civil and criminal liability and governmental and regulatory sanctions as well as potentially cause us to be in breach of our contractual obligations to our third-party partners.

We transfer large sums of customer funds daily, and are subject to the risk of errors, which could result in financial losses, damage to our reputation, or loss of trust in our brand, which would harm our business and financial results.

Excluding Divvy spending businesses and Invoice2go subscribers, we had over 146,000 customers on our platform as of March 31, 2022. Excluding the card payment volume by the spending businesses using Divvy cards and payment volume transacted by Invoice2go subscribers, the TPV processed by our customers on our platform was $55.1 billion and $158.3 billion during the three and nine months ended March 31, 2022. For the purposes of measuring our key business metrics, we define customers as entities that are either billed directly by us or for which we bill our strategic partners during a particular period. We have grown rapidly and seek to continue to grow, and although we maintain a robust and multi-faceted risk management process, our business is always subject to the risk of financial losses as a result of credit losses, operational errors, software defects, service disruption, employee misconduct, security breaches, or other similar actions or errors on our platform. As a provider of accounts payable, accounts receivable, and payment solutions, we collect and transfer funds on behalf of our customers. Software errors in our platform and operational errors by our employees may also expose us to losses.

Moreover, our trustworthiness and reputation are fundamental to our business. As a provider of cloud-based software for complex back-office financial operations, the occurrence of any credit losses, operational errors, software defects, service disruption, employee misconduct, security breaches, or other similar actions or errors on our platform could result in financial losses to our business and our customers, loss of trust, damage to our reputation, or termination of our agreements with strategic partners and accountants, each of which could result in:

- loss of customers;
- lost or delayed market acceptance and sales of our platform;
- legal claims against us, including warranty and service level agreement claims;
- regulatory enforcement action; or
- diversion of our resources, including through increased service expenses or financial concessions, and increased insurance costs.

Although our terms of service allocate to our customers the risk of loss resulting from our customers' errors, omissions, employee fraud, or other fraudulent activity related to their systems, in some instances we may cover such losses for efficiency or to prevent damage to our reputation. Although we maintain insurance to cover losses resulting from our errors and omissions, there can be no assurance that our insurance will cover all losses or our coverage will be sufficient to cover our losses. If we suffer significant losses or reputational harm as a result, our business, operating results, and financial condition could be adversely affected.

Customer funds that we hold in trust are subject to market, interest rate, foreign exchange, and liquidity risks, as well as general political and economic conditions. The loss of these funds could have a material adverse effect on our business, financial condition, and results of operations.

We invest funds that we hold in trust for our customers, including funds being remitted to suppliers, in highly liquid, investment-grade marketable securities, money market securities, and other cash equivalents. Nevertheless, our customer fund assets are subject to general market, interest rate, credit, foreign exchange, and liquidity risks. These risks may be exacerbated, individually or in the aggregate, during periods of heavy financial market volatility such as that experienced in 2008, that may result from the COVID-19 or other pandemics or from high inflation, interest rates or recessionary environments. As a result, we could be faced with a severe constriction of the availability of liquidity, which could impact our ability to fulfill our obligations to move customer money to its intended recipient. Additionally, we rely upon certain banking partners and third parties to originate payments, process checks, execute wire transfers, and issue virtual cards, which could be similarly affected by a liquidity shortage and further exacerbate our ability to operate our business. Any loss of or inability to access customer funds could have an adverse impact on our cash position and results of operations, could require us to obtain additional sources of liquidity, and could have a material adverse effect on our business, financial condition, and results of operations. We are also exposed to interest-rate risk relating to our investments of corporate cash in addition to customer fund assets.

We are licensed as a money transmitter in all required U.S. states. In certain jurisdictions where we operate, we are required to hold eligible liquid assets, as defined by the relevant regulators in each jurisdiction, equal to at least 100% of the aggregate amount of all customer balances. Our ability to manage and accurately account for the assets underlying our customer funds and comply with applicable liquid asset requirements requires a high level of internal controls. As our business continues to grow and we expand our product offerings, we will need to scale our associated internal controls. Our success requires significant public confidence in our ability to properly manage our customers' balances and handle large and growing transaction volumes and amounts of customer funds. Any failure to maintain the necessary controls or to accurately manage our customer funds and the assets underlying our customer funds in compliance with applicable regulatory requirements could result in reputational harm, lead customers to discontinue or reduce their use of our products, and result in significant penalties and fines, possibly including the loss of our state money transmitter licenses, which would materially harm our business.

If we are unable to attract new customers or convert trial customers into paying customers, our revenue growth and operating results will be adversely affected.

To increase our revenue, we must continue to attract new customers and increase sales to those customers. As our market matures, product and service offerings evolve, and competitors introduce lower cost or differentiated products or services that are perceived to compete with our platform, our ability to sell subscriptions or successfully increase customer adoption of new payment products could be impaired. Similarly, our subscription sales could be adversely affected if customers or users perceive that features incorporated into alternative products reduce the need for our platform or if they prefer to purchase products that are bundled with solutions offered by other companies. Further, in an effort to attract new customers, we may offer simpler, lower-priced products or promotions, which may reduce our profitability.

We rely upon our marketing strategy of offering risk-free trials of our platform and other digital marketing strategies to generate sales opportunities. Many of our customers start a risk-free trial of our service. Converting these trial customers to paid customers often requires extensive follow-up and engagement. Many prospective customers never convert from the trial version of a product to a paid version of a product. Further, we often depend on the ability of individuals within an organization who initiate the trial versions of our products to convince decision makers within their organization to convert to a paid version. To the extent that these users do not become, or are unable to convince others to become, paying customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our revenue will be adversely affected. As a result of these and other factors, we may be unable to attract new customers, which would have an adverse effect on our business, revenue, gross margins, and operating results.

If we are unable to retain our current customers, sell additional functionality and services to them, or develop and launch new payment products, our revenue growth will be adversely affected.

To increase our revenue, in addition to acquiring new customers, we must continue to retain existing customers and convince them to expand their use of our platform by increasing the number of users and incenting them to pay for additional functionality. To date, a significant portion of our growth has been attributable to customer adoption of new payment products. Our ability to retain our customers and increase their usage could be impaired for a variety of reasons, including our inability to develop and launch new payment products, customer reaction to changes in the pricing of our products or the other risks described in this Quarterly Report on Form 10-Q. As a result, we may be unable to retain existing customers or increase the usage of our platform by them, which would have an adverse effect on our business, revenue, gross margins, and other operating results, and accordingly, on the trading price of our common stock.

Our ability to sell new payment products or additional functionality to our existing customers may require more sophisticated and costly sales efforts, especially for our larger customers with more senior management and established procurement functions. Similarly, the rate at which our customers purchase additional products from us depends on several factors, including general economic conditions and the pricing of additional product functionality. If our efforts to sell additional functionality to our customers are not successful, our business and growth prospects would suffer.

While some of our contracts are non-cancelable annual subscription contracts, most of our contracts with customers and accounting firms primarily consist of open-ended arrangements that can be terminated by either party without penalty at any time. Our customers have no obligation to renew their subscriptions to our platform after the expiration of their subscription period. For us to maintain or improve our operating results, it is important that our customers continue to maintain their subscriptions on the same or more favorable terms. We cannot accurately predict renewal or expansion rates given the diversity of our customer base in terms of size, industry, and geography. Our renewal and expansion rates may decline or fluctuate as a result of several factors, including customer spending levels, customer satisfaction with our platform, decreases in the number of users, changes in the type and size of our customers, pricing changes, competitive conditions, the acquisition of our customers by other companies, and general economic conditions. If our customers do not renew their subscriptions, or if they reduce their usage of our platform, our revenue and other operating results will decline and our business will suffer. If our renewal or expansion rates fall significantly below the expectations of the public market, securities analysts, or investors, the trading price of our common stock would likely decline.

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

Our operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance. In addition to the other risks described herein, factors that may affect our operating results include the following:

- fluctuations in demand for, or pricing of our platform;
- our ability to attract new customers;
- our ability to retain and grow engagement with our existing customers;
- our ability to expand our relationships with our accounting firm partners, financial institution partners, and accounting software partners, or identify and attract new partners;
- customer expansion rates;
- changes in customer preference for cloud-based services as a result of security breaches in the industry or privacy concerns, or other security or reliability concerns regarding our products;
- fluctuations or delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- the impact of the COVID-19 pandemic on our employees, customers, strategic partners, vendors, results of operations, liquidity and financial condition, including as a result of supply chain disruptions and labor shortages;
- changes in customers’ budgets and in the timing of their budget cycles and purchasing decisions;
- potential and existing customers choosing our competitors’ products or developing their own solutions in-house;
- the development or introduction of new platforms or services that are easier to use or more advanced than our current suite of services, especially related to the application of artificial intelligence-based services;
- our failure to adapt to new forms of payment that become widely accepted, including cryptocurrency;
- the adoption or retention of more entrenched or rival services in the international markets where we compete;
- our ability to control costs, including our operating expenses;
- the amount and timing of payment for operating expenses, particularly research and development and sales and marketing expenses, including commissions;

- the amount and timing of non-cash expenses, including stock-based compensation, goodwill impairments, and other non-cash charges;
- the amount and timing of costs associated with recruiting, training, and integrating new employees, and retaining and motivating existing employees;
- fluctuation in market interest rates, which impacts interest earned on funds held for customers;
- the effects of acquisitions and their integration, including impairment of goodwill;
- general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate;
- the impact of new accounting pronouncements;
- changes in the competitive dynamics of our market;
- security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform; and
- awareness of our brand and our reputation in our target markets.

Any of these and other factors, or the cumulative effect of some of these factors, may cause our operating results to vary significantly. In addition, we expect to incur significant additional expenses due to the increased costs of operating as a public company. If our quarterly operating results fall below the expectations of investors and securities analysts who follow our stock, the price of our common stock could decline substantially, and we could face costly lawsuits, including securities class action suits.

We may not be successful in our efforts to promote Divvy corporate card usage through marketing and promotion and spending business rewards, which may materially impact our results of operations and financial condition.

The revenue growth of Divvy is dependent on increasing business spending on our cards. We have been investing in a number of growth initiatives, including to capture a greater share of spending businesses' total spend, but there can be no assurance that such investments will be effective. In addition, if we develop new products or offerings that attract spending businesses looking for short-term incentives rather than displaying long-term loyalty, attrition and costs could increase. Expanding our service offerings, adding acquisition channels and forming new partnerships or renewing current partnerships could have higher costs than our current arrangements and could dilute our brand. In addition, we offer rewards to spending businesses based on their usage of spend management cards. Redemptions of rewards present significant associated redemption costs for our business. We operate in a highly competitive environment and may need to increase the rewards that we offer or provide other incentives to spending businesses in order to grow our business. Any significant change in, or failure by management to reasonably estimate, such costs could adversely affect or harm our business, operating results, and financial condition.

Our business depends, in part, on our relationships with accounting firms.

Our relationships with our more than 5,500 accounting firm partners account for approximately 49% of our total customers as of March 31, 2022 and approximately 26% of our total revenue during the three months ended March 31, 2022. We market and sell our products and services through accounting firms. We also have a partnership with CPA.com to market our products and services to accounting firms, which then enroll their customers directly onto our platform. Although our relationships with accounting firms are independent of one another, if our reputation in the accounting industry more broadly were to suffer, or if we were unable to establish relationships with new accounting firms and grow our relationships with existing accounting firm partners, our growth prospects would weaken and our business, financial position, and operating results may be adversely affected.

Our business depends, in part, on our strategic partnerships with financial institutions.

To grow our business, we enter into relationships with our financial institution partners and partner with other banks and financial institutions. Sales to new strategic partner enterprises involve risks that may not be present or that are present to a lesser extent with sales to SMB organizations. With strategic partners, the decision to subscribe to our platform and then make our services available to their customers frequently requires the approval of multiple management personnel and more technical personnel than would be typical of a smaller organization. Purchases by strategic partners are also frequently subject to budget constraints and unplanned administrative, processing, and other delays, including considerable efforts to negotiate and document relationships with them. Even after we have successfully entered into agreements with our strategic partners, the deployment of our platform and its availability to our strategic partners' customers may be subject to significant delays as a result of changes in the strategic partners' business or to our strategic partners' internal resource allocations or other priorities. We integrate our platform with our financial institution partners' own websites and apps, which requires significant time and resources to design and deploy. Significant delays in the deployment of our platform to our strategic partners' customers could cause us to incur significant expenditures for platform integration without generating corresponding revenue in the same period or at all, and could adversely impact our results of operations. If we are unable to increase sales of our platform to strategic partners or manage the costs associated with integrating with their systems, or the availability of our services to the strategic partners' customers are delayed, our business, financial position, and operating results may be adversely affected. In addition, if our strategic partners or their customers experience problems with the operation of our platform, such as service outages or interruptions or security breaches or incidents, our relationship with the strategic partner and our reputation could be harmed and our results of operations may suffer.

We may not be able to attract new financial institution strategic partners if our potential partners favor our competitors' products or services over our platform or choose to compete with our products directly. Further, many of our existing financial institution partners have greater resources than we do and could choose to develop their own solutions to replace ours. Moreover, certain financial institutions may elect to focus on other market segments and decide to terminate their SMB-focused services. For example, in late 2018, one of our former financial institution partners chose not to renew its relationship with us due to a change in business strategy. As a result, we lost approximately 5,000 customers. Although these customers did not represent a significant amount of revenue for our business, there can be no guarantee that other financial institution partners will not choose to terminate their relationships for strategic or other reasons. If we are unsuccessful in establishing, growing, or maintaining our relationships with strategic partners, our ability to compete in the marketplace or to grow our revenue could be impaired, and our results of operations may suffer.

Our spend management business is dependent on our relationship with our issuing bank partners, Cross River Bank and WEX Bank.

The extensions of credit facilitated through our platform are originated through Cross River Bank and WEX Bank and we rely on these bank partners to comply with various federal, state and other laws. There has been significant recent U.S. Congressional and federal administrative agency lawmaking and rulings in the area of bank - non-bank partnership arrangements involving extensions of credit and the regulatory environment in this area remains unsettled. There has also been significant recent government enforcement action and litigation challenging the validity of such arrangements, including disputes seeking to recharacterize lending transactions on the basis that the non-bank party rather than the bank is the "true lender" or "de facto lender", and in case law upholding the "valid when made" doctrine, which holds that federal preemption of state interest rate limitations are not applicable in the context of certain bank - non-bank partnership arrangements. If the legal structure underlying our relationship with our issuing bank partners were to be successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates. In addition, adverse orders or regulatory enforcement actions against our issuing banks, even if unrelated to our business, could impose restrictions on our issuing banks' ability to continue to extend credit through our platform or on current terms.

Cross River Bank and WEX Bank are subject to oversight by the FDIC and state banking regulators and must comply with applicable rules and regulations and examination requirements. As a service provider to Cross River Bank and WEX Bank, we are subject to audit by these banks in accordance with FDIC guidance related to management of vendors and other bank specific requirements pursuant to the terms of our agreements with these banks. We are also subject to the examination and enforcement authority of the FDIC under the Bank Service Company Act. If we fail to comply with requirements applicable to us by law or contract, or if audits by our issuing banks were to conclude that our processes and procedures are insufficiently rigorous, we may be subject to fines or penalties or our issuing banks could terminate their relationships with us.

In the event of a challenge to the legal structure underlying our relationships with our issuing bank partners or if one or both of our issuing banks were to suspend, limit, or cease its operations, or were to otherwise terminate for any reason (including, but not limited to, the failure by an issuing bank to comply with regulatory actions), we would need to identify and implement alternative, compliant, bank relationships or otherwise modify our business practices in order to be compliant with prevailing law or regulation, which could result in business interruptions or delays, force us to incur additional expenses and potentially interfere with our existing customer and spending business relationships or make us less attractive to potential new customers and spending businesses, any of which could have a material adverse effect on our business.

We rely on a variety of funding sources to support Divvy's business model. If our existing funding arrangements are not renewed or replaced, or if our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects.

In order to support Divvy's business model and the growth of Divvy's business we must maintain a variety of funding arrangements, including warehouse facilities and purchase arrangements with financial institutions. In particular, we have financing arrangements in place pursuant to which we purchase from our issuing banks participation interests in the accounts receivables ("Receivables") generated when Divvy spending businesses make purchases using our cards. We typically fund some portion of these Receivables purchases by borrowing under credit facilities with our finance partners, although we may also fund Receivables purchases using corporate cash. Typically, we immediately sell a portion of the Receivables we have purchased to a warehousing subsidiary which funds the purchases through loans provided by our financing partners, and we may sell a portion of our Receivables to a third-party institution pursuant to a purchase arrangement.

If our finance partners terminate or interrupt their financing or purchase of our Receivables or are unable to offer terms which are acceptable to us, we may have to fund these purchases using corporate cash, which we have a limited ability to do and would place significant stress on our cash resources. An inability to purchase Receivables from our issuing banks, whether funded through financing or corporate cash, could result in the banks' limiting extensions of credit to Divvy spending businesses or ceasing to extend credit for our cards altogether, which would interrupt or limit our ability to offer our card products and materially and adversely affect our business.

We cannot guarantee that these funding arrangements will continue to be available on favorable terms or at all, and our funding strategy may change over time, depending on the availability of such funding arrangements. In addition, our funding sources may curtail access to uncommitted financing capacity, fail to renew or extend facilities, or impose higher costs to access funding upon reassessing their exposure to our industry or in light of changes to general economic, market or liquidity conditions. In addition, because our borrowings under current and future financing facilities may bear interest based on floating rate interest rates, our interest costs may increase if market interest rates rise. Moreover, there can be no assurances that we would be able to extend or replace our existing funding arrangements at maturity, on reasonable terms or at all.

If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, we would need to secure additional sources of funding or reduce Divvy's operations significantly. Further, as the volume of credit facilitated through our platform increases, we may need to expand the funding capacity under our existing funding arrangements or add new sources of capital. The availability and diversity of our funding arrangements depends on various factors and are subject to numerous risks, many of which are outside of our control. If we are unable to maintain access to, or to expand, our network and diversity of funding arrangements, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

Our Divvy card exposes us to credit risk and other risks related to spending businesses' ability to pay the balances incurred on their Divvy cards. In addition, if collection efforts on overdue card balances are ineffective or unsuccessful, we may incur financial losses or lose the confidence of our funding sources.

We offer our Divvy card as a credit product to a wide range of businesses in the U.S., and the success of this product depends on our ability to effectively manage related risks. The credit decision-making process for our Divvy cards uses techniques designed to analyze the credit risk of specific businesses based on, among other factors, their past purchase and transaction history, as well as their credit scores. Similarly, proprietary risk models and other indicators are applied to assess current or prospective spending businesses who desire to use our cards to help predict their ability to repay. These risk models may not accurately predict creditworthiness due to inaccurate assumptions, including assumptions related to the particular spending business, market conditions, economic environment, or limited transaction history or other data, among other factors. The accuracy of these risk models and the ability to manage credit risk related to our cards may also be affected by legal or regulatory requirements, competitors' actions, changes in consumer behavior, changes in the economic environment, issuing bank policies, and other factors.

For a substantial majority of extensions of credit facilitated through our platform, we purchase from our issuing banks interests in the Receivables generated when Divvy spending businesses make purchases using our cards and we bear the entire credit risk in the event that the spending businesses fail to pay card balances. Like other businesses with significant exposure to losses from credit, we face the risk that spending businesses will default on their payment obligations, creating the risk of potential charge-offs. The non-payment rate among Divvy spending businesses may increase due to, among other factors, changes to underwriting standards, risk models not accurately predicting the creditworthiness of a business, worsening economic conditions, such as a recession or government austerity programs and high unemployment rates. Spending businesses who miss payments may fail to repay their outstanding statement balances, and spending businesses who file for protection under the bankruptcy laws generally do not repay their outstanding balances. Any such losses or failures of our risk models could harm our business, operating results, and financial condition. Non-performance, or even significant underperformance, of the Receivables that we own could have an adverse effect on our business.

Additionally, our funding model relies on a variety of funding arrangements, including warehouse facilities and purchase arrangements, with a variety of funding sources. Any significant underperformance of the Receivables we own may adversely impact our relationship with such funding sources and result in an increase in our cost of financing, a modification or termination of our existing funding arrangements or our ability to procure funding, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects.

The Invoice2go business presents many risks, we may face challenges integrating the Invoice2go business and we may not realize the strategic and financial benefits contemplated at the time of the acquisition of Invoice2go.

Risks we may face in connection with the Invoice2go business and integration of Invoice2go include:

- we may not realize the revenue or other economic benefits and synergies we expect to receive from the transaction;

- we may have difficulties integrating and managing Invoice2go's products and business relationships or retaining key personnel from Invoice2go;

- the acquisition may not further our business strategy as we expected or we may otherwise not realize our expected return on investment, which could adversely affect our business or operating results;

- Invoice2go's existing information security systems and infrastructure may require additional investments of time and resources in order to scale and, as necessary, to integrate into our platform or to be developed to appropriate standards;

- Invoice2go's management and compliance functions and processes may require significant investments of time and resources in order to support its current and anticipated future product offerings, to scale and, as necessary, to integrate into our platform;

- Invoice2go conducts significant international business activity, has operations in Australia and an international subscriber base located in approximately 150 countries. Prior to our acquisition of Invoice2go we had conducted very limited international business activity, but following the acquisition we are subject to numerous risks associated with conducting business internationally, particularly in relation to supporting customers in many countries and compliance with multiple, potentially conflicting, and changing governmental laws and regulations in foreign countries, including consumer protection, OFAC and other country specific sanctions, export control, international trade, privacy and data protection laws and regulations, such as the EU General Data Protection Regulation, anti-money laundering, securities, intellectual property, employment, tax, and financial and banking laws and regulation in many countries;

- Invoice2go has not been required to maintain an internal control infrastructure that would meet the standards of a public company, including the requirements of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act). The costs that we may incur to implement such controls and procedures may be substantial and we could encounter unexpected delays and challenges in this implementation. In addition, we may discover significant deficiencies or material weaknesses in the quality of Invoice2go's financial and disclosure controls and procedures; and

- We are also exposed to foreign currency exchange risk relating to the operations of our subsidiary in Australia. A change in foreign currency exchange rate, particularly in Australian dollars to U.S. dollars, can affect our financial results due to transaction gains or losses related to the remeasurement of certain monetary asset and monetary liability balances that are denominated in currencies other than U.S. dollars, which is the functional currency of our Australian subsidiary.

Our business depends, in part, on our relationship with Intuit.

In addition to our relationship with financial institutions, we have a business relationship with Intuit Inc., a leading provider of financial, accounting, and tax preparation software. Our platform is integrated into Intuit's QuickBooks product. Achieving this integration required extensive coordination and commitment of time and resources, and has led to thousands of additional customers for us. Our agreement with Intuit will terminate on June 26, 2023, unless earlier terminated in accordance with the agreement. The agreement enables us to continue supporting our platform within QuickBooks. In addition, we will be able to jointly market and promote our standalone offering, which includes advanced payment and workflow automation capabilities, to customers of Intuit's QuickBooks Online Advanced product. If we are unable to increase adoption of our platform by Intuit's customers, however, our growth prospects may be adversely affected. Additionally, if Intuit reconfigures its platform in a manner that no longer supports our integration with QuickBooks, we would lose customers and our business would be adversely affected. Intuit has integrated another third-party bill pay solution into its QuickBooks product. Further, Intuit may seek to develop a solution of its own, acquire a solution to compete with ours, or decide to partner with other competing applications, any of which its SMB customers may select over ours, thereby harming our growth prospects and reputation and adversely affecting our results of operations.

The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed.

The market for financial back-office solutions is fragmented, competitive, and constantly evolving. Our competitors range from large entities that predominantly focus on enterprise resource planning solutions, to smaller niche suppliers of solutions that focus exclusively on document management, workflow management, accounts payable, accounts receivable, spend management, and/or electronic bill presentment and payment. With the introduction of new technologies and market entrants, we expect that the competitive environment will remain intense going forward. Our competitors that currently focus on enterprise solutions may offer products to SMBs that compete with ours. Accounting software providers, such as Intuit, as well as the financial institutions with which we partner, may internally develop products, acquire existing, third-party products, or may enter into partnerships or other strategic relationships that would enable them to expand their product offerings to compete with our platform or provide more comprehensive offerings than they individually had offered or achieve greater economies of scale than us. These software providers and financial institutions may have the operating flexibility to bundle competing solutions with other offerings, including offering them at a lower price or for no additional cost to customers as part of a larger sale. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. As we look to market and sell our platform to potential customers, spending business or strategic partners with existing solutions, we must convince their internal stakeholders that our platform is superior to their current solutions.

We compete on several factors, including:

- product features, quality, and functionality;

- data asset size and ability to leverage artificial intelligence to grow faster and smarter;

- ease of deployment;

- ease of integration with leading accounting and banking technology infrastructures;
- ability to automate processes;
- cloud-based delivery architecture;
- advanced security and control features;
- regulatory compliance leadership, as evidenced by money transmitter licenses in all required U.S. jurisdictions;
- brand recognition; and
- pricing and total cost of ownership.

Our competitors vary in size, breadth, and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets, and greater resources than us. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and customer requirements. For example, an existing competitor or new entrant could introduce new technology that reduces demand for our platform.

In addition, the market for our products and services is competitive, and we expect the market to attract increased competition, which could make it difficult for us to succeed. We currently face competition for our offerings from a range of companies that continue to develop additional products and to become more sophisticated and effective. Many of our competitors have greater name recognition, longer operating histories and greater resources than we do. As a result, our competitors might be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Certain competitors have long-standing exclusive, or nearly exclusive, relationships with financial services provider partners to accept payment cards and other services that compete with what we offer. Competing services tied to established brands may engender greater confidence in the safety and efficacy of their services. If we are unable to differentiate ourselves from and successfully compete with our competitors, our business will be materially and adversely affected.

For these reasons, we may not be able to compete successfully against our current or future competitors, and this competition could result in the failure of our platform to continue to achieve or maintain market acceptance, any of which would harm our business, operating results, and financial condition.

If we do not or cannot maintain the compatibility of our platform with popular accounting software solutions or offerings of our strategic partners, our revenue and growth prospects will decline.

To deliver a comprehensive solution, our platform integrates with popular accounting software providers including Intuit QuickBooks, Oracle NetSuite, Sage Intacct, and Microsoft Dynamics 365, through application program interfaces (APIs) made available by these software providers. We automatically synchronize customers, suppliers, clients, invoices, and payment transactions between our platform and these systems. This two-way sync eliminates duplicate data entry and provides the basis for managing cash-flow through an integrated solution for accounts payable, accounts receivable, and payments.

If any of the accounting software providers change the features of their APIs, discontinue their support of such APIs, restrict our access to their APIs, or alter the terms governing their use in a manner that is adverse to our business, we will not be able to provide synchronization capabilities, which could significantly diminish the value of our platform and harm our business, operating results, and financial condition.

The functionality and popularity of our platform depends, in part, on our ability to integrate our platform with the offerings of our strategic partners. Critically, our financial institution strategic partners must be able to integrate our platform into their existing offerings. These strategic partners periodically update and change their systems, and although we have been able to adapt our platform to their evolving needs in the past, there can be no guarantee that we will be able to do so in the future. In particular, if we are unable to adapt to the needs of our strategic partners' platforms, our strategic partners may terminate their agreements with us and we may lose access to large numbers of customers as a result.

We depend on third-party service providers to process transactions on our platform and to provide other services important to the operation of our business. Any significant disruption in services provided by these vendors could prevent us from processing transactions on our platform, result in other interruptions to our business and have a material adverse effect on our operations, results of operations and financial condition.

We depend on banks, including JPMorgan Chase and Silicon Valley Bank, to process ACH transactions and checks for our customers. We also rely on third-party providers to support other aspects of our business, including, for example, in relation to our card transaction processing, check printing, our virtual card program and our cross-border funds transfer capabilities. If we are unable to effectively manage our third-party relationships, we are unable to comply with security, compliance or operational obligations to which we are subject under agreements with these providers, these providers are unable to meet their obligations to us, or we experience substantial disruptions in these relationships, our operations, results of operations and financial condition could be adversely impacted. In addition, in some cases a provider may be the sole source, or one of a limited number of sources, of the services they provide to us and we may experience increased costs and difficulties in replacing those providers and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all.

Interruptions or delays in the services provided by AWS or other third-party data centers or internet service providers could impair the delivery of our platform and our business could suffer.

We host our platform using third-party cloud infrastructure services, including co-location facilities at Coresite, Equinix, and Iron Mountain. We also use public cloud hosting with Amazon Web Services (AWS). All of our products utilize resources operated by us through these providers. We therefore depend on our third-party cloud providers' ability to protect their data centers against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. Our operations depend on protecting the cloud infrastructure hosted by such providers by maintaining their respective configuration, architecture, and interconnection specifications, as well as the information stored in these virtual data centers and transmitted by third-party internet service providers. We have periodically experienced service disruptions in the past, and we cannot assure you that we will not experience interruptions or delays in our service in the future. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the data storage services we use. Although we have disaster recovery plans that utilize multiple data storage locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, natural disasters, military actions, terrorist attacks, negligence, and other similar events beyond our control could negatively affect our platform. Any prolonged service disruption affecting our platform for any of the foregoing reasons could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. System failures or outages, including any potential disruptions due to significantly increased global demand on certain cloud-based systems during the COVID-19 pandemic, could compromise our ability to perform these functions in a timely manner, which could harm our ability to conduct business or delay our financial reporting. Such failures could adversely affect our operating results and financial condition.

Our platform is accessed by many customers, often at the same time. As we continue to expand the number of our customers and products available to our customers, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of data centers, internet service providers, or other third-party service providers to meet our capacity requirements could result in interruptions or delays in access to our platform or impede our ability to grow our business and scale our operations. If our third-party infrastructure service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity, or damage to data centers, we could experience interruptions in access to our platform as well as delays and additional expense in arranging new facilities and services

Moreover, we are in the process of gradually migrating our systems from internal data centers and smaller vendors to AWS. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. We have a limited history of operating on AWS. As we migrate our data from our servers to AWS' servers, we may experience some duplication and incur additional costs. If our data migration is not successful, or if AWS unexpectedly terminates our agreement, we would be forced to incur additional expenses to locate an alternative provider and may experience outages or disruptions to our service. Any service disruption affecting our platform during such migration or while operating on the AWS cloud infrastructure could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business.

Our business and operations have and may continue to be affected by the global outbreak of the COVID-19 pandemic.

Our business and operations have and may continue to be affected by the global outbreak of the COVID-19 pandemic. In response to the COVID-19 pandemic, governments, companies and other authorities have implemented restrictions or policies, such as travel restrictions, quarantines, shelter-in-place or stay-at-home orders, school closures, mandatory shut-downs, social-distancing and other operating requirements applicable to business establishments. These restrictions have forced many businesses in the U.S. and other jurisdictions, including certain of our strategic partners, vendors, accounting firm partners and customers, to reduce or suspend their operations, lay-off employees, and in some cases shut down operations. In certain cases, this has led us to take mitigating actions to ensure business continuity; for example, we added a second source for several vendor services necessary to enable our business in light of risks to our vendors' business resulting from the pandemic. Many of these measures continue to remain in place, and may continue to remain in place for a significant period of time. For so long as the COVID-19 pandemic, including the outbreak of new variants of COVID-19, persists these conditions will continue to have negative implications on business and consumer spending, the supply chain, production of goods and transportation, the labor market, global capital markets and the global economy, and could result in a prolonged economic downturn. To the extent that supply chain disruptions, inventory shortages or labor shortages adversely impact our customers or the pandemic otherwise continues to adversely impact the operations and business of our customers, it may have a material adverse impact on our customer growth, payment and transaction volumes, revenues and financial condition. The COVID-19 pandemic has caused us to impose restrictions on certain of our business practices (including limitations on employee travel and physical participation in meetings, events, and conferences). In addition, a significant portion of our employees are currently working remotely. This direct impact of the virus, and the disruption on our employees and operations, may negatively impact our productivity, our ability to meet customer demand and our revenue and profit margins. Additionally, the disruption and volatility in the global and domestic capital markets may increase the cost of capital and limit our ability to access capital. The extent to which the pandemic continues to impact our business, results of operations, and financial condition will depend on developments that continue to be highly uncertain and difficult to predict, including, but not limited to, the duration and spread of the pandemic, its severity, the success of measures to contain the virus and treat its impact, the timing and efficacy of vaccinations, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may experience material and adverse impacts to our business as a result of any resulting economic downturns, including bankruptcies or insolvencies of customers. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

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

Our primary competition remains the legacy manual processes that SMBs have relied on for generations. Our success will depend, to a substantial extent, on the widespread adoption of our cloud-based back-office solutions as an alternative to existing solutions or adoption by customers that are not using any such solutions at all. Some organizations may be reluctant or unwilling to use our platform for several reasons, including concerns about additional costs, uncertainty regarding the reliability and security of cloud-based offerings, or lack of awareness of the benefits of our platform. Our ability to expand sales of our platform depends on several factors, including prospective customers' awareness of our platform, the timely completion, introduction, and market acceptance of enhancements to our platform or new products that we may introduce, the effectiveness of our marketing programs, the costs of our platform, and the success of our competitors. If we are unsuccessful in developing and marketing our platform, or if organizations do not perceive or value the benefits of our platform as an alternative to legacy systems, the market for our platform may not continue to develop or may develop more slowly than we expect, either of which would harm our growth prospects and operating results.

Payments and other financial services-related regulations and oversight are material to our business. Our failure to comply could materially harm our business.

The local, state, and federal laws, rules, regulations, licensing schemes, and industry standards that govern our business include, or may in the future include, those relating to banking, deposit-taking, cross-border and domestic money transmission, foreign exchange, payments services (such as money transmission, payment processing, and settlement services), lending, anti-money laundering, combating terrorist financing, escheatment, international sanctions regimes, and compliance with the Payment Card Industry Data Security Standard, a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect spending business data. In addition, Divvy is required to maintain loan brokering or servicing licenses in a number of states in which it conducts business and is contractually obligated to comply with Federal Deposit Insurance Corporation (FDIC) federal banking regulations, as well as Visa and MasterCard network rules as a card program manager. These laws, rules, regulations, licensing schemes, and standards are enforced by multiple authorities and governing bodies in the U.S., including the Department of the Treasury, the FDIC, the SEC, self-regulatory organizations, and numerous state and local agencies. As we expand into new jurisdictions, the number of foreign laws, rules, regulations, licensing schemes, and standards governing our business will expand as well. In addition, as our business and products continue to develop and expand, we may become subject to additional laws, rules, regulations, licensing schemes, and standards. We may not always be able to accurately predict the scope or applicability of certain laws, rules, regulations, licensing schemes, or standards to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

Our subsidiary, Bill.com, LLC, has obtained licenses or made registrations, as applicable, to operate as a money transmitter (or its equivalent) in the U.S., in the District of Columbia, the Commonwealth of Puerto Rico, and, to the best of our knowledge, in all the states where such licensure or registration is required for our business. In addition, the regulations applicable to our activity in Canada are enforced by FINTRAC and Quebec's Autorite Des Marches Financiers (Financial Markets Authority). As a licensed money transmitter, we are subject to obligations and restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements, minimum capital requirements, and inspection by state regulatory agencies concerning various aspects of our business. Evaluation of our compliance efforts, as well as the questions of whether and to what extent our products and services are considered money transmission, are matters of regulatory interpretation and could change over time. In the past, regulators have identified violations and we have been subject to fines and other penalties by regulatory authorities due to their interpretations and applications to our business of their respective state money transmission laws. Regulators and third-party auditors have also identified gaps in our anti-money laundering program. In the future, as a result of the regulations applicable to our business, we could be subject to investigations and resulting liability, including governmental fines, restrictions on our business, or other sanctions, and we could be forced to cease conducting certain aspects of our business with residents of certain jurisdictions, be forced to change our business practices in certain jurisdictions, or be required to obtain additional licenses or regulatory approvals. There can be no assurance that we will be able to obtain or maintain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business. In addition, there are substantial costs and potential product changes involved in maintaining and renewing such licenses, certifications, and approvals, and we could be subject to fines or other enforcement action if we are found to violate disclosure, reporting, anti-money laundering, capitalization, corporate governance, or other requirements of such licenses. These factors could impose substantial additional costs, involve considerable delay to the development or provision of our products or services, require significant and costly operational changes, or prevent us from providing our products or services in any given market.

Government agencies may impose new or additional rules on money transmission, including regulations that:

- prohibit, restrict, and/or impose taxes or fees on money transmission transactions in, to or from certain countries or with certain governments, individuals, and entities;
- impose additional customer and spending business identification and customer or spending business due diligence requirements;
- impose additional reporting or recordkeeping requirements, or require enhanced transaction monitoring;
- limit the types of entities capable of providing money transmission services, or impose additional licensing or registration requirements;
- impose minimum capital or other financial requirements;
- limit or restrict the revenue that may be generated from money transmission, including revenue from interest earned on customer funds, transaction fees, and revenue derived from foreign exchange;
- require enhanced disclosures to our money transmission customers;

- require the principal amount of money transmission originated in a country to be invested in that country or held in trust until paid;
- limit the number or principal amount of money transmission transactions that may be sent to or from a jurisdiction, whether by an individual or in the aggregate; and
- restrict or limit our ability to process transactions using centralized databases, for example, by requiring that transactions be processed using a database maintained in a particular country or region.

If we lose our founder or key members of our management team or are unable to attract and retain executives and employees we need to support our operations and growth, our business may be harmed.

Our success and future growth depend upon the continued services of our management team and other key employees. Our founder and Chief Executive Officer, René Lacerte, is critical to our overall management, as well as the continued development of our products, our strategic partnerships, our culture, our relationships with accounting firms, and our strategic direction. From time to time, there may be changes in our management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. In addition, we may face challenges retaining senior management of acquired businesses. Our senior management and key employees are employed on an at-will basis. We currently do not have “key person” insurance for any of our employees. Certain of our key employees have been with us for a long period of time and have fully vested stock options or other long-term equity incentives that may become valuable and are publicly tradable now that we are a public company. The loss of our founder, or one or more of our senior management, key members of senior management of acquired companies or other key employees could harm our business, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees or that we would be able to timely replace members of our senior management or other key employees should any of them depart.

In addition, to execute our business strategy, we must attract and retain highly-qualified personnel. Competition for software developers, compliance and risk management personnel and other key employees in our industry and locations is intense and increasing. We compete with many other companies for software developers with high levels of experience in designing, developing, and managing cloud-based software and payment systems, as well as for skilled legal and compliance and risk operations professionals. We may also face increased competition for personnel from other companies which adopt approaches to remote work that differ from ours. In addition, the current regulatory environment related to immigration is uncertain, including with respect to the availability of H1-B and other visas. If a new or revised visa program is implemented, it may impact our ability to recruit, hire, retain or effectively collaborate with qualified skilled personnel, including in the areas of artificial intelligence and machine learning, and payment systems and risk management, which could adversely impact our business, operating results and financial condition. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. If we fail to identify, attract, develop and integrate new personnel, or fail to retain and motivate our current personnel, our growth prospects would be adversely affected.

Future acquisitions, strategic investments, partnerships, collaborations, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our operating results and financial condition.

We have in the past and may in the future seek to acquire or invest in businesses, products, or technologies that we believe could complement or expand our platform, enhance our technical capabilities, or otherwise offer growth opportunities. However, we have limited experience in acquiring other businesses, and we may not successfully identify desirable acquisition targets. Moreover, an acquisition, investment, or business relationship may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management from their primary responsibilities, subjecting us to additional liabilities, increasing our expenses, and adversely impacting our business, financial condition, and operating results.

In addition, the technology and information security systems and infrastructure of businesses we acquire may be underdeveloped or subject to vulnerabilities, subjecting us to additional liabilities. We could incur significant costs related to the implementation of enhancements to information security systems and infrastructure of acquired businesses and related to the remediation of any related security breaches. If security, data protection and information security measures in place at businesses we acquire are inadequate or breached, or are subject to cybersecurity attacks, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged and we could be subject to regulatory scrutiny, investigations, proceedings, and penalties. We may also acquire businesses whose operations may not be fully compliant with all applicable regulation, including governmental laws and requirements regarding economic and trade sanctions, anti-money laundering, and counter-terror financing and privacy law, subjecting us to potential liabilities and requiring us to spend considerable time, effort, and resources to become compliant.

Given the complexity of our platform and the deep and seamless integration that we offer to our accounting firm customers and strategic partners, it may be critical that certain businesses or technologies that we acquire be successfully and fully integrated into our platform. In addition, some acquisitions may require us to spend considerable time, effort, and resources to integrate employees from the acquired business into our teams, and acquisitions of companies in lines of business in which we lack expertise may require considerable management time, oversight, and research before we see the desired benefit of such acquisitions. Therefore, we may be exposed to unknown liabilities and the anticipated benefits of any acquisition, investment, or business relationship may not be realized, if, for example, we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, into our company. The challenges and costs of integrating and achieving anticipated synergies and benefits of transactions, and the risk that the anticipated benefits of the proposed transaction may not be fully realized or take longer to realize than expected, may be compounded where we attempt to integrate multiple acquired businesses within similar timeframes, as is the case with the concurrent integration efforts related to our acquisitions of the Divvy and Invoice2go businesses.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, as well as unfavorable accounting treatment and exposure to claims and disputes by third parties, including intellectual property claims. We also may not generate sufficient financial returns to offset the costs and expenses related to any acquisitions. In addition, if an acquired business fails to meet our expectations, our business, operating results, and financial condition may suffer.

If we fail to offer high-quality customer support, or if our support is more expensive than anticipated, our business and reputation could suffer.

Our customers rely on our customer support services, which we refer to as customer success, to resolve issues and realize the full benefits provided by our platform. High-quality support is also important for the renewal and expansion of our subscriptions with existing customers. We primarily provide customer support over chat and email, with limited phone-based support. If we do not help our customers quickly resolve issues and provide effective ongoing support, or if our support personnel or methods of providing support are insufficient to meet the needs of our customers, our ability to retain customers, increase adoption by our existing customers, and acquire new customers could suffer, and our reputation with existing or potential customers could be harmed. If we are not able to meet the customer support needs of our customers by chat and email during the hours that we currently provide support, we may need to increase our support coverage and provide additional phone-based support, which may reduce our profitability.

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

The market for SMB financial back-office solutions is relatively new and subject to ongoing technological change, evolving industry standards, payment methods and changing regulations, and changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis, including launching new products and services. In addition, the market for our Divvy spend management solution and corporate cards is new and fragmented, and it is uncertain whether we will achieve and sustain high levels of demand and market adoption. The success of any new product and service, or any enhancements or modifications to existing products and services, depends on several factors, including the timely completion, introduction, and market acceptance of such products and services, enhancements, and modifications. If we are unable to enhance our platform, add new payment methods, or develop new products that keep pace with technological and regulatory change and achieve market acceptance, or if new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently, or more securely than our products, our business, operating results, and financial condition would be adversely affected. Furthermore, modifications to our existing platform or technology will increase our research and development expenses. Any failure of our services to operate effectively with existing or future network platforms and technologies could reduce the demand for our services, result in customer or spending business dissatisfaction and adversely affect our business.

If the prices we charge for our services are unacceptable to our customers, our operating results will be harmed.

We generate revenue by charging customers a fixed monthly rate per user for subscriptions as well as transaction fees. As the market for our platform matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. Our pricing strategy for new products we introduce, including our virtual card and cross-border payment products, may prove to be unappealing to our customers, and our competitors could choose to bundle certain products and services competitive with ours. If this were to occur, it is possible that we would have to change our pricing strategies or reduce our prices, which could harm our revenue, gross profits, and operating results.

We typically provide service level commitments under our strategic partner agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused subscription services or face contract terminations, which could adversely affect our revenue.

Our agreements with our strategic partners typically contain service level commitments on a monthly basis. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our platform, we may be contractually obligated to provide these partners with service credits, up to 10% of the partner's subscription fees for the month in which the service level was not met. In addition, we could face contract terminations, in which case we would be subject to refunds for prepaid amounts related to unused subscription services. Our revenue could be significantly affected if we suffer unexcused downtime under our agreements with our partners. Further, any extended service outages could adversely affect our reputation, revenue, and operating results.

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

As usage of our platform grows and we sign additional strategic partners, we will need to devote additional resources to improving and maintaining our infrastructure and computer network and integrating with third-party applications to maintain the performance of our platform. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support, risk and compliance operations, and professional services, to serve our growing customer base.

Any failure of or delay in these efforts could result in service interruptions, impaired system performance, and reduced customer satisfaction, resulting in decreased sales to new customers, lower subscription renewal rates by existing customers, the issuance of service credits, or requested refunds, all of which could hurt our revenue growth. If sustained or repeated, these performance issues could reduce the attractiveness of our platform to customers and could result in lost customer opportunities and lower renewal rates, any of which could hurt our revenue growth, customer loyalty, and our reputation. Even if we are successful in these efforts to scale our business, they will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies or service disruptions as a result of our efforts to scale our internal infrastructure. We cannot be sure that the expansion and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could adversely affect our business, operating results, and financial condition.

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

Our ability to increase our customer base and achieve broader market acceptance of our platform will depend to a significant extent on our ability to expand our sales and marketing organizations, and to deploy our sales and marketing resources efficiently. Although we will adjust our sales and marketing spend levels as needed in response to changes in the economic environment, we plan to continue expanding our direct-to-SMB sales force as well as our sales force focused on identifying new strategic partners. We also dedicate significant resources to sales and marketing programs, including digital advertising through services such as Google AdWords. The effectiveness and cost of our online advertising has varied over time and may vary in the future due to competition for key search terms, changes in search engine use, and changes in the search algorithms used by major search engines. These efforts will require us to invest significant financial and other resources.

In addition, our ability to broaden the spending business base for our Divvy spend management offerings and achieve broader market acceptance of this platform will depend to a significant extent on the ability of our sales and marketing organizations to work together to drive our sales pipeline and cultivate spending business and partner relationships to drive revenue growth. If we are unable to recruit, hire, develop, and retain talented sales or marketing personnel, if our new sales or marketing personnel and partners are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective, our ability to broaden our spending business base and achieve broader market acceptance of our platform could be harmed. Moreover, our Divvy business relies on our reputation and recommendations from key spending businesses in order to promote our offering to potential spending businesses. Our marketing efforts depend significantly on our ability to call on our current spending businesses to provide positive references to new, potential spending business customers. Given our limited number of long-term spending businesses, the loss or dissatisfaction of any spending business could substantially harm our brand and reputation, inhibit the market adoption of our offering and impair our ability to attract new spending businesses and maintain existing spending businesses.

Our business and operating results will be harmed if our sales and marketing efforts do not generate significant increases in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs and advertising are not effective.

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

Our customers, their suppliers, and other users store personal and business information, financial information and other sensitive information on our platform. In addition, we receive, store, and process personal and business information and other data from and about actual and prospective customers and users, in addition to our employees and service providers. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission (FTC), and various state, local, and foreign agencies. Our data handling also is subject to contractual obligations and industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use, and storage of data relating to individuals and businesses, including the use of contact information and other data for marketing, advertising, and other communications with individuals and businesses. In the U.S., various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data, including the Gramm Leach Bliley Act and state laws relating to privacy and data security. Additionally, the FTC and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. For example, in June 2018, California enacted the California Consumer Privacy Act (CCPA), which became operative on January 1, 2020 and broadly defines personal information, gives California residents expanded privacy rights and protections, and provides for civil penalties for violations and a private right of action for data breaches. Additionally, a new privacy law, the California Privacy Rights Act (CPRA), approved by California voters in the November 2020, will significantly modify the CCPA, and may create new obligations for us beginning on January 1, 2022, with implementing regulations expected in the second half of 2022, and enforcement commencing July 1, 2023. Many aspects of the CCPA, the CPRA, and their interpretation remain unclear, and their full impact on our business and operations remains uncertain. The laws and regulations relating to privacy, data protection, and information security are evolving, can be subject to significant change, and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

In addition, several foreign countries and governmental bodies, including the European Union (EU) and the United Kingdom (UK), have laws and regulations dealing with the handling and processing of personal information obtained from their residents, which in certain cases are more restrictive than those in the U.S. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure, and security of various types of data, including data that identifies or may be used to identify an individual, such as names, email addresses, and in some jurisdictions, Internet Protocol (IP) addresses. Our current and prospective service offerings subject us to the EU's General Data Protection Regulation (GDPR), the UK GDPR, Australian and Canadian privacy laws and the privacy laws of many other foreign jurisdictions. Such laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future.

For example, the GDPR and the UK GDPR impose stringent operational requirements for controllers and processors of personal data of individuals within the European Economic Area and the UK, respectively, and non-compliance can trigger robust regulatory enforcement and fines of up to the greater of €20 million or 4% of the annual global revenues. Among other requirements, these laws regulate transfers of personal data to third countries that have not been found to provide adequate protection to such personal data, including the United States. The efficacy and longevity of current transfer mechanisms between the EU or the UK and the United States remains uncertain. Violations of the GDPR or the UK GDPR may also lead to damages claims by data controllers and data subjects, in addition to civil litigation claims by data controllers, customers, and data subjects.

The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, as a result of the rapidly evolving regulatory framework for privacy issues worldwide. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. As a result of the laws that are or may be applicable to us, and due to the sensitive nature of the information we collect, we have implemented policies and procedures to preserve and protect our data and our customers' data against loss, misuse, corruption, misappropriation caused by systems failures, or unauthorized access. If our policies, procedures, or measures relating to privacy, data protection, information security, marketing, or customer communications fail to comply with laws, regulations, policies, legal obligations, or industry standards, we may be subject to governmental enforcement actions, litigation, regulatory investigations, fines, penalties, and negative publicity, and it could cause our application providers, customers, and partners to lose trust in us, and have an adverse effect on our business, operating results, and financial condition.

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

Any failure or perceived failure by us to comply with laws, regulations, policies, legal, or contractual obligations, industry standards, or regulatory guidance relating to privacy, data protection, or information security, may result in governmental investigations and enforcement actions, litigation, fines and penalties, or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business. We expect that there will continue to be new proposed laws, regulations, and industry standards relating to privacy, data protection, information security, marketing, and consumer communications, and we cannot determine the impact such future laws, regulations, and standards may have on our business. Future laws, regulations, standards, and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. Future restrictions on the collection, use, sharing, or disclosure of data, or additional requirements for express or implied consent of our customers, partners, or end users for the use and disclosure of such information could require us to incur additional costs or modify our platform, possibly in a material manner, and could limit our ability to develop new functionality.

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

We, our strategic partners, our customers, and others who use our services obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material adverse effect on our business.

We, our strategic partners, our customers, and the third-party vendors and data centers that we use, obtain and process large amounts of sensitive data, including data related to our customers and their transactions, as well as other data of the counterparties to their payments. We face risks, including to our reputation as a trusted brand, in the handling and protection of this data, and these risks will increase as our business continues to expand to include new products and technologies.

Cybersecurity incidents and malicious internet-based activity continue to increase generally, and providers of cloud-based services have frequently been targeted by such attacks. These cybersecurity challenges, including threats to our own IT infrastructure or those of our customers or third-party providers, may take a variety of forms ranging from stolen bank accounts, business email compromise, customer employee fraud, account takeover, check fraud, or cybersecurity attacks, to “mega breaches” targeted against cloud-based services and other hosted software, which could be initiated by individual or groups of hackers or sophisticated cyber criminals. State-sponsored cybersecurity attacks on the U.S. financial system or U.S. financial service providers could also have a material adverse effect on our business. A cybersecurity incident or breach could result in disclosure of confidential information and intellectual property, or cause production downtimes and compromised data. We have in the past experienced cybersecurity incidents of limited scale. We may be unable to anticipate or prevent techniques used in the future to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or our customers’ data.

We have administrative, technical, and physical security measures in place, and we have policies and procedures in place to contractually require service providers to whom we disclose data to implement and maintain reasonable privacy, data protection, and information security measures. However, if our privacy protection, data protection, or information security measures or those of the previously mentioned third parties are inadequate or are breached as a result of third-party action, employee or contractor error, malfeasance, malware, phishing, hacking attacks, system error, software bugs, or defects in our products, trickery, process failure, or otherwise, and, as a result, there is improper disclosure of, or someone obtains unauthorized access to or exfiltrates funds or sensitive information, including personally identifiable information, on our systems or our partners’ systems, or if we suffer a ransomware or advanced persistent threat attack, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged. Recent high-profile security breaches and related disclosures of sensitive data by large institutions suggest that the risk of such events is significant, even if privacy, data protection, and information security measures are implemented and enforced. If sensitive information is lost or improperly disclosed or threatened to be disclosed, we could incur significant costs associated with remediation and the implementation of additional security measures, and may incur significant liability and financial loss, and be subject to regulatory scrutiny, investigations, proceedings, and penalties.

In addition, our financial institution strategic partners conduct regular audits of our cybersecurity program, and if any of them were to conclude that our systems and procedures are insufficiently rigorous, they could terminate their relationships with us, and our financial results and business could be adversely affected. Under our terms of service and our contracts with strategic partners, if there is a breach of payment information that we store, we could be liable to the partner for their losses and related expenses. Additionally, if our own confidential business information were improperly disclosed, our business could be materially and adversely affected. A core aspect of our business is the reliability and security of our platform. Any perceived or actual breach of security, regardless of how it occurs or the extent of the breach, could have a significant impact on our reputation as a trusted brand, cause us to lose existing partners or other customers, prevent us from obtaining new partners and other customers, require us to expend significant funds to remedy problems caused by breaches and implement measures to prevent further breaches, and expose us to legal risk and potential liability including those resulting from governmental or regulatory investigations, class action litigation, and costs associated with remediation, such as fraud monitoring and forensics. Any actual or perceived security breach at a company providing services to us or our customers could have similar effects. Further, as the current COVID-19 pandemic continues to result in a significant number of people working from home, these cybersecurity risks may be heightened by an increased attack surface across our business and those of our partners and service providers. We have heightened monitoring in the face of such risks, but cannot guarantee that our efforts, or the efforts of those upon whom we rely and partner with, will be successful in preventing any such information security incidents.

While we maintain cybersecurity insurance, our insurance may be insufficient or may not cover all liabilities incurred by such attacks. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance 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 have a material adverse effect on our business, including our financial condition, operating results, and reputation.

We currently handle cross-border payments and plan to expand our payments offerings to new customers and to make payments to new countries, creating a variety of operational challenges.

A component of our growth strategy involves our cross-border payments product and, ultimately, expanding our payments operations internationally. Although we do not currently offer our payments products to customers outside the U.S., starting in 2018 we introduced cross-border payments through our relationship with Cambridge, and now offer our U.S.-based customers the ability to disburse funds to over 130 countries with both Cambridge and Citibank's WorldLink. We are continuing to adapt to and develop strategies to address payments to new countries. However, there is no guarantee that such efforts will have the desired effect.

Our cross-border payments product and international operations strategy involve a variety of risks, including:

- changes in financial regulations and our ability to comply and obtain any relevant licenses;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions;
- reduction in cross-border trade resulting from trade sanctions, other trade regulations, and relations;
- potential application of more stringent regulations relating to privacy, information protection, and data security, and the authorized use of, or access to, commercial and personal information;
- potential changes in trade relations, regulations, or laws;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act (FCPA), U.S. bribery laws, the UK Bribery Act, and similar laws and regulations in other jurisdictions; and
- unexpected changes in tax laws.

If we invest substantial time and resources to further expand our cross-border payments offering and are unable to do so successfully and in a timely manner, our business and operating results may suffer.

Our card payment products generate interchange revenues which exposes us to potential variability in income and other risks.

Our card payment products, including our Divvy card product, generate revenues primarily from interchange paid by the supplier accepting cards on a transactional basis, which involve a variety of risks, including:

- interchange income fluctuations due to the variability of card acceptance practices at supplier locations, and the resulting effect on our revenue;
- changes in card network interchange rates or rules which could dissuade new and existing card-accepting suppliers from continuing to accept card payments;
- declines in the number of active card-accepting suppliers due to concerns about cost or operational complexity; and
- unexpected changes in card acceptance or card issuing rules which may impact our ability to offer this payment product.

In addition, a component of our growth strategy involves our virtual card payments products. In addition to our Divvy card offerings, through our relationship with Comdata, we offer Bill.com customers the ability to pay their vendors with a virtual credit card. We generate revenues from virtual card payments primarily from interchange, which also subjects us to many of the risks described above. We are continuing to develop strategies to convert both check and ACH vendor payments to virtual card payments. There is no guarantee that such efforts will be successful.

We use open source software in our products, which could subject us to litigation or other actions.

We use open source software in our products. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate it into their products. As a result, we 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 operating results and financial condition, or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner under certain open source licenses, we could be required to release the source code of our proprietary software products. If we inappropriately use or incorporate open source software subject to certain types of open source licenses that challenge the proprietary nature of our products, we may be required to re-engineer such products, discontinue the sale of such products, or take other remedial actions.

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

We believe that maintaining and enhancing the Bill.com, Divvy and Invoice2go brands are important to support the marketing and sale of our existing and future products to new customers and strategic partners and to expand sales of our platforms to new and existing customers and strategic partners. Our ability to protect our Bill.com brand is limited as a result of its descriptive nature. Successfully maintaining and enhancing our brands will depend largely on the effectiveness of our marketing and demand generation efforts, our ability to provide reliable products that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and products, and our ability to successfully differentiate our platform and products from competitive products and services. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brands, our business could suffer.

If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate less revenue and incur costly litigation to protect our rights.

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

We have been in the past, and may in the future be, subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

We have been in the past and may in the future become subject to intellectual property disputes. Lawsuits are time-consuming and expensive to resolve and they divert management's time and attention. Although we carry insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot assure you that the results of any such actions will not have an adverse effect on our business, operating results, or financial condition.

The software industry is characterized by the existence of many patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims against their use. In addition, many companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue, and therefore, our patents may provide little or no deterrence as we would not be able to assert them against such entities or individuals. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software or cease business activities related to such intellectual property. Any inability to license third-party technology in the future would have an adverse effect on our business or operating results and would adversely affect our ability to compete. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party’s intellectual property rights. Responding to such claims, regardless of their merit, can be time consuming, costly to defend, and damaging to our reputation and brand.

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

Our agreements with strategic partners and some larger customers include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our platform or other contractual obligations. Some of these indemnity agreements provide for uncapped liability and some indemnity provisions survive termination or expiration of the applicable agreement. Large indemnity payments could harm our business, operating results, and financial condition. Although we normally limit our liability with respect to such obligations in our contracts with direct customers and with customers acquired through our accounting firm partners, we may still incur substantial liability, and we may be required to cease use of certain functions of our platform or products, as a result of IP-related claims. Any dispute with a customer with respect to these obligations could have adverse effects on our relationship with that customer and other existing or new customers, and harm our business and operating results. In addition, although we carry insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed, or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

Changes to payment card networks rules or fees could harm our business.

We are required to comply with Mastercard, American Express, and Visa payment card network operating rules in connection with Bill.com’s virtual card payments service and our subscription billing engine. We have agreed to reimburse our service providers for any fines they are assessed by payment card networks as a result of any rule violations by us. We may also be directly liable to the payment card networks for rule violations. The payment card networks set and interpret the card operating rules. The payment card networks could adopt new operating rules or interpret or reinterpret existing rules that we or our processors might find difficult or even impossible to follow, or costly to implement. We also may seek to introduce other card-related products in the future, which would entail additional operating rules. As a result of any violations of rules, new rules being implemented, or increased fees, we could lose our ability to make payments using cards, or such payments could become prohibitively expensive for us or for our customers. If we are unable to make customer payments to vendors using virtual cards, our business would be adversely affected. In addition, Divvy is contractually obligated to comply with MasterCard and Visa network rules as a card program manager. As a result of any violations of these rules or new rules being implemented, Divvy could lose its ability to act as a card program manager.

Our business is subject to extensive government regulation and oversight. Our failure to comply with extensive, complex, overlapping, and frequently changing rules, regulations, and legal interpretations could materially harm our business.

Our success and increased visibility may result in increased regulatory oversight and enforcement and more restrictive rules and regulations that apply to our business. We are subject to a wide variety of local, state, federal, and international laws, rules, regulations, licensing schemes, and industry standards in the U.S. and in other countries in which we operate and in many of the approximately 150 countries in which Invoice2go has subscribers. These laws, rules, regulations, licensing schemes, and standards govern numerous areas that are important to our business. In addition to the payments and financial services-related regulations, and the privacy, data protection, and information security-related laws described elsewhere, our business is also subject to, without limitation, rules and regulations applicable to: securities, labor and employment, immigration, competition, and marketing and communications practices. Laws, rules, regulations, licensing schemes, and standards applicable to our business are subject to change and evolving interpretations and application, including by means of legislative changes and/or executive orders, and it can be difficult to predict how they may be applied to our business and the way we conduct our operations, particularly as we introduce new products and services and expand into new jurisdictions. We may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business.

Although we have a compliance program focused on the laws, rules, regulations, licensing schemes, and industry standards that we have assessed as applicable to our business and we are continually investing more in this program, there can be no assurance that our employees or contractors will not violate such laws, rules, regulations, licensing schemes, and industry standards. Any failure or perceived failure to comply with existing or new laws, rules, regulations, licensing schemes, industry standards, or orders of any governmental authority (including changes to or expansion of the interpretation of those laws, regulations, standards or orders), may:

- subject us to significant fines, penalties, criminal and civil lawsuits, license suspension or revocation, forfeiture of significant assets, audits, inquiries, whistleblower complaints, adverse media coverage, investigations, and enforcement actions in one or more jurisdictions levied by federal, state, local or foreign regulators, state attorneys general, and private plaintiffs who may be acting as private attorneys general pursuant to various applicable federal, state, and local laws;

- result in additional compliance and licensure requirements;

- increase regulatory scrutiny of our business; and

- restrict our operations and force us to change our business practices or compliance program, make product or operational changes, or delay planned product launches or improvements.

The complexity of U.S. federal and state regulatory and enforcement regimes, coupled with the scope of our international operations and the evolving regulatory environment, could result in a single event giving rise to many overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions.

Any of the foregoing could, individually or in the aggregate, harm our reputation as a trusted provider, damage our brands and business, cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, expose us to legal risk and potential liability, and adversely affect our 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 and debt financings, sales of subscriptions to our products, and usage-based transaction fees. 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, which may require us to engage in equity or debt financings to secure additional funds. 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, operating results, and financial condition. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, including in connection with merger and acquisition transactions, stockholders will experience dilution. In addition, new equity securities could have rights senior to those of our common stock. The trading prices for our common stock and other technology companies have been highly volatile as a result of the COVID-19 pandemic and related governmental actions, which may reduce our ability to access capital on favorable terms or at all. In addition, a recession, depression or other sustained adverse market event resulting from the COVID-19 pandemic could materially and adversely affect our business and the value of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our common stock and diluting their interests.

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

As of June 30, 2021, we had net operating loss (NOL) carryforwards of approximately $867.6 million and $599.5 million for federal and state tax purposes, respectively, that are available to reduce future taxable income. If not utilized, the federal and state NOL carryforwards will begin to expire in 2027. As of June 30, 2021, approximately $761.9 million of the federal NOL carryforwards do not expire and will carry forward indefinitely until utilized. As of June 30, 2021, we had research and development tax credit carryforwards of approximately $23.6 million and $15.8 million for federal and state tax purposes, respectively. If not utilized, the federal tax credits will expire at various dates beginning in 2028. The state tax credits do not expire and will carry forward indefinitely until utilized. In general, under Sections 382 and 383 of the U.S. Internal Revenue Code of 1986, as amended (the Code), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change NOLs and other tax attributes such as research tax credits to offset future taxable income or income tax. If it is determined that we have in the past experienced an ownership change, or if we undergo one or more ownership changes as a result of future transactions in our stock, then our ability to utilize NOLs and other pre-change tax attributes could be limited by Sections 382 and 383 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Sections 382 or 383 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we were to achieve profitability. In addition, any future changes in tax laws could impact our ability to utilize NOLs in future years and may result in greater tax liabilities than we would otherwise incur and adversely affect our cash flows and financial position.

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

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

Changes in our effective tax rate or tax liability may adversely affect our operating results.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various U.S. and international jurisdictions in which we operate due to differing statutory tax rates in various jurisdictions;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the 2017 Tax Act as modified by the CARES Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our operating results.

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

Natural disasters, pandemics such as COVID-19 other catastrophic events and man-made problems, such as terrorism, war or economic or trade sanctions related to war, may cause damage or disruption to our operations, international commerce and the global economy, and thus could harm our business. We have a large employee presence in the San Francisco Bay Area in California and in Draper, Utah and a smaller presence in Houston, Texas and Sydney, Australia, and our data centers are located in California and Arizona. The west coast of the U.S. contains active earthquake zones and the Houston area frequently experiences significant hurricanes. In the event of a major earthquake, hurricane or catastrophic event such as fire, flooding, power loss, telecommunications failure, vandalism, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our products, breaches of data security, and loss of critical data, all of which could harm our business, operating results, and financial condition.

Additionally, as computer malware, viruses, and computer hacking, fraudulent use attempts, and phishing attacks have become more prevalent, we, and third parties upon which we rely, face increased risk in maintaining the performance, reliability, security, and availability of our solutions and related services and technical infrastructure to the satisfaction of our customers. Any computer malware, viruses, computer hacking, fraudulent use attempts, phishing attacks, or other data security breaches related to our network infrastructure or information technology systems or to computer hardware we lease from third parties, could, among other things, harm our reputation and our ability to retain existing customers and attract new customers.

In addition, the insurance we maintain may be insufficient to cover our losses resulting from disasters, cyber-attacks, or other business interruptions, and any incidents may result in loss of, or increased costs of, such insurance.

If we fail to develop and 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 laws and regulations could be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the New York Stock Exchange (NYSE), and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. It may require significant resources and management oversight to maintain and, if necessary, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard. As a result, management’s attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act (Section 404), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting. Because we are no longer an “emerging growth company” as of June 30, 2021, Section 404(b) of the Sarbanes-Oxley Act requires our independent registered public accounting firm to annually attest to the effectiveness of our internal control over financial reporting commencing with the fiscal year ended June 30, 2021, which has, and will continue to, require increased costs, expenses, and management resources. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead us to restate our financial statements, which could cause investors to lose confidence in our reported financial information, have a negative effect on the trading price of our common stock, and result in additional costs to remediate such material weaknesses. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm issues an adverse opinion on the effectiveness of our internal control, including as a result of the material weakness described above, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

We have identified a material weakness in our internal control over financial reporting as of June 30, 2021, and if our remediation of such material weakness is not effective, or if we fail to develop and 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 laws and regulations could be impaired.

In the course of preparing our financial statements for fiscal 2021, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified pertains to the accounting for our business combination with Divvy, including a lack of sufficient precision in the performance of reviews of the analyses supporting the purchase price allocation accounting and other acquisition related entries and a lack of adequate documentation to provide evidence of design and operating effectiveness of select management review controls.

To address our material weakness, we will re-evaluate the scope, level of precision and the personnel assigned for conducting the reviews over our analyses supporting the accounting for business combinations. We also plan to adopt policies on retaining documentation that supports the design and operating effectiveness of key management review controls relating to future business combinations. We will not be able to fully remediate this material weakness until these steps have been completed and have been operating effectively for a sufficient period of time. See Part II, Item 9A “Controls and Procedures” of our Annual Report on Form 10-K for fiscal 2021 for additional information about this material weakness and our remediation efforts.

If we are unable to further implement and maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by the NYSE, the SEC or other regulatory authorities, which could require additional financial and management resources.

Furthermore, we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including as a result of our acquisitions of Divvy and Invoice2go. Further, weaknesses in our disclosure controls and internal control over financial reporting 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 operating results 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 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 common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the U.S.

U.S. generally accepted accounting principles (GAAP) is subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported operating results and financial condition and could affect the reporting of transactions already completed before the announcement of a change.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Operating Results—Critical Accounting Policies and Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve the identification of performance obligations in revenue recognition, valuation of assets acquired and liabilities assumed in a business combination, estimation of fair value of a reporting unit when assessing goodwill impairment, determination of useful lives of finite-lived intangible assets, present value estimation of operating lease liabilities, valuation of stock option grants, and the period of benefit for amortizing deferred commissions. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

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

In addition to intellectual property litigation, we have in the past and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes, employment claims made by our current or former employees, or claims for reimbursement following misappropriation of customer data. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, overall financial condition, and operating results. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our operating results and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the trading price of our stock.

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

Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable users or companies covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenue for us. Any expansion in the markets in which we operate depend on a number of factors, including the cost, performance, and perceived value associated with our platforms and those of our competitors. Even if the markets in which we compete meet the size estimates and growth forecasted, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, our forecasts of market growth should not be taken as indicative of our future growth.

We are subject to governmental laws and requirements regarding economic and trade sanctions, anti-money laundering, and counter-terror financing that could impair our ability to compete in international markets or subject us to criminal or civil liability if we violate them.

Although we currently only offer our payment and corporate card products to customers in the U.S. and Canada, Invoice2go has international subscribers in approximately 150 countries, including Australia and several EU countries. As we continue to expand internationally we will become subject to additional laws and regulations, and will need to implement new regulatory controls to comply with applicable laws. We are currently required to comply with U.S. economic and trade sanctions administered by the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) and we have processes in place to comply with the OFAC regulations as well as similar requirements in other jurisdictions, including the Australian Sanctions Regime, the Canadian Proceeds of Crime and Terrorist Financing Act and EU money laundering directives. As part of our compliance efforts, we scan our customers against OFAC and other watch lists. If our services are accessed from a sanctioned country in violation of the trade and economic sanctions, we could be subject to fines or other enforcement action. We are also subject to various anti-money laundering and counter-terrorist financing laws and regulations around the world that prohibit, among other things, our involvement in transferring the proceeds of criminal activities. In the United States, most of our services are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended (BSA), and similar laws and regulations. The BSA, among other things, requires money transmitters to develop and implement risk-based anti-money laundering programs, to report large cash transactions and suspicious activity, and in some cases, to collect and maintain information about customers who use their services and maintain other transaction records. Regulators in the United States and globally continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program, including the procedures we use to verify the identity of our customers and to monitor transactions on our system, including payments to persons outside of the U.S. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers, and any change in such thresholds could result in greater costs for compliance.

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

We are subject to the FCPA, U.S. domestic bribery laws, and other anti-corruption laws, including Australia's anti-bribery laws. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public sector. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. Although we currently only offer our payment and corporate card products to customers in the U.S., Invoice2go has international subscribers in approximately 150 countries, including Australia and several EU countries. As we increase our international cross-border business and expand operations abroad, we may engage with business partners and third-party intermediaries to market our services and obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

We cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international business, our risks under these laws may increase.

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

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

We believe our culture has been a key contributor to our success to date and that the critical nature of the platform that we provide promotes a sense of greater purpose and fulfillment in our employees. Inorganic growth through mergers and acquisitions may pose significant challenges to assimilating the company cultures of acquired companies. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our culture. If we fail to maintain our company culture, our business and competitive position may be adversely affected.

Risks Related to the 2027 Notes and 2025 Notes

Our debt service obligations, including the Notes, may adversely affect our financial condition and results of operations.

As of March 31, 2022, we had $1.15 billion aggregate principal amount of the 2025 Notes outstanding due on December 1, 2025 and $575.0 million aggregate principal amount of the 2027 Notes outstanding due on April 1, 2027, as described in Note 9 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Our ability to make payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2027 Notes and 2025 Notes (collectively, the Notes), depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt;
- limit our ability to borrow additional amounts to fund acquisitions, for working capital, and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

Any of these factors could harm our business, results of operations, and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase. We are also required to comply with the covenants set forth in the Indentures governing the Notes. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the note holders or lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of our securities. Downgrades in our credit ratings could restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

We may not have the ability to raise the funds necessary for cash settlement upon conversion of the Notes or to repurchase the Notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Notes or to repurchase the Notes.

Holders of the Notes have the right to require us to repurchase their notes upon the occurrence of a fundamental change (as defined in the Indentures for the 2025 Notes and 2027 Notes, respectively) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the Notes surrendered or the Notes being converted. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness.

In addition to the Notes, we and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our current and future debt instruments, some of which may be secured debt. We are not restricted under the terms of the Indentures governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on the Notes when due.

Our failure to repurchase the Notes at a time when the repurchase is required by the applicable Indenture or to pay any cash payable on future conversions of the Notes as required by such Indenture would constitute a default under that Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

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

Prior to the close of business on the business day immediately preceding September 1, 2025 and January 1, 2027, the holders of the 2025 Notes and 2027 Notes, respectively, may elect to convert their notes during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day (the “Conversion Condition”). The Conversion Condition for the 2025 Notes was triggered as of March 31, 2022. In the event the Conversion Condition is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The Capped Calls may affect the value of our Notes and our common stock.

In connection with the sale of each of the 2025 Notes and the 2027 Notes, we entered into privately negotiated Capped Call transactions (collectively, the Capped Calls) with certain financial institutions (option counterparties). The Capped Call transactions are expected generally to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

The option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2025 Notes and the 2027 Notes, respectively (and are likely to do so following any conversion, repurchase, or redemption of the Notes, to the extent we exercise the relevant election under the Capped Calls). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Notes, which could affect note holders’ ability to convert the Notes and, to the extent the activity occurs during any observation period related to a conversion of the Notes, it could affect the number of shares and value of the consideration that note holders will receive upon conversion of the Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Notes or our common stock. In addition, we do not make any representation that the option counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We are subject to counterparty risk with respect to the Capped Calls.

The option counterparties are financial institutions, and we are subject to the risk that any or all of them might default under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Calls with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

Risks Related to Ownership of Our Common Stock

The stock price of our common stock has been, and will likely continue to be volatile, and you may lose part or all of your investment.

The market for our common stock has been, and will likely continue to be, volatile. In addition to the factors discussed in this report, the market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- actual or anticipated fluctuations in our revenue and other operating results;
- changes in the financial projections we may provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- the global macroeconomic impact of the COVID-19 pandemic;
- negative publicity related to the real or perceived quality of our platform, as well as the failure to timely launch new products and services that gain market acceptance;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of new products or services, commercial relationships, or significant technical innovations;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

- lawsuits threatened or filed against us, litigation involving our industry, or both;
- developments or disputes concerning our or other parties' products, services or intellectual property rights;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- interpretations of any of the above or other factors by trading algorithms, including those that employ natural language processing and related methods to evaluate our public disclosures;
- other events or factors, including those resulting from war (such as the war in Ukraine), incidents of terrorism, or responses to these events;
- the expiration of contractual lock-up agreements; and
- sales of shares of our common stock by us or our stockholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted 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.

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

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

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be affected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock;
- provide that vacancies on our board of directors may be filled only by a majority vote of directors then in office, even though less than a quorum; and

- require the approval of our board of directors or the holders of at least sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock to amend our bylaws and certain provisions of our certificate of incorporation.

In addition, our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware, to the fullest extent permitted by law, will be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law (DGCL), our restated certificate of incorporation, or our restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. This exclusive forum provision will not apply to claims that are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. For instance, the provision would not preclude the filing of claims brought to enforce any liability or duty created by the Exchange Act or Securities Act or the rules and regulations thereunder in federal court.

Moreover, Section 203 of 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.

We have incurred and 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 compliance with our public company responsibilities and corporate governance practices.

As a public company, we will incur significant legal, accounting, and other expenses that we did not incur as a private company, which we expect to further increase. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly compared to when we were a private company.

Our management team has limited experience managing a public company.

Our management team has limited experience managing a publicly traded company, interacting with public company investors and securities analysts, and complying with the increasingly complex laws pertaining to public companies. These new obligations and constituents require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could harm our business, operating results, and financial condition.

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

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

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

Our stock price and trading volume is heavily influenced by the way analysts and investors interpret our financial information and other disclosures. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our common stock.

Sales of substantial amounts of our common stock in the public markets, particularly sales by our directors, executive officers, and significant stockholders, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market. The perception that these sales might occur may also cause the market price of our common stock to decline. We had a total of 104,182,577 shares of our common stock outstanding as of March 31, 2022. All shares of our common stock are freely tradable, generally without restrictions or further registration under the Securities Act, subject to certain exceptions for shares held by our “affiliates” as defined in Rule 144 under the Securities Act.

In addition, there were 7,390,348 shares of common stock issuable upon the exercise of options outstanding and vesting of RSUs as of March 31, 2022. We have registered all of the shares of common stock issuable upon exercise of outstanding options or settlement of RSUs or other equity incentives we may grant in the future on registration statements on Form S-8 for public resale under the Securities Act. The shares of common stock will become eligible for sale in the public market to the extent such options are exercised or such RSUs are settled, subject to compliance with applicable securities laws.

Moreover, certain holders of our common stock have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

In addition, we have in the past, and may in the future, issue our shares of common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments, or otherwise. We also expect to grant additional equity awards to employees and directors under our 2019 Equity Incentive Plan and rights to purchase our common stock under our 2019 Employee Stock Purchase Plan. Any such issuances could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS

		Incorporated by Reference				
Exhibit Number	Description	Form	File No.	Exhibit Number	Filing Date	Filed Herewith
10.1†	Confidential Severance Agreement and General Waiver and Release of all Claims					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					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
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

† *Indicates management contract or compensatory plan.*

* *The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of the Exchange Act.*

SIGNATURES

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

May 6, 2022	By:	/s/ René Lacerte
(Date)		René Lacerte Chief Executive Officer (Principal Executive Officer)
May 6, 2022	By:	/s/ John Rettig
(Date)		John Rettig Chief Financial Officer and Executive Vice President, Finance and Operations (Principal Financial Officer)

Exhibit 10.1

CONFIDENTIAL SEVERANCE AGREEMENT AND GENERAL WAIVER AND RELEASE OF ALL CLAIMS

This Confidential Severance Agreement and General Waiver and Release of All Claims (the "Agreement") is made by and between Bill.com Holdings, Inc., a Delaware corporation, together with its affiliates, successors, assigns and licensees (collectively "the Company") and Thomas J. Clayton (the "Employee") in complete, final, and binding settlement of all claims and potential claims, if any, with respect to their employment relationship (the Company and Employee may individually be referred to herein as a "Party," and collectively as the "Parties").

1. Agreement. This Agreement is based upon the following:

1.1. On or about August 21, 2020, the Company hired Employee as an at-will Chief Revenue Officer. The Parties also entered into a Change in Control and Severance Agreement (the "CIC and Severance Agreement"), an Employee Invention Assignment and Confidentiality Agreement, and an Employee Invention Assignment and Confidentiality Agreement. .

1.2. The Employee has voluntarily resigned his employment with the Company effective February 18, 2022 (the "Separation Date"). Employee will receive his final pay for all hours worked up through the Separation Date, including accrued and unused vacation. Similarly, even if Employee does not sign this Agreement, he will be offered benefits to which he is entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") and California COBRA, and retain all benefits to which he is entitled under the Company's 401k plan.

1.3. Employee acknowledges and agrees that the Company has paid all of Employee's salary, wages, payments, compensation, bonus(es), commissions, vacation pay, reimbursements, stock and/or equity, and/or other compensation and/or benefits of any kind or nature to which Employee is or may be entitled as an employee of the Company or otherwise through the Separation Date.

1.4. The Parties have reached an agreement which they believe is in their mutual best interests and assures that there are no outstanding disputes between Employee and the Company.

1.5. Employee agrees that Employee will keep the existence and terms of this Agreement confidential as further described in Section 7.2. Further Employee agrees to maintain his resignation confidential until its public disclosure by the Company ("Public Disclosure"). Following the Public Disclosure and until the Separation Date, Employee will not communicate with any person at the Company with the exception of Rene' Lacerte, Raj Aji, Jackie Hendy and Blake Murray unless otherwise permitted by the Company in writing via email.

2. Consideration.

2.1. Provided that (i) Employee executes this Agreement, Employee will receive the following:

2.1.1. In consideration for Employee's promises made herein, the Company agrees, and upon satisfaction of the conditions identified herein, to pay Employee the gross sum of ninety-seven thousand, five hundred dollars ($97,500.00) which represents approximately three (3) months of Employee's base salary (the "Severance Payment") in full and final settlement of matters encompassed by this Agreement, less applicable federal and state payroll taxes and other withholding obligations to be characterized as consideration for Employee's execution of this Agreement, which shall be paid within fifteen (15) days after the Separation Date but in no event earlier than the Effective Date as defined in Section 9.17. Employee agrees that the severance payment and benefits identified in this Agreement are items of value being provided in exchange for his promises in this Agreement, and Employee acknowledges that he is not otherwise entitled to the Severance Payment.

2.1.2. The Company has previously granted to Employee the following awards under the Company's 2019 Equity Incentive Plan (the "Plan"): 64,873 restricted stock units ("RSUs"), and options to purchase 40,545 shares of the Company's Common Stock ("Options"). The exercise price for the Option granted on September 28, 2020, is $97.54 per share ("Option 1") and the exercise price for the Option granted on July 20, 2021 is $197.41 per share ("Option 2"). As of the Separation Date, the RSUs have vested on November 28, 2021 as to 13,711 RSUs and remain unvested as to 51,162 RSUs (the "Unvested RSUs"); Option 1 has vested on November 28, 2021 as to 8,048 shares and remains unvested as to 24,142 shares (the "Unvested Option 1 Shares"); Option 2 has vested on November 28, 2021, as to 522 shares and remains unvested as to 7,833 shares (the "Unvested Option 2 Shares"). Employee acknowledges and agrees that as a result of the termination of his employment on the Separation Date, none of the Unvested RSUs, Unvested Option 1 Shares or Unvested Option 2 Shares would ever vest but for this Agreement. In further consideration for Employee's promises made herein, the Company agrees that, on the Effective Date, and provided that the conditions described herein have been satisfied, Employee shall vest in 8,109 of the Unvested RSUs, 4,023 of the Unvested Option 1 Shares, and 1,044 of the Unvested Option 2 Shares. The RSUs and Options will continue otherwise to be governed by the applicable award agreements and the Plan. Without limiting the generality of the foregoing, pursuant to the terms of the Plan, Employee will have 90 days following the Separation Date to exercise vested Options, including both those that were already vested on the Separation Date and those that vest pursuant to this Agreement. Options that vest pursuant to this Agreement may be exercised only after the Effective Date.

2.1.3. Notwithstanding Employee's execution of this Agreement, the Company will provide Employee with information and documentation regarding Employee's right to elect to continue Employee's group medical and dental insurance, at Employee's sole expense, in accordance with COBRA, and in accordance with the terms of the America Rescue Plan Act of 2021 ("ARPA"). In further consideration for Employee's promises made herein, the Company agrees, and upon satisfaction of the conditions identified herein, if Employee elects COBRA coverage, Company agrees to pay Employee for each month during which COBRA coverage is in effect, but not later than April 30, 2022, an amount prior to any required tax withholding equal to the COBRA premium cost for coverage in the group health plan(s) in which Employee is currently enrolled (the "Benefits"). After the above date, Employee will be solely responsible to pay the entire COBRA premiums for continued group health coverage if Employee wishes to continue coverage under COBRA. All terms of coverage will be in accordance with the provisions of COBRA as described in the separate COBRA notification form that will be given to Employee and his enrolled dependents. Employee agrees that the Benefits identified in this Agreement are items of value being provided in exchange for his promises in this Agreement, and Employee acknowledges that he is not otherwise entitled to the Benefits.

2.1.4. Employee acknowledges and agrees that payment of the amounts set forth in this Agreement will fully satisfy all obligations owed to Employee in connection with his employment by the Company and the termination of such employment. Without limiting the generality of the foregoing Employee agrees that he is not entitled to any additional payments of benefits pursuant to the CIC and Severance Agreement, and waives any rights he may have pursuant to the CIC and Severance Agreement.

3. Complete Waiver and Release.

3.1. General Waiver and Release. As a material inducement to the Company to enter into this Agreement, Employee hereby irrevocably and unconditionally releases, waives and discharges the Company, and each and all of the Company's owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, former employees, representatives, attorneys, benefit plans, insurers, parent companies, divisions, subsidiaries, affiliates (and owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, benefit plans and insurers of such parent companies, divisions, subsidiaries and affiliates) and all persons acting by, through, or under or in concert with any of them (collectively, the "Releasees") from any and all claims, causes of action, demands, complaints and liabilities (including but not limited to attorney's fees and costs) of any kind whatsoever, whether now known or unknown, suspected or claimed, which Employee has or may claim to have against any Releasee relating to or arising out of any matter or thing which occurred on or prior to the date of execution of this Agreement, including, without limitation, any and all claims arising out of or relating to Employee's employment with the Company and/or Employee's termination of employment, and any claims arising out of or relating to any contract between the Company or the Employee, including without limitation any of the Prior Employee Agreements. The released, waived, and discharged claims also include, but are not limited to claims of any kind for unfair competition, wrongful discharge, constructive discharge, defamation, invasion of privacy, infliction of emotional distress, misrepresentation or fraudulent inducement, breach of any express or implied contract, claims arising under any Company handbook, manual, policy, or practice, claims arising from any offer, agreement or contract (express or implied and/or written or verbal), any other claims for severance pay, attorney's fees and costs, expenses, benefits, bonuses, back pay, overtime wages, future wage loss, front pay, claims for benefits under any employee benefit plan or program, claims for a breach of an implied covenant of good faith and fair dealing, claims for interference with contract, negligence, or claims under any other federal, state, municipal, or local insurance, human rights, civil rights, wage-hour, pension, or labor laws, rules or regulations, public policy, contract or tort laws, or any claim of retaliation under such laws, or any claim arising under common law, or under the United States and California Constitutions or any amendments thereto, or any other claim which could be asserted against the Releasee(s) or which arise out of the Employee's employment relationship with the Company or the termination of that employment relationship. This release also covers any claims for physical, mental or emotional injuries alleged by Employee.

3.2. Knowing and Voluntary Waiver and Release of Federal & State Statutes. The released, waived, and discharged claims also include, but are not limited to, all claims of any kind arising under the Age Discrimination in Employment Act, as amended; Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act; the Equal Pay Act; the Employee Retirement Income Security Act (ERISA), as amended; the Family and Medical Leave Act; the Fair Labor Standards Act; the Worker Adjustment and Retraining Notification Act (WARN Act); the Reconstruction Era Civil Rights Act, as amended; the Sarbanes-Oxley Act; the Immigration Control and Reform Act; the Occupational Safety and Health Act; the Health Insurance Portability and Accountability Act; the California Fair Employment and Housing Act; the California Family Rights Act; the California Equal Pay Act; the California Civil, Government, and Labor Codes (including, without limitation, Sections 1400- 1408); the California Industrial Welfare Commission Wage Orders; the California Business & Professions Code Section 17200 *et seq*.; or any other federal, state, municipal and/or local statutes, regulations, or ordinances. This Release is intended to comply with the Older Workers Benefit Protection Act. Employee acknowledges and agrees that Employee is specifically waiving rights and claims under the Age Discrimination in Employment Act. The Parties agree that the release set forth in this entire Section 3 shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Agreement.

3.3. Waiver and Release of Monetary Recovery for Claims Brought on Employee's Behalf. This release covers not only any and all claims Employee ever had or now has against any Releasee, but it also covers any claim for a monetary recovery asserted on Employee's behalf by any other person or entity including, without limitation, any government agency, and Employee waives the right to any such monetary recovery.

3.4. Not Waived and Released. Employee is not, by signing this Agreement, releasing or waiving rights or claims that cannot be released or waived under applicable law such as: (1) any vested interest Employee may have in any 401(k), retirement or profit sharing plan by virtue of Employee's employment with the Company; (2) any rights Employee may have under state unemployment or workers' compensation laws; (3) any rights Employee may have under California Labor Code § 2802 or similar federal or state statute; (4) the right to file a charge or complaint with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or governmental agency that is authorized to enforce or administer laws related to employment, although, as noted above, Employee waives, and agrees not to take, any award of money or other damages if Employee files such a charge; or (5) the right to testify, assist, or participate in an investigation, hearing, or proceeding authorized by law, including but not limited to an investigation, hearing or proceeding conducted by a government agency.

4. Waiver of Known & Unknown Claims, Including a Specific Waiver of California Civil Code § 1542.

4.1. Employee expressly waives all rights afforded by California Civil Code § 1542, which limits the effect of a release with respect to unknown claims, and any similar state statutes. Employee understands the significance of Employee's release of unknown claims and Employee's waiver of statutory protection against a release of unknown claims.

Employee expressly waives California Civil Code § 1542, which states as follows:

> **A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release,**

and that if known by him or her, would have materially affected his or her settlement with the debtor or released party.

4.2. Employee hereby specifically acknowledges and agrees that Employee's waiver of known and unknown claims and of California Civil Code § 1542 is knowing and voluntary.

4.3. Employee further acknowledges and agrees that:

4.3.1. The consideration given for the waiver and release in this Agreement is in addition to anything of value to which Employee already is entitled;

4.3.2. But for this Agreement, Employee would not be entitled to the consideration provided in this Agreement, above.

5. Agreement to Cooperate/Duty to Notify.

5.1. Employee agrees that Employee shall, upon the Company's request, cooperate and assist the Company in any dispute, controversy, or litigation in which the Company may be involved and with respect to which the Employee obtained knowledge while employed by the Company or which may involve events that occurred while Employee was employed by the Company, including, but not limited to, participation in any court or arbitration proceedings, giving of testimony, signing of affidavits, or such other personal cooperation as the Company shall request.

5.2. Employee agrees that Employee will not voluntarily assist other individuals or entities in bringing or litigating claims against the Company or any Releasee. Employee agrees to notify the Company immediately, but in no event later than the next business day, if: (a) Employee is served with or receives a subpoena, court order, or any other written request or order to provide testimony, documents, or information in any legal proceeding involving the Company; or (b) Employee is contacted or otherwise solicited informally for information regarding the Company or Employee's time with the Company by any third-party. In the event Employee is requested or required by subpoena or other court order to provide testimony, documents or information, Employee will use reasonable efforts to resist disclosure until an appropriate motion to quash or protective order may be sought by the Company or a written waiver of compliance with the provisions of this Agreement is granted in the sole discretion of the Company. For the avoidance of doubt, the restrictions in this Section 5.2 are not intended to prevent Employee from exercising Employee's rights to testify, assist, or participate in an investigation, hearing, or proceeding authorized by law, including but not limited to an investigation, hearing or proceeding conducted by a government agency.

5.3. Any notices required under this Section 5 must be submitted in writing to the attention of Raj Aji, General Counsel and Chief Compliance Officer, Bill.com Holdings, Inc., at raji@hq.bill.com.

6. Company Property/Proprietary Information/Non-Solicitation.

6.1. Employee represents and warrants that, as of the Separation Date, Employee has returned, or will immediately return, all Company computers, files, devices, records, data, notes, recordings, reports, proposals, lists, customer lists, cost sheets, correspondence, cellular phones, pagers, printers, software, materials, equipment, Company-issued credit cards, keys and any and all copies or duplicates of the same and/or any other Company property in Employee's possession, custody or control. Employee further represents and warrants that no copies of any such Company property have been made or kept by Employee or by anyone else to whom Employee may have given such copies of Company property.

6.2. Employee acknowledges and agrees that by reason of Employee's position with the Company, Employee may have been given access to Proprietary Information concerning the Company's business and financial affairs. To the extent Employee was given access to the Company's Proprietary Information, Employee agrees to keep such Proprietary Information in strictest confidence and trust, and not to disclose, use, or induce or assist in the use or disclosure of any Proprietary Information for any purpose at any time in the future, without the prior express written consent of the Company or as required by law. Employee acknowledges and agrees that in the event Employee breaks Employee's promises in this Section 6, the Company's obligation to pay or provide any of the consideration set forth in Section 2 shall immediately terminate, and the Company shall have the right to liquidated damages in the amount of One Hundred Thousand ($100,000.00) per breach, which is stipulated by the Parties to be an amount that does not exceed 10% of the value of the consideration received by Employee pursuant to Section 2.1.1. Employee further acknowledges and agrees that the restrictions in this Section 6 are material terms of this Agreement and are fair and reasonable.

6.3. In the event Employee is requested or required by subpoena or other Court order to disclose any Proprietary Information, Employee will provide immediate notice of such request(s) to the Company and will use reasonable efforts to resist disclosure until an appropriate protective order may be sought or a waiver of compliance with the provisions of this Agreement granted. If, in the absence of a protective order or the receipt of a waiver hereunder, Employee is nonetheless, in the written opinion of Employee's counsel, legally required to disclose Proprietary Information, then Employee may disclose such information without liability hereunder, provided that the Company has been given a reasonable opportunity to review and approve such disclosure before it is made and that disclosure is limited to only the Proprietary Information specifically required to be disclosed.

6.4. For purposes of this Agreement, "Proprietary Information" shall be defined as information generally unavailable to the public that has been created, discovered, developed, received or otherwise become known to the Company or in which property rights have been established in, assigned or otherwise conveyed to the Company, which information has material economic value or potential material economic value to the business in which the Company is or will be engaged. Proprietary Information shall include, but not be limited to trade secrets (as defined by the Uniform Trade Secrets Act and the California Uniform Trade Secrets Act), compilations, devices, drawings, plans, research, patterns, processes, formulas, data, know-how, negative know-how, improvements, discoveries, developments, designs, inventions, techniques, all technical data, proposals, reports, invoices, purchase orders, registrars, ledgers, spreadsheets,

costs of materials, prices obtained for products and services, lists or other written records used in the Company's business, personnel information concerning employee production levels and performance, client lists, client information compiled by the Company, software, programs, source codes, modifications, and information (whether or not necessarily in writing) which has actual or potential economic value to the Company.

6.5. Notwithstanding any other provision in this Agreement, Proprietary Information shall not include information: (1) that is in the public domain (provided Employee did not disclose such information to the public without the Company's consent or in violation of this Section 6); (2) regarding Employee's own amount of compensation and information regarding the Company's working conditions; (3) Employee discloses regarding the wages of other Company employees or inquiries Employee makes regarding such employees' wages; (4) that cannot be the subject of enforceable contractual restrictions on disclosure and use under applicable law.

6.6. The Parties' Non-Competition and Proprietary Information Agreements. Except as otherwise set forth in this Agreement and/or where not inconsistent, the Parties understand and agree that the Non-Competition Agreement and Proprietary Information Agreement remain in full force and effect. The termination of Employee's employment shall not be treated as a termination by the Company for purposes of the Non-Competition Agreement, and the Restrictive Period shall continue until the third anniversary of the Closing Date, as such terms are defined in the Non Competition Agreement.

7. Confidentiality/Non-Disparagement.

7.1. The Parties' Prior Employee Invention Assignment and Confidentiality Agreement. Except as otherwise set forth in this Agreement and/or where not inconsistent, the Parties understand and agree that the Parties' Employee Invention Assignment and Confidentiality Agreement remains in full force and effect.

7.2. Employee agrees that Employee will keep the existence and terms of this Agreement confidential and that Employee shall not disclose this information to third parties, except to Employee's spouse, financial advisor, attorney, or except as compelled by law. Employee agrees not to disparage the Company or any other Releasee (as that term is defined in Section 3.1 above) at any time in the future, to the extent permitted by law. For purposes of this Agreement, non-disparagement means Employee will not directly or indirectly for himself or on behalf of any other person, libel, slander, and/or disparage the Company in any manner that is harmful to the business, methods of doing business, business and employment practices and/or policies, business reputation, or personal reputation of the Company or of any of the same of its directors, officers, consultants, independent contractors, agents, partners, investors, lenders, customers, suppliers, stockholders, and/or employees. Employee's obligations under this Section 7 are in addition to, and not in lieu of, Employee's obligations under Section 3 of the Non Competition Agreement, and any breach by Employee of Section 3 of such Agreement shall be considered a breach of this Section 7.

7.3. The Company will announce that the Employee has voluntarily resigned, and will not provide any additional information regarding the circumstances relating to the Employee's resignation unless required by applicable law. Company agrees not to disparage the Employee at

any time in the future, to the extent permitted by law. For purposes of this Agreement, non disparagement means the Company's directors and officers will not directly or indirectly for themselves or on behalf of any other person, libel, slander, and/or disparage the Employee in any manner that is harmful to Employee's business or personal reputation.

7.4. Nothing in this Section 7 shall prohibit Employee from providing truthful information in response to a subpoena or other legal process, or shall be construed to limit Employee's rights under the National Labor Relations Act.

7.5. Employee acknowledges and agrees that if Employee breaks Employee's promises in Section 7.2, the Company's obligation to pay or provide any amount under Section 2 shall immediately terminate, and the Company shall have the right to liquidated damages in the amount of One Hundred Thousand Dollars ($100,000.00) per breach, which is stipulated by the Parties to be an amount that does not exceed 10% of the value of the consideration received by Employee pursuant to Section 2.1. *et seq*. Employee further acknowledges and agrees that the restrictions in this Section 7 are material terms of this Agreement and are fair and reasonable.

8. Arbitration.

You and Bill.com agree to submit to mandatory binding arbitration any and all claims arising out of or related to your employment with Bill.com and the termination thereof, including, but not limited to, claims for unpaid wages, wrongful termination, torts, stock or stock options or other ownership interest in Bill.com, and/or discrimination (including harassment) based upon any federal, state or local ordinance, statute, regulation or constitutional provision except that each party may, at its, his or her option, seek injunctive relief in court related to the improper use, disclosure or misappropriation of a party's private proprietary, confidential or trade secret information. All arbitration hearings shall be conducted in Santa Clara County, California. THE PARTIES HEREBY WAIVE ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO SUCH CLAIMS, This letter does not, however, restrict your right to file administrative claims you may bring before any government agency where, as a matter of law, the parties may not restrict the employee's ability to file such claims (including, but not limited to, the National Labor Relations Board, the Equal Employment Opportunity Commission and the Department of Labor). However, the parties agree that, to the fullest extent permitted by law, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. The arbitration shall be conducted through JAWS before a single neutral arbitrator, in accordance with the JAMS employment arbitration rules then in effect. The JAMS rules may be found and reviewed at https://www.jamsadr.com/rules-employment-arbitration. If you are unable to access these rules, please let me know and I will provide you with a hardcopy. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based.

9. Miscellaneous.

9.1. Non-Admission of Liability. Neither the transfer of any consideration, the doing of any of the acts referred to in this Agreement, nor anything else contained herein shall be taken or construed to be an admission on the part of the Parties, or any of them, of any claims, liabilities,

obligations, damages or losses or expenses that could have been asserted in any claim, demand, debt, account, cause of action and/or obligation of any kind whatsoever.

9.2. Entire Agreement. This is the entire Agreement between Employee and the Company and supersedes any and all prior agreements or understandings between the Parties hereto regarding the subject matter hereof, including without limitation each of the Prior Employee Agreements, with the sole exceptions of the Non-Competition Agreement and the Proprietary Information

Agreement, each of which, except as expressly modified by this Agreement, shall remain in effect in accordance with its terms. This Agreement may only be amended or modified by a written document signed by both Parties. The Company has made no promises to Employee regarding the subject matters hereof other than those contained in this Agreement.

9.3. Severability. Should any portion of this Agreement be declared or determined by any court or arbitrator to be illegal, invalid or unenforceable, the illegal, invalid, or unenforceable portion of this Agreement shall be interpreted as narrowly as possible and shall be deemed stricken and severed from this Agreement, and all other parts, terms, provisions and portions of this Agreement shall remain unaffected and shall be given full force and effect.

9.4. Counterparts. This Agreement may be executed and delivered in two or more counterparts (including facsimile and electronic ".pdf" copies thereof), each of which when so executed and delivered shall be deemed original, and together shall constitute one and the same instrument.

9.5. Interpretation; Headings. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any Party, and shall be construed without any consideration as to which Party drafted it. The titles of various sections in this Agreement are intended solely for convenience of reference, and are not intended and shall not be deemed for any purpose whatsoever to modify, explain or place construction upon any of the provisions of this Agreement and shall not affect the meaning or interpretation of this Agreement.

9.6. Assignment. This Agreement is personal to Employee and may not be assigned by Employee without the express written agreement of the Company. The rights and obligations of this Agreement shall inure to the successors and assigns of the Company.

9.7. Injunctive Relief. In the event of any violation of any provision of this Agreement, the Company, in addition to all other monetary and other rights and remedies available to it under this Agreement or applicable law, shall be entitled to receive, without bond, injunctive and other equitable relief from a court of competent jurisdiction restraining and enjoining Employee from any violation of any provision of this Agreement. Employee further acknowledges and agrees that the various restrictions set forth in this Agreement are material terms of this Agreement and were a material inducement to the Company to agree to the Severance Consideration.

9.8. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

9.9. No Representations. Employee represents that Employee has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

9.10. No Oral Modification. This Agreement may only be amended in writing and when signed by all Parties to the Agreement.

9.11. No Waiver. The failure of either Party to insist upon the performance of any of the terms and conditions in this Agreement, or the failure to prosecute any breach of any of the terms and conditions of this Agreement, shall not be construed thereafter as a waiver of any such terms or conditions. This entire Agreement shall remain in full force and effect as if no such forbearance or failure of performance had occurred.

9.12. Section 409A. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. To the extent payable by March 15 of the calendar year following the calendar year in which the Separation Date has occurred, the payments set forth in Section 2 are intended to be exempt from Section 409A of the Code and the final regulations and any guidance promulgated thereunder ("Section 409A") under the "short-term deferral exception" set forth in Section 1.409A
1(b)(4) of the Treasury Regulations. To the extent one or more of the payments set forth in Section 2 do not satisfy the "short-term deferral exception", such payments are intended to qualify as payments made as a result of an involuntary separation from service pursuant to Section 1.409A 1(b)(9) of the Treasury Regulations and are exempt from Section 409A. The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. **Notwithstanding the foregoing, under no circumstances shall the Company, or any Releasee, have any liability to Employee by reason of any additional tax or penalty imposed on him pursuant to Section 409A or any comparable state tax law.**

9.13. General Indemnification. Employee represents and agrees that Employee will indemnify, defend, and hold Releasees harmless from any and all claims, liens, and rights to payment, known or unknown, with respect to any federal, state, or local taxes that may be payable by Employee as a result of the Severance Consideration provided by Company.

9.14. No Lawsuits/Agency Actions. Employee represents that Employee has no lawsuits, claims, and/or actions pending in Employee's name, or on behalf of any other person or entity, against Company or any other person or entity referred to herein. Nothing in this Agreement shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission (EEOC), the Department of Labor (DOL), the California Department of Fair Employment and Housing (DFEH), the California Labor and Workforce Development Agency (LWDA), the California

Department of Labor Standards Enforcement (DLSE), and/or any comparable federal, state and/or local agency. Notwithstanding the foregoing, Employee agrees to waive Employee's right to recover monetary damages in any charge, complaint, or lawsuit filed by Employee or by anyone else on Employee's behalf.

9.15. Choice of Law; Attorney's Fees and Costs. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to conflict-of-laws principles. If a suit, action, arbitration or other proceeding of any nature whatsoever is instituted in connection with any controversy arising out of this Agreement or to interpret or enforce any rights or obligations under this Agreement, the prevailing Party shall recover its reasonable attorney's fees and costs.

9.16. Voluntary Execution of Agreement. Employee acknowledges and agrees that Employee has had a reasonable amount of time to reflect on and consider signing this Agreement, that Employee has carefully read and considered this Agreement, that Employee fully understands its final and binding effect, that the only promises made to Employee to sign this Agreement are those stated and contained in this Agreement, and that employee is signing this Agreement knowingly and voluntarily, after having had the opportunity for consultation with independent legal counsel, with the intent to be legally bound by its terms.

9.17. Right to Consider and Revoke; Effective Date.

9.17.1. By his execution of this Agreement, Employee acknowledges and agrees that he has been given at least twenty-one (21) days to consider this Agreement, and that he has been advised by the Company to consult with an attorney of his choosing, and at his expense, prior to signing. Employee may accept this Agreement at any time prior to the close of business on the twenty-first day after it is furnished to him by e-mailing a copy of the executed signature page to Rene' Lacerte, CEO, Bill.com Holdings, Inc. at rlacerte@hq.bill.com with a copy to Raj Aji, General Counsel and Chief Compliance Officer, Bill.com Holdings, Inc., at raji@hq.bill.com.. The 21 day period for consideration will not be restarted as a result of any amendments to this Agreement. Employee has the right to revoke this Separation Agreement after signing it by written notice to the Company not more than seven (7) days after the date of his execution of this Agreement. Notice of revocation should be addressed to the Company to the attention of Rene' Lacerte, with a copy to Raj Aji and delivered by e-mail as described above not later than the seventh day after the Agreement is signed. This Agreement shall not be binding or enforceable until the eighth day after Employee executes and delivers this Agreement without Employee having exercised his revocation right (the "Effective Date"), and if Employee chooses to revoke this Agreement, the Agreement shall be null and void and, without limiting the generality of the foregoing, Employee shall no longer be entitled to the pay and benefits under Section 2 or any other Section of this Agreement. Notwithstanding the foregoing, and for avoidance of doubt, revocation of this Agreement shall no effect on Employee's obligations under the Employee Invention Assignment and Confidentiality Agreement. The provisions of Section 8.4 relating to execution in counterparts shall apply.

9.17.2. If Employee accepts this Agreement prior to the Separation Date, then payment of the amounts described in Section 2 is conditioned upon Employee executing a supplemental release (the "Supplemental Release"), on or after the Separation Date but not more

than twenty-one (21) days after the Supplemental Release is furnished to him, pursuant to which Employee agrees to waive, release and discharge the Releasees from all of the claims described in Section 3 to the extent such claims arise between the date of execution of this Agreement and the date on which the Supplemental Release is signed. All of the provisions of this Agreement shall apply to the Supplemental Release, and Employee shall have a period of seven days after signing the Supplemental Release to revoke the Supplemental Release in the manner described in Section 9.17.1. If a Supplemental Release is required, the Effective Date, as defined in Section 9.17.1, shall be the eighth day after Employee executes and delivers the Supplemental Release without Employee having exercised his revocation right, and if Employee either fails to execute the Supplemental Release, or chooses to revoke the Supplemental Release, the Agreement shall be null and void, and, without limiting the generality of the foregoing, Employee shall no longer be entitled to the pay and benefits under Section 2 or any other Section of this Agreement.

THE UNDERSIGNED STATE THAT THEY HAVE CAREFULLY READ THE AGREEMENT, HAVE CONSULTED COUNSEL CONCERNING THIS AGREEMENT, AND KNOW AND UNDERSTAND ITS CONTENTS.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below:

TOM CLAYTON

The “Employee”

By: /s/ Tom Clayton

Date signed: January 28, 2022

The Bill.com Holdings, Inc.

The “Company”

By: /s/ Rene Lacerte

Title: Founder and CEO

Date signed: January 28, 2022

Exhibit 31.1

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

I, René Lacerte, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bill.com Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2022

Bill.com Holdings, Inc.

/s/ René Lacerte

René Lacerte
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, John Rettig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bill.com Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2022

Bill.com Holdings, Inc.

/s/ John Rettig

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

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: May 6, 2022

Bill.com Holdings, Inc.

/s/ René Lacerte

René Lacerte
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

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

1. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: May 6, 2022

Bill.com Holdings, Inc.

/s/ John Rettig

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