

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

**Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended January 31, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**001-38698**

(Commission File No.)

**ANAPLAN, INC.**

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation  
or organization)

27-0897861  
(I.R.S. Employer Identification No.)

50 Hawthorne Street  
San Francisco, California  
(Address of principal executive offices)

94105  
(Zip Code)

(415) 742-8199

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.0001 per share

New York Stock Exchange

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

None

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Small 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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on the New York Stock Exchange on January 31, 2019, was \$2.56 billion. The Registrant has elected to use January 31, 2019 as the calculation date, which was the last trading date of the Registrant's most recently completed fiscal year, because on July 31, 2018 (the last business day of the Registrant's second fiscal quarter), the Registrant was a privately-held company. Shares of common stock held by each executive officer, director, and their affiliated holders have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 20, 2019, the number of shares of the Registrant's common stock, \$0.0001 par value per share, outstanding was 126.4 million.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement for the Registrant's 2019 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. The Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the Registrant's fiscal year ended January 31, 2019.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements. All statements other than statements of historical facts contained in this report are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “design,” “intend,” “expect,” “could,” “plan,” “potential,” “predict,” “seek,” “should,” “would,” or the negative version of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short- and long-term business operations and objectives, and financial needs. The forward-looking statements are contained principally in “Business,” “Management’s Discussion and Analysis of Financial Condition and Result of Operations” and “Risk Factors.” Forward-looking statements contained in this report include, but are not limited to, statements about:

- our future performance, including our revenue, costs of revenue, gross profit or gross margin, operating expenses, deferred revenue and billings;
- our ability to sell our platform to new customers;
- our ability to retain, and expand use of our platform by, our existing customers;
- our ability to train our customers and partners to effectively utilize our platform;
- the sufficiency of our cash and cash equivalents to meet our projected operating requirements;
- our ability to maintain the security of our platform and comply with privacy laws and regulations;
- our ability to maintain the availability of our platform;
- our ability to successfully expand in our existing markets and into new markets;
- our ability to effectively manage our growth and future expenses;
- our ability to adapt to rapid technological change;
- our ability to expand our network of partners;
- our estimated total addressable market;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to comply with modified or new laws, regulations and accounting rules applying to our business, including the General Data Protection Regulation;
- anticipated income tax rates, tax estimates and tax standards;
- the attraction and retention of qualified employees and key personnel and the rate of expansion and productivity of our sales force;
- our anticipated investments in sales and marketing and research and development;
- our ability to manage changes in foreign currency exchange rates and effectively hedge our foreign currency exposure; and
- our ability to successfully defend litigation brought against us.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this report.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. 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. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this report 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. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

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 report, 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. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this report and the documents that we reference in this report and have filed with the Securities and Exchange Commission as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

## PART I

### ITEM 1. BUSINESS

#### Overview

Anaplan is pioneering the category of Connected Planning, which allows organizations to transform their businesses by making better and faster decisions.

We believe Connected Planning is the next essential cloud category. It fundamentally transforms planning by connecting all of the people, data, and plans needed to accelerate business value and enable real-time planning and decision-making in rapidly changing business environments. Connected Planning accelerates business value by transforming the way organizations make decisions and placing the power of planning in the hands of every individual at every level within and between organizations.

Connected Planning represents a fundamental shift from the legacy approach to planning, which is typically confined to the finance department and uses a patchwork of outdated and disconnected tools and manual processes that are often overly complex, slow, inefficient, and static. Connected Planning enables dynamic, collaborative, and intelligent planning across all areas of an organization, including finance, sales, and supply chain, and other corporate functions such as marketing, human resources, and operations.

Our cloud platform is a complete end-to-end solution that addresses the Connected Planning needs of all organizations with a focus on the largest global enterprises. We define large global enterprises as companies included in the Forbes Global 2000, or the Global 2000, an annual ranking of the largest public companies in the world by Forbes magazine. We empower customers to quickly and easily build models to address their most complex business challenges. Our powerful modeling engine, which is based on our proprietary Hyperblock™ technology, enables thousands of concurrent users to access a centralized single source of information for planning, ensuring the consistency, quality, and integrity of the data. Our innovative in-memory architecture allows customers to rapidly run alternative scenarios to understand the impact of changes in business assumptions. This functionality allows users to view and assess the impact of assumptions on plans and key performance indicators in real time. Our platform also leverages predictive analytics to produce actionable intelligence that gives our customers a competitive advantage. We continue to invest in artificial intelligence, including machine learning, to further enhance the predictive capabilities of our platform.

Our proprietary Hyperblock technology is at the core of our platform and was purpose-built for Connected Planning. This powerful in-memory modeling engine leverages 64-bit multi-core parallel processors to deliver calculations on a massive amount of data at very high speed in real time. Our platform unites traditionally distinct or disconnected database structures, including relational, columnar, and online analytical processing, or OLAP, with in-memory data storage and calculation. Our flexible data structure enables users to easily build and modify complex multi-dimensional models in a single modeling environment, scaling to thousands of concurrent users. Together, these technologies enable flexible modeling, widespread collaboration, and rapid calculation and iteration. As a result, our platform provides insights that were previously unavailable. We strive for continuous improvement of our patent portfolio and research and development capabilities.

We put the success of our customers at the center of our culture, strategy, and investments. As thought leaders in Connected Planning, we have developed deep domain expertise and best practices that are crucial in addressing our customers' planning challenges. By aligning our thought leadership, worldwide development and delivery capabilities, and local sales and service resources, our Customer First strategy drives exceptional value throughout our customers' Connected Planning journeys. We view our Customer First strategy as core to capturing our Connected Planning vision and driving continued expansion in the use of our platform.

We focus our selling efforts on executives of large enterprises, who are often making a strategic purchase of our platform with the potential for broad use throughout their organizations. We use a “land and expand” sales strategy to capitalize on this potential. Our platform is often initially adopted within a specific line of business, including in finance, sales, and supply chain, and other corporate functions such as marketing, human resources, and operations, for one or more planning use cases. Once customers see the benefits of our platform for their initial use cases, they often increase the number of users, add new use cases, and expand to additional lines of business, divisions, and geographies. This expansion often generates a natural network effect in which the value of our platform increases as more use cases are adopted, more users are connected, and greater amounts of data are incorporated in our platform.

As of January 31, 2019, over 1,100 customers were using our platform. Of these, over 250, are members of the Global 2000, which we believe presents our greatest growth opportunity. The success of our “land and expand” strategy is validated by the expansion we have experienced in the use of our platform by our largest customers and by our dollar-based net expansion rates. Our top 25 customers by average annual recurring revenue as of January 31, 2019, had average annual recurring revenue of approximately \$2.8 million, compared to the average annual recurring revenue represented by their initial purchase of approximately \$0.3 million. In addition, our annual dollar-based net expansion rate for Anaplan as a whole was approximately 123%, 122%, and 123% as of the end of fiscal 2019, 2018, and 2017, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a description of how we calculate our dollar-based net expansion rate. The number of customers with greater than \$250,000 of annual recurring revenue was 248, 181, and 113 as of the end of fiscal 2019, 2018, and 2017, respectively. While achieving and maintaining incremental sales to existing customers requires increasingly sophisticated and costly sales efforts, the introduction of new features and functionality to our platform, and customers realizing benefits through their initial adoption of our platform, we believe we have significant opportunities to further expand the use of our platform by our existing customers as well as to attract additional large customers.

We sell our cloud platform primarily through our direct sales team. We also have a broad network of consulting and implementation partners to extend our customer reach and help accelerate the sale and delivery of our platform as a supplement to our direct sales force. Our global partners, including global strategic consulting firms and global systems integrators, often promote our platform as their clients examine how to plan more effectively to achieve organizational transformation or improve business processes. We also partner with leading regional consulting firms and implementation partners. These highly skilled regional partners not only provide subject-matter expertise in the implementation of specific use cases, but they also act as an extension of our direct sales force by identifying and referring opportunities to us. We and our partners create pre-packaged applications that are available on our App Hub marketplace to further accelerate the adoption and expansion of our platform. We continue to invest in on-going training of our partners to ensure that our customers have access to high-caliber partners who are well-versed in our latest technology.

For financial information regarding our business, see “Part II-Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report and our consolidated audited financial statements and related notes included elsewhere in this Annual Report.

## **Industry Background**

Existing planning processes are broken in a number of fundamental ways:

### ***Planning Has Been Centralized***

The pace of disruption is accelerating and competitive advantage is inextricably linked with the ability to be proactive, fast, and agile. Traditionally, planning has been confined to dedicated planners within the finance department. Organizations are now decentralizing decision-making by empowering

departmental leaders, regional heads, and individual employees to make decisions based on the corporate strategy and business realities they observe. It has become critically important to have visibility and collaboration across the whole organization to facilitate quicker, more informed, and more effective decision-making.

***Planning Has Been Backward-Looking***

One of the major limitations of effective planning has been its focus on the past rather than the future. Organizations have often attempted to plan and iterate future scenarios but have been constrained by their inability to incorporate current, consistent, and accurate data in a timely manner. Therefore, planners, in the interest of time, often simply look back at past performance and apply a sub-optimal adjustment to create a plan for the future.

***Planning Processes Have Been Manual and Slow, Relying on Stale and Inaccurate Information***

Many organizations are still using a patchwork of outdated tools, including decentralized manual processes managed through spreadsheets and other point products. These processes often rely on contradictory and stale data and cannot deliver real-time insights across organizations. These tools often remain siloed and disconnected without cohesive organization-wide planning capabilities. As a result, organizations have highly inefficient, labor-intensive processes that significantly impair their organizational visibility and decision-making speed.

***Modern Technology Has Not Been Leveraged in the Planning Process***

Cloud architecture brings a vast number of improvements over legacy on-premises software, including faster deployment, greater scalability, increased reliability, easier maintenance, and increased collaboration. Mobile devices and ubiquitous internet connectivity are enabling people to work wherever, whenever, and however they want. Integration technologies, such as application programming interfaces, or APIs, and connectors, enable users to connect different types of data and applications rapidly and reliably without requiring long and expensive systems integration projects.

In addition, while software technologies have been packaged for specific use cases, the planning process requires a comprehensive, unified platform that can efficiently and dynamically address planning across functional areas and lines of business. Many of the products packaged for specific use cases merely assemble existing technologies to serve functions for which they were not originally designed. Given that these products were not designed from inception as a unified platform for planning, they inherit the same performance limitations and bottlenecks of the existing technologies from which they were assembled. In contrast, a platform designed from inception to support emerging capabilities, such as those made possible by machine learning and artificial intelligence, can enable further insights into organizational behaviors and shape better predictions about the future.

***Planning Processes Were Not Designed to Take Advantage of the Large Amount of Data Available Today***

Big data and cloud computing have led to an explosion in available data, providing access to more real-time information than ever before. Business-related data includes both internal information, such as sales pipelines, financial information, employee data, and product configurations, as well as external data, including pricing trends, economic data, and supply chain logistics. Not only does this information often exist in organizational silos or disparate databases, but there are often competing versions of the same data. Organizations today realize the need to take advantage of available data, in all its complexity, volume, and variety. Organizations can make better informed decisions if they have a consistent source of information that enables them to extract insights. Increasingly, technology exists to integrate and manage this data to provide a single, consistent source of information. By collecting, integrating, analyzing, and using this high-quality data, organizations can compress the time needed to adapt and revise their strategies and business operations.

## ***Planning Technology Has Been Dependent on IT Departments***

As people have become accustomed to highly intuitive, easy-to-use consumer applications, they want to enjoy the same user-friendly experiences with the software they use at work. Historically, employees who wanted to make changes to planning analyses or reports did not have the necessary coding skills, so they would submit the request to IT departments for new reports, items, or analyses adding in some cases days, weeks, or months to the time needed to make mission-critical decisions. Today, organizations want a planning platform that enables every user, without the assistance of IT personnel, to rapidly build models, easily interact with and gain insights from their data, and holistically collaborate with peers across their organization.

## **Existing Offerings/Products/Technology Do Not Meet the Needs of Organizations or Employees**

### ***Legacy Planning Products***

Legacy planning products are typically siloed, on-premises solutions, or cloud-enabled adaptations of on-premises solutions, designed to address the limited scope of historical planning approaches, and have the following limitations:

- ***Not Dynamic.*** Legacy planning products tend to be static, and do not allow for the rapid iteration of scenarios that can produce the greatest insight into the impact of planning assumptions. They typically require lengthy implementations and substantial capital and operating investments in IT infrastructure to customize and integrate with other data and applications. On-premises, legacy planning products also require periodic maintenance upgrades, resulting in more delays, costs, and inconsistent versions across departments.
- ***Not Collaborative.*** Legacy planning products typically are siloed by department, and reside only in the hands of specialists. They require significant training and expertise of dedicated business analysts, limiting who can participate in planning. Changes in analysis, reporting, and other modifications typically require coding by IT personnel, often taking weeks or months to implement. These products were not designed for users within and across organizations to share data, collaborate, and draw holistic conclusions.
- ***Not Intelligent.*** Legacy planning products are not well-equipped to enable actionable insights from plans. These products often do not provide the comprehensive set of advanced predictive analytics and optimization tools necessary to drive highly informed decision-making. This paradigm may have been acceptable when business cycles were slower and more predictable, but business leaders in today's environment need products with greater intelligence.

### ***Emerging Point Products***

Emerging point products are typically designed to address a narrow set of pre-defined use cases such as sales performance management, financial planning, or forecasting. The limitations of these products include:

- ***Siloed Analyses.*** These products often can only provide answers to specific, standard questions using a confined data set. They also often lack broader organizational context and understanding and are difficult to integrate with other systems and data across the organization. These shortcomings require organizations to acquire and manage multiple point products and pair them with manual processes to generate more holistic plans.
- ***Cannot Effectively Model .*** To effectively model, a solution must help users understand the impact that changes in assumptions have on forecasted goals. These products are often unable to quickly run and re-run alternative planning scenarios requiring a large amount of data from across the organization to produce the insights necessary to forecast effectively.



- **Lack of Platform Capabilities.** Emerging point products were typically not built as platforms and therefore do not enable users to build an expanding number of models to address use cases across the organization. As a result, organizations using these products often must buy multiple products for various lines of business and use cases across the organization.
- **Difficulty Scaling.** Emerging point products are primarily suitable for small and medium-sized businesses. Often these solutions are not built to handle the demands of large global enterprises and cannot scale efficiently and effectively.

### **Manual Processes**

In many organizations, data is primarily gathered, maintained, and updated using individual, static, and manual productivity tools and processes, which we collectively refer to as manual processes. These processes are most often managed through spreadsheets. The limitations of these processes include:

- **Error Prone .** Manual processes are error prone. For example, spreadsheet modeling logic is contained at the level of individual cells, rather than at a higher abstraction layer. Errors or changes in calculation formulas are very common and extremely time-consuming and are difficult to identify and correct, causing significant delays and lost productivity.
- **Limited Scalability.** Manual process tools such as spreadsheets and other documents, databases, and emails cannot effectively manage enterprise-sized data or execute calculations at the scale that large businesses often require. Often these individual files become so large that they need to be split into numerous sheets or documents, requiring complex links to be built and maintained.
- **Lack of Collaboration.** Users are typically required to collaborate by attaching their documents to emails, then manually relinking cells and sheets. This process is highly manual, less secure than an enterprise platform, time consuming, error prone, and often results in people working with stale data.
- **Lack of Relevant Information.** Users will often lack the breadth of information required to make informed decisions, or only have access to stale, incomplete, or incorrect data.
- **Lack of Data Governance and Security .** Using individual productivity tools lacking a central data hub means that data often is lost or compromised. The information is difficult to audit since individuals choose how data is disseminated without reference to an organization's preferred permissions.

### **Our Market Opportunity**

We address a very large existing market of legacy and emerging business software categories, recognized by market research studies. According to International Data Corporation, or IDC, the worldwide performance management and analytic applications software market is forecasted to be approximately \$17 billion in 2018 and to grow to \$21 billion by 2021. This market includes applications for customer relationship management, workforce management, supply chain management, production planning, services operations, and enterprise performance management.

Based on our experience with customers, however, we believe we address a greater opportunity not yet quantified by current market research studies because we are also disrupting numerous manual processes and tools traditionally used in enterprise planning. According to a 2018 study that we commissioned from Nucleus Research, Inc., a market research services firm, there are approximately 72 million workers worldwide who are potential users of our platform.

## Our Platform

Our cloud platform is designed to address the end-to-end Connected Planning needs of all organizations. It incorporates the best elements of existing, standalone technologies in a single, unified codebase specifically architected from its inception to serve as a single platform for decision-making and planning. Our platform has the power and functionality to address the most complex planning challenges of the largest global enterprises. It combines the:

- multi-dimensionality of an OLAP tool;
- querying power of a database;
- ease of use of spreadsheets; and
- raw analytical power of a calculation engine.

Our proprietary Hyperblock technology is at the core of our platform and was purpose-built to bring real-time Connected Planning to lines of business throughout the organization, including sales, supply chain, marketing, human resources, and operations, in addition to finance.

We empower customers to quickly and easily build models to address the most complex business challenges. Our powerful modeling engine, which is based on our proprietary Hyperblock technology, enables thousands of concurrent users to access a centralized single source of information for planning, ensuring the consistency, quality, and integrity of data for every user. Our innovative in-memory architecture allows customers to rapidly run alternative scenarios to understand the impact of changes in business assumptions on plans and key performance indicators in real time. Our platform also leverages predictive analytics to produce actionable intelligence that gives our customers a competitive advantage. We continue to invest in artificial intelligence, including machine learning, to further enhance the predictive capabilities of our platform.

While the use cases for our platform are unbounded, our customers typically use our platform for:

- **Sales.** Managing sales performance, including incentive compensation, territory and quota planning, sales forecasting, account segmentation and scoring, and sales capacity planning.
- **Finance.** Managing financial and overall enterprise performance, including financial budgeting, planning, and forecasting. Other areas include tax and treasury planning, financial consolidations and reporting, and long-range planning.
- **Supply Chain.** Managing supply chain performance, including demand planning, supply planning, sales and operations planning, inventory, and merchandise optimization.
- **HR.** Managing workforce plans and performance, including workforce and headcount planning, workforce optimization planning, succession planning, and global compensation.
- **Marketing.** Managing marketing performance, including trade promotion planning, pricing optimization, and marketing performance management.
- **Operations.** Managing performance for many additional operational areas, including IT, project budgeting and performance analysis, retail merchandise planning, call center planning, resource capacity planning for professional services, actuarial and premium modeling for insurance, capital planning for banking, clinical trial planning for pharmaceuticals, and commodity sensitivity analysis for consumer goods .

## Benefits to Our Customers

Our customers use our platform to transform their businesses by making better and faster decisions. Our platform allows our customers to rapidly achieve productivity gains and cost savings, which can result in high returns on investment.

Our customers achieve these benefits as a result of the following key attributes of our platform:

- **Intelligent.** Customers can gain actionable intelligence by accessing data from both within and outside of the organization, integrating hundreds of applications and documents, and using advanced predictive analytics.
- **Collaborative.** Customers can connect people, data, and plans to collaborate across the organization in real time without transferring data between point products and spreadsheets. As a result, our platform enables integrated business planning at strategic and operational levels across lines of business.
- **Dynamic.** Customers can rapidly run alternative scenarios to understand the impact of changes in model assumptions. Users can view and assess the impact of model assumptions on plans and key performance indicators in real time.
- **Accurate.** Customers can create a centralized single source of information for planning data, thus ensuring the consistency, quality, and integrity of the data utilized.
- **Scalable.** Customers can build models at massive scale that are deployed horizontally and vertically throughout organizations and allow thousands of concurrent users to access consistent data without sacrificing performance.
- **Easy to Implement and Use.** Customers can rapidly build and easily modify and manage sophisticated models to address their specific needs without coding or relying on their IT departments, resulting in a more rapid return on their time and investment.
- **Comprehensive.** Customers can benefit from a comprehensive platform designed to be deployed horizontally and vertically throughout their organizations. Users from every line of business across and within our customers can utilize our platform to address all of their Connected Planning needs.

### Our Technology

Our platform is built on a multi-tenant, cloud-native architecture, with our proprietary Hyperblock technology at its core. This platform is purpose-built to leverage the efficiency and effectiveness that Hyperblock provides to enable any user to quickly and easily build complex Connected Planning models with powerful capabilities that accelerate business success. By fusing Hyperblock with features designed for usability, intelligence, and security, users are able to process data from a wide breadth of use cases within a single modeling environment. Key technology components of our platform include:

- **Purpose-Built with Hyperblock for Connected Planning .** Our proprietary Hyperblock technology combines a flexible data structure with in-memory storage and calculation, allowing users to make decisions in near-real time. The platform is deployed in a multi-tenant cloud environment to enable scale without degradation of quality across numerous users.
- **Flexible Data Structure .** Hyperblock merges traditionally distinct or disconnected database structures, including relational, columnar, and OLAP, with in-memory data storage and calculation into a unified architecture. By providing a flexible data structure, users can easily build and modify multi-dimensional models addressing use cases that span the breadth of a company's needs, all within a single modeling environment.
- **In-Memory Data Engine .** Hyperblock includes an in-memory data engine that leverages 64-bit multi-core parallel processors to centralize calculation logic in one place, and delivers calculations on a massive amount of data at very high speed in real-time. By leveraging in-memory storage, Hyperblock allows every cell to know its relationship to the rest of the data and automatically updates for any changes in that data set.

- **Cloud-Native, Multi-Tenant Architecture** . We built our platform with a multi-tenant cloud architecture to allow planning in a scalable, versatile, and real-time manner. The cloud allows our users to implement our platform quickly and make it accessible to users anywhere in the world, instantly using an internet connection, across any mainstream browser and device, resulting in rapid time to value. Multi-tenancy allows our platform to deliver synchronized, updated software versions to all our customers, ensuring they all consistently have access to the latest functionality, resulting in higher overall software quality, better service level agreements, faster product innovation, and lower operational costs than traditional software ported to servers in the cloud.
- **Features and Capabilities Designed for Usability, Intelligence and Security** . Our platform enables our customers to model and optimize a vast array of processes within their organizations.
  - **Natural Language Modeling** . This technology gives business users powerful control over models by allowing them to create and modify models with clicks, not code. Business users can change hierarchy definitions and perform other changes using drag-and-drop functionality, and create and update models using natural language references in formula calculations. This approach significantly reduces the chances of logical errors being created in a model and makes it far easier to identify errors if they are made.
  - **Intelligence through Predictive Algorithms** . Our platform generates actionable intelligence and insights, which helps an organization make better decisions. Our platform contains an advanced math engine that leverages predictive algorithms and optimization tools that solve both linear and mixed-integer programming problems. We are investing significant research and development resources to strengthen our platform's predictive capabilities, including support for additional statistical functions and optimization of complex planning use cases involving thousands of variables.
  - **Robust Security** . We built robust security into our platform. Data at rest is stored in a proprietary, non-readable binary format and subject to full-disk AES-256 encryption. Backups also use AES-256 encryption. A bring your own key, or BYOK, option enables our customers to own and manage their own encryption keys if required for compliance needs.
  - **Governance and Administration** . We offer enterprise-grade governance tools, including the first Application Lifecycle Management, or ALM, capability in the Connected Planning category. Our ALM capability enables customers to effectively manage the development, testing, deployment, and ongoing maintenance of models without disrupting the production environment. One of our other tools, Business Map, is a self-documenting tool that allows administrators and users to see how everything in the planning environment connects. We also offer Workflow, a tool that bridges the gap between planning and execution, helping individuals across an extended organization collaborate to bring connected plans to life. In addition, a detailed logging capability provides customers' administrators with full visibility of how and when models are being accessed and by whom, ensuring integrity of the operations. Our platform also provides change tracking and auditing, allowing users to revert back to older model versions seamlessly.
  - **Data Management** . Our platform's features enable users to create a data hub to greatly accelerate the realization of Connected Planning by providing a single, accurate, and consistent data repository for users across an organization. Administrators can manage connections between the data hub and source systems or the corporate data warehouse, while individual users connect their planning models to the data hub. This architecture eliminates the need for users to establish data connections to source systems, and helps ensure the quality and integrity of those connections.

- **Interoperability and Extensibility** . Our platform enables our customers to model and optimize a vast array of processes within their organizations utilizing data from many sources. Our platform also integrates with the products of leading technology partners and it supports open API standards-based data sharing. This capability allows seamless data ingestion from the source systems on the back end. The platform also enables companies to collaborate with users outside of our platform framework, such as trading partners in a supply chain.

### Our Growth Strategy

Our goal is to make Anaplan the platform of choice for end-to-end Connected Planning in large global enterprises. Key elements of our growth strategy include:

- **Drive New Customer Acquisition** . While we have enjoyed rapid customer growth, we believe we are still in the very early stages of penetrating our addressable market. We strive to make our platform the preferred planning foundation for large enterprises, which we believe have the largest communities of potential users and face the most complex planning challenges. We believe these large organizations have the greatest potential for expanded use of our platform and have needs that are particularly well addressed by the comprehensive capabilities of our platform. We utilize an ecosystem of partners who provide leverage to our sales team in targeting and selling our platform to mid-market organizations.
- **Expand within Existing Customers** . We aim to drive Connected Planning across the entire organization to help our customers benefit from the full value of our platform. Our platform is often initially adopted within a specific line of business, including in finance, sales, and supply chain, and other corporate functions such as marketing, human resources, and operations, for one or more planning use cases. Once customers see the benefits of our platform for their initial use cases, they often increase the number of users, add new use cases, and expand to additional lines of business, divisions, and geographies. This expansion often generates a natural network effect in which the value of our platform increases as more use cases are adopted, more users are connected, and greater amounts of data are incorporated in our platform. Our ability to expand within our customers' organization is reflected by the annual dollar-based net expansion rate for Anaplan as a whole, which has been over 120% as of the end of each of our last three fiscal years.
- **Continue to Expand Internationally** . We have a significant opportunity to further expand and we intend to continue to invest in the use of our platform outside of the United States. We have made substantial investments in building our global sales and marketing, service delivery, and customer support capabilities and have a strong and growing presence internationally. In fiscal 2019, approximately 43% of our revenue was generated outside of the United States, demonstrating the importance of our international operations.
- **Broaden and Deepen our Partner Ecosystem** . Our partner ecosystem extends our geographic coverage, accelerates the usage and adoption of our platform, promotes thought leadership, and enables more efficient delivery of service solutions. We intend to augment and deepen our relationships with global and regional partners, including consulting firms, systems integrators, and implementation partners. We believe our partners' scale and route to market can significantly contribute to our ability to penetrate our addressable market, extend our geographic coverage and accelerate the usage and adoption of our platform.
- **Continue to Innovate and Extend our Technology Platform Leadership** . We plan to continue extending the functionality and breadth of our platform. We have a well-defined technology roadmap to introduce new features and functionality to our platform that we believe will enhance our ability to generate revenue by broadening the appeal of our platform

to potential new customers as well as increasing the opportunities for further expanding the use of our platform by existing customers. We are investing to further enhance the user interface, functionality, and usability of our platform, including in artificial intelligence, including machine learning, to further expand the predictive capabilities of our platform.

### **Customer First Strategy**

We put the success of our customers at the center of our culture, strategy, and investments. We view our Customer First strategy as core to capturing our Connected Planning vision and driving continued expansion in the use of our platform. As thought leaders in Connected Planning, we have developed deep domain expertise and best practices that are crucial to addressing our customers' and partners' planning challenges. By aligning our thought leadership, worldwide development and delivery capabilities, and local sales and service resources, our Customer First strategy drives exceptional value throughout our customers' Connected Planning journeys. We also ensure that our partner community supporting our customers is fully versed in this philosophy through our training academy, the Anaplan Academy. As part of our Customer First strategy, we created our customer success team dedicated to delivering an exceptional customer experience designed to foster rapid adoption, ease of doing business with us, high engagement, and strong customer retention and expansion.

### **Our Customers**

As of January 31, 2019, we served over 1,100 customers, including over 250 Global 2000 companies, in 49 countries.

Our customers include leading businesses in a diverse set of industries, including financial services, professional services, technology, energy, consumer goods, manufacturing, healthcare, media, retail, and transportation, as well as government agencies. No individual customer represented more than 10% of our revenue in fiscal 2019.

Our customers are passionate about our platform. We have created a program for select users to receive status as Master Anaplanners. These individuals have volunteered their own time to become identified experts on our platform and frequently promote Anaplan within their organizations and evangelize the benefits of our platform to prospective customers.

### **Our Culture and Employees**

Our culture is the foundation of everything we do. We strive to foster a productive and engaging work environment that embodies our core values: openness, authenticity, inclusiveness, collaboration, and creativity. We put our customers first, and we focus on being tenacious, passionate and bold. Our talent strategy is aligned with our business vision for long-term growth and our innovative platform strategy. We hire those who have a passion for disrupting the current planning technology paradigm, enabling our customers to dramatically improve real-time decision-making in their businesses and drive visibility into analysis and deep planning into organizations.

As of January 31, 2019, we employed 1,299 people. We also engage temporary employees and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages.

### **Sales and Marketing**

We sell our platform primarily through our direct sales team targeting large enterprises, which we define as those companies comprising the Global 2000. We have also developed strategic partnerships and relationships to source leads, provide consulting, training and implementation services and drive thought leadership in promoting Connected Planning. To accelerate the adoption of

our platform, we and our partners create pre-packaged applications that are available on our App Hub marketplace. We intend to continue to showcase applications and use cases on our App Hub. We also encourage our partners and customers to publish the use cases they have developed on our App Hub to generate user interest. We also create and share best practices, road maps for success and advice on how to accelerate and optimize Connected Planning.

Our partnerships provide us with a significant source of lead generation and implementation leverage. These partners use our platform to build mission-critical applications for their clients to demonstrate thought leadership and provide solutions to complex modeling, forecasting, and planning problems. We also host annual Anaplan Connected Planning Xperience (CPX) user conferences, previously known as Hub, to connect existing and potential customers, share best practices, and reinforce our brand.

### **Partnerships and Strategic Relationships**

We have developed a broad network of individuals at consulting and implementation partners to extend our customer reach, assist in implementation of our platform, develop solutions on our platform, and help accelerate the sale and delivery of our platform as a supplement to our direct sales force, including:

- **Global Partners.** We partner with global strategic consulting firms and global system integrators that act as strategic advisors to senior executives in corporate, functional, and process transformation initiatives of organizations. These partners promote Anaplan's platform as part of the large-scale transformation projects they drive by identifying opportunities in which our platform can help companies maximize the effectiveness of their business processes. Global system integrators also help us scale our sales and implementation delivery capacity globally by leveraging their trained staff. We believe engagements by those strategic partners lend themselves to Connected Planning because they frequently involve their clients re-examining how they can plan more dynamically and effectively as part of their transformations to support their strategic goals.
- **Regional Partners.** We also partner with leading regional consulting firms and implementation partners. Our implementation partners are highly skilled and trained by our team and often have deep subject-matter expertise in the implementation of specific use cases. These partners also act as an extension of our direct sales force by identifying and referring opportunities to us. Our strategy is to enable the implementation of a majority of our projects to be led by regional partners, with supplemental application support from us.

### **Research and Development**

We have a research and development culture that rapidly and consistently delivers high-quality enhancements to the functionality, performance, and usability of our platform. Our research and development organization is primarily responsible for design, development, testing, and delivery of our products and platform. We focus our efforts on developing core technologies, as well as further enhancing the usability, functionality, mobility, reliability, performance, and flexibility of our platform.

We have a global workforce with research and development hubs in the United Kingdom and San Francisco, California. We hire skilled engineers, data scientists, and other talent from a variety of industries with expertise in developing mission-critical applications for global, distributed large enterprises.

## Competition

The market for Connected Planning solutions is new and characterized by rapid technology innovation. To our knowledge, there are no other companies that service the breadth of use cases or the varying enterprise needs that we do. In many cases, our primary competition is manual, often spreadsheet-driven, processes and custom-built approaches. In addition, we compete with certain applications of large software companies, including legacy vendors such as Oracle, SAP, and IBM, that offer on-premises applications sold on a perpetual license and maintenance basis, as well as cloud software versions adapted from on-premises applications. We also compete with emerging vendors of applications focused on a specific department or use case, such as sales performance management and financial planning. We could also face competition from new market entrants, some of whom may be our current technology partners.

We believe the principal competitive factors in our market include the following:

Technology and platform capabilities, including:

- enterprise-grade scalability;
- breadth of capabilities within a single modeling environment;
- intuitive and user-friendly interface;
- in-memory computing capability;
- ability to support broad collaboration in real-time;
- multi-tenant cloud-based architecture;
- security;
- data governance and administration;
- rich and dynamic analytics and reporting;
- ability to integrate with other data and applications;
- predictive algorithms and modeling capabilities; and
- configurability and agility in complex, enterprise-grade, planning environments.

Market leadership and customer success orientation, including:

- involvement in growing the category of Connected Planning;
- thought leadership and best practices, from example models to roadmaps for success;
- established, proven success;
- passionate, dedicated customers;
- customer-centric approach and focus;
- speed and scale of return on investment; and
- time to deployment.

We believe that we compare favorably with respect to each of these factors.

## Intellectual Property

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to establish and protect our intellectual property rights while actively working to increase our patent portfolio. As of January 31, 2019, we had four issued U.S. patents that expire



between November 2030 and August 2034. We pursue the registration of domain names, trademarks, and service marks in the United States and in various jurisdictions outside the United States. We also actively seek patent protection covering inventions originating from our company. We require our employees, consultants, and other third parties to enter into confidentiality and proprietary rights agreements and we control access to software, documentation, and other proprietary information.

We control access to and use of our proprietary technology and other confidential information through internal and external controls, including contractual protections with employees, contractors, customers, and partners, and our software is protected by U.S. and international intellectual property laws. Our policy is to require employees and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, developments, and other processes generated by them on our behalf and agreeing to protect our confidential information. In addition, we generally enter into confidentiality agreements with our vendors and customers. We also control and monitor access to, and distribution of, our software, documentation, and other proprietary information.

### **Facilities**

We sublease approximately 55,000 square feet of space for our corporate headquarters in San Francisco, California pursuant to a sublease that expires in February 2026, which is subject to a master lease that expires in June 2026. We also have offices or co-working facilities in Chicago, Illinois, Boston, Massachusetts, Minneapolis, Minnesota, New York, New York and Plano, Texas. We maintain international offices or co-working facilities in Australia, Austria, Belgium, France, Germany, India, Japan, the Netherlands, Russia, Singapore, Sweden, Switzerland and the United Kingdom. We believe that we will be able to obtain additional space on commercially reasonable terms.

### **Corporate Information**

We were formed in 2008 as Anaplan, LLC, a Delaware limited liability company. In July 2009, Anaplan, LLC converted into Anaplan, Inc., a Delaware corporation. Our principal executive offices are located at 50 Hawthorne Street, San Francisco, CA 94105, and our telephone number is (415) 742-8199. Our website address is [www.anaplan.com](http://www.anaplan.com). The information on, or that can be accessed through, our website is not part of this report. We have included our website address as an inactive textual reference only.

### **Available Information**

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investor Center section of our website at [www.anaplan.com](http://www.anaplan.com) as soon as reasonably practicable after we file such material with the Securities and Exchange Commission, or the SEC. The SEC also maintains an Internet website that contains reports and other information regarding issuers, such as Anaplan, that file electronically with the SEC. The SEC's Internet website is located at <http://www.sec.gov>.

## ITEM 1A. RISK FACTORS

*A description of the risks and uncertainties associated with our business and ownership of our common stock is set forth below. You should carefully consider the risks described below, as well as the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our common stock could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. This Annual Report on Form 10-K also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See "Cautionary Note Regarding Forward-Looking Statements."*

***We have a limited history of operating at our current scale and under our current strategy, which makes it difficult to predict our future operating results, and we may not achieve our expected operating results in the future.***

While we were originally formed as Anaplan, LLC in 2008 and first introduced our business planning platform in 2011, much of our growth has occurred over the last three years. Over the last three years we have hired new senior management, substantially increased our sales and customer success headcount, shifted our sales strategy to increase our focus on large global enterprises, which we define as companies that are members of the Forbes Global 2000, or Global 2000, and increased our reliance on partners to accelerate our sales process and provide implementation services. We have also substantially increased our engineering headcount and increased the frequency of our product enhancements and releases. As we have a limited history of operations at our current scale and under our current strategy, our ability to forecast our future operating results and plan for and model future growth is more limited than that of companies with longer operating histories and subject to a number of uncertainties. In addition, we have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If the assumptions regarding these risks and uncertainties are incorrect or change, or if we do not execute on our strategy and manage these risks and uncertainties successfully, our operating results could differ materially from our expectations and those of securities analysts and investors, and our business could suffer and the trading price of our common stock could decline.

***We have a history of net losses, we anticipate increasing our operating expenses in the future, and we do not expect to be profitable for the foreseeable future.***

We have incurred significant losses in each period since inception, including net losses of \$131.0 million, \$47.6 million, and \$40.2 million, respectively, in fiscal 2019, 2018, and 2017. We have an accumulated deficit of \$343.2 million at January 31, 2019. Our losses and accumulated deficit reflect the substantial investments we have made to acquire new customers and develop our platform. We expect our operating expenses to increase substantially in the foreseeable future as we make investments and implement initiatives designed to grow our business, including:

- expanding our sales and marketing organization to increase our overall customer base and expand sales within our current customer base;
- expanding our offices and headcount internationally as we seek to continue to penetrate international markets;
- investing in research and development to improve the capabilities of our platform;

- growing our partner ecosystem;
- making additional investments to broaden and deepen our user community;
- expanding our infrastructure, both domestically and internationally, to support future growth; and
- investing in legal, accounting, and other administrative functions necessary to support our operating as a public company.

These initiatives may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue, if at all, in an amount sufficient to offset these higher expenses and to achieve and sustain profitability. Growth of our revenue may slow or revenue may decline for a number of possible reasons, including a decrease in our ability to attract and retain customers, a failure to successfully implement our “land and expand” strategy, a failure to increase our number of partners, increasing competition, decreasing growth of our overall market, privacy-related regulatory developments in the U.S. and abroad, or an inability to timely and cost-effectively introduce new products and services that are favorably received by customers and partners. Furthermore, to the extent we are successful in increasing our customer base, we will also initially incur increased losses because costs associated with acquiring customers are generally incurred up front. In contrast, subscription revenue is generally recognized ratably over the terms of the agreements that last typically two to three years, although some customers commit for shorter periods. You should not consider our recent growth in revenue as indicative of our future performance. Accordingly, we cannot assure you that we will achieve or maintain profitability in the future.

***Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.***

Our quarterly results of operations, as well as our key metrics discussed elsewhere in this report, including the levels of our revenue, gross margin, cash flow, and deferred revenue, as well as other metrics such as billings that our analysts may use to evaluate our business, have fluctuated in the past and may vary significantly in the future, and quarter-to-quarter comparisons of our operating results, key metrics and other metrics may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results and metrics may fluctuate as a result of a variety of factors, many of which are outside of our control and may not fully reflect the underlying performance of our business. These fluctuations could result in our failure to meet our expectations or those of securities analysts or investors. If we fail to meet these expectations for any particular period, the trading price of our common stock could decline significantly. Factors that may cause these quarterly fluctuations include, without limitation, those listed below:

- our ability to maintain our existing customer base and attract new customers;
- our ability to expand use of our platform by existing customers;
- our ability to release platform updates and enhancements on a timely basis;
- the addition or loss of large customers, including through acquisitions or consolidations;
- our ability to successfully compete in our markets;
- the timing of recognition of revenue;
- the amount and timing of operating expenses;
- the amount and timing of completion of professional services engagements;
- changes in our pricing policies or those of our competitors;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;

- seasonal variations in sales of our software subscriptions, which have historically been highest in the fourth quarter of a calendar year but may vary in future quarters;
- the timing and success of new product feature introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic partners;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies;
- network outages or security breaches;
- adverse litigation, judgments, settlements, or other litigation-related costs;
- changes in the legislative or regulatory environment, such as with respect to privacy; and
- general economic, industry, and market conditions, both domestically and internationally.

***Because we derive substantially all of our revenue from a single software platform, failure of Connected Planning solutions in general and our platform in particular to satisfy customer demands or to achieve increased market acceptance would adversely affect our business, results of operations, financial condition, and growth prospects.***

We derive and expect to continue to derive substantially all of our revenue from our cloud-based enterprise planning and performance management software platform. As such, the market acceptance of cloud-based Connected Planning solutions in general and our platform in particular are critical to our continued success. Market acceptance of a cloud-based Connected Planning solution depends in part on market awareness of the benefits that Connected Planning can provide over legacy planning products, emerging point products and manual processes and organizations more broadly deploying planning solutions to their employees and across functional lines of business. In addition, in order for cloud-based Connected Planning solutions to be widely accepted, organizations must overcome any concerns with placing sensitive information on a cloud-based platform. The market for cloud-based Connected Planning solutions is at an early stage of development, and we cannot be sure that this market will expand in a manner that will support the growth of our business. In addition, demand for our platform in particular is affected by a number of other factors, some of which are beyond our control. These factors include continued market acceptance of our platform, the pace at which existing customers realize benefits from the use of our platform and decide to expand deployment of our platform across their business, the extent to which our customers involve a wider group of employees in planning, the timing of development and release of new products by our competitors, technological change, the perception of ease of use, reliability and security, the pace at which enterprises transform their business planning and performance management capabilities, and developments in data privacy regulations. In addition, we expect that the planning and performance management and integration needs of our large and midsize enterprise customers will continue to rapidly change and increase in complexity. We will need to improve the functionality, ease of use, and performance of our platform continually to meet those rapidly changing, complex demands. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of Connected Planning solutions in general or our platform in particular, our business operations, financial results, and growth prospects will be materially and adversely affected.

***If we are unable to attract new customers, both domestically and internationally, the growth of our revenue will be adversely affected and our business may be harmed.***

Our ability to achieve significant growth in revenue in the future will depend, in large part, upon the effectiveness of our sales and marketing efforts, both domestically and internationally, and our ability to attract new customers. This may be particularly challenging where an organization has

already invested substantial personnel and financial resources to integrate traditional strategic planning and management solutions into its business, as such organization may be reluctant or unwilling to invest in new products and services. Furthermore, as our industry matures or if competitors introduce lower cost and/or differentiated products or services that are perceived to compete with ours, our ability to sell to new customers based on factors such as pricing, technology, and functionality could be impaired. As a result, we may be unable to attract new customers at rates or on terms that would be favorable or comparable to prior periods, and our business, revenue, operating results, and financial condition could be adversely affected.

***Our business depends substantially on our customers renewing their subscriptions and expanding their use of our platform. If our customers do not renew their subscriptions, if they renew on less favorable terms, or if they fail to add more users in more functional areas or upgrade to a higher level of functionality on our platform, our business and operating results will be adversely affected.***

In order for us to maintain or improve our operating results, it is important that our customers renew their subscriptions when the initial contract term expires, add additional authorized users to their subscriptions, and upgrade to a higher level of functionality on the platform. Our customers generally enter into agreements with two- to three- year subscription terms and have no obligation to renew their subscriptions after the expiration of their initial subscription period. Our customers may decide not to renew their subscriptions with a similar contract period, at the same prices or terms or with the same or a greater number of authorized users or level of functionality. Some of our customers have elected not to renew their agreements with us, and we may not be able to accurately predict renewal rates.

In addition, our growth strategy is a “land-and-expand” strategy that depends in substantial part on our customers expanding the use of our platform in their organizations through use by additional users, use across more functional areas of their organization, including finance, sales, supply chain, marketing, human resources, and operations, and the purchase of subscriptions providing additional features and functionality. To increase the opportunities for further expanding the use of our platform by existing customers, we will need to introduce new features and functionality to our platform to more comprehensively address the needs of customers deploying our platform to address a wider variety of use cases. If our customers do not realize benefits through their initial adoption of our platform, or if they do not believe that they will realize additional benefits through broader deployment of our platform in other functional areas of their organizations, or in other uses cases, our ability to increase our revenue will suffer. Achieving incremental sales to our current customer base requires increasingly sophisticated and costly sales efforts that are targeted at senior management. If we are not able to attract the attention of senior management, our sales efforts may not be effective and our ability to increase our revenue will suffer.

If our customers do not renew their subscriptions, if they renew on less favorable terms, or if they fail to add more users in more functional areas or upgrade to a higher level of functionality on our platform, our business and operating results will be adversely affected.

***The success of our business depends upon training our customers to effectively utilize our platform to unlock its full potential. Our failure to effectively educate, train and provide continuing guidance and support to our customers may adversely affect the results of operations, financial condition and growth prospects.***

Our business requires our customers to be trained on our platform to effectively implement and increase adoption of our platform. Incorrect or improper implementation or use of our platform could result in customer dissatisfaction and harm our business and financial condition. Our platform is designed to be deployed in a wide range of technological environments, and integrates data from a broad and complex range of workflows and systems. Our ability to support such large-scale

deployments using disparate technologies requires ongoing training in the proper use of our platform. In order to maximize the value of our platform we must continue to educate and train our customers to develop the skills necessary to harness the power of our platform. Without proper implementation and training, including training qualified professionals and developing a steady stream of skilled users of our platform, we may not be able to accelerate our business. Failure to develop a pipeline of qualified, highly trained professionals may adversely impact our financial performance. If our customers are unable to implement our platform, perceptions of our company and our platform may be impaired, our reputation and brand may suffer, and customers may choose not to renew their subscriptions or increase their purchases of our related services. Our customers and partners need regular training to derive the numerous benefits of our platform and maximize its potential without which our results of operations and growth prospects could be materially adversely affected.

***If we experience a security incident, our platform may be perceived as not being secure, our reputation may be harmed, customers may reduce the use of or stop using our platform, we may incur significant liabilities, and our business could be materially adversely affected.***

Security incidents have become more prevalent across industries and may occur on our systems. These security incidents may be caused by or result in, but are not limited to, security breaches, computer malware or malicious software, computer hacking, denial of service attacks, security system control failures in our own systems or from vendors we use, email phishing, software vulnerabilities, social engineering, sabotage, and unintentional downloads of malware. Such security incidents, whether intentional or otherwise, may result from actions of hackers, criminals, nation states, vendors, employees, customers, or others. The techniques used to effect unauthorized penetration of computer systems are constantly evolving and have been increasing in sophistication. While we have security measures in place that are designed to protect customer information and prevent data loss and other security breaches, these measures could be breached as a result of third-party action, employee error, malfeasance, or otherwise. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement sufficient control measures to defend against these techniques. Our users may also disclose or lose control of their passwords, or use the same of similar passwords on third parties' systems, which could lead to unauthorized access to their accounts on our platform.

We may also experience disruptions, outages, and other performance problems on our systems due to service attacks, unauthorized access, or other security-related incidents. For example, third parties may conduct attacks designed to temporarily deny customers access to our services. Any successful denial of service attack could result in a loss of customer confidence in the security of our platform and damage to our brand.

Our platform involves the storage and transmission of our customers' sensitive proprietary information, including their business and financial data. As a result, unauthorized access to customer data or security breaches could result in the loss, or unauthorized dissemination, of such data, which could seriously harm our or our customers' businesses and reputations. Any of these security incidents could negatively affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines, or other action or liability, which could adversely affect our operating results. Any insurance coverage we may have related to security and privacy damages may not be adequate for liabilities actually incurred and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all. These risks are likely to increase as we continue to grow the scale and functionality of our platform and process, store, and transmit increasingly large amounts of our customers' information and data, which may include proprietary or confidential data or personal or identifying information.

***The markets in which we participate are intensely competitive, and if we do not compete effectively, our business and operating results could be adversely affected.***

The market for business planning software is highly competitive, with relatively low barriers to entry for some software or services. Our ability to compete successfully in our market depends on a number of factors, both within and outside of our control, including those factors set forth in “Business—Competition.” Any failure by us to compete successfully in any one of these or other areas may reduce the demand for our platform, as well as adversely affect our business, operating results, and financial condition.

Our competitors include Oracle Corporation, or Oracle, SAP AG, or SAP, and International Business Machines Corporation, or IBM, which are well-established providers of business planning and analytics software with long-standing relationships with many customers. Some customers may be hesitant to adopt cloud-based software such as ours or to purchase cloud-based software from us and may prefer to purchase from such legacy software vendors. Oracle, SAP, and IBM are larger than we are and have greater name recognition, longer operating histories, larger marketing budgets, and significantly greater resources than we do. These vendors, as well as other competitors, may offer business planning software on a standalone basis at a low price or bundled as part of a larger product sale. Our competitors may also seek to partner with other leading cloud providers.

We also face competition from custom-built software vendors and from vendors of specific applications, some of which offer cloud-based solutions, including Callidus Software Inc., a subsidiary of SAP, in sales performance management and Adaptive Insights Inc., recently acquired by Workday, Inc., in mid-market finance applications. We may also face competition from a variety of vendors of cloud-based and on-premises software products that address only a portion of the use cases addressed by our platform, including spreadsheets, which are used by virtually every business to some degree for business planning. Some of these applications may have greater functionality than our platform for the specific use cases for which they were designed, even if they lack the breadth of planning capabilities provided by our platform. In addition, other companies that provide cloud-based software in different target markets may develop software or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal software or simply use the manual processes that they have traditionally used. With the introduction of new technologies and market entrants, we expect competition to intensify in the future.

Many of our competitors have longer operating histories and greater name recognition than we do, and are able to devote greater resources to the development, promotion, and sale of their products and services than we can. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. In addition, many of our competitors have established marketing relationships, access to larger customer bases, and major distribution agreements with consultants, systems integrators, and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors are successful in bringing their products or services to market earlier than ours or if their products or services are more technologically capable than ours, then our revenue could be adversely affected. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels, our operating results would be negatively affected. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

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

Our ability to increase our customer base, achieve broader market acceptance of our platform, grow our revenue, and achieve and sustain profitability will depend, to a significant extent, on our



ability to effectively expand our sales and marketing operations and activities. Our sales and marketing expenses represent a significant percentage of our revenue, and our operating results will suffer if our sales and marketing expenditures do not contribute to increasing revenue as we anticipate. We are substantially dependent on our direct sales force to obtain new customers. Over the last two years we have substantially increased the size of our direct sales force, and accordingly many of the new members of our sales force have not yet become fully productive. We plan to continue to expand our direct sales force both domestically and internationally. New hires require significant training and time before they achieve full productivity, particularly in new sales territories. Our recent hires and planned hires may not become as productive as quickly as we would like, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. Furthermore, hiring sales personnel in new countries can be costly, complex, and time-consuming, and requires additional set up and upfront costs that may be disproportionate to the initial revenue that we expect to receive from those countries. We believe that there is significant competition for direct sales personnel with the sales skills and technical knowledge that we require. Our ability to achieve significant revenue growth in the future will depend, in large part, on our success in recruiting, training, and retaining a sufficient number of direct sales personnel. Attrition rates may increase, and we may face integration challenges as we continue to seek to aggressively expand our sales force. Moreover, we do not have significant experience as an organization developing and implementing overseas marketing campaigns, and such campaigns may be expensive and difficult to implement. Our business will be harmed if our continuing investment in increasing our sales and marketing capabilities do not generate a significant increase in revenue.

***If we fail to continue to enhance our platform and adapt to rapid technological change, our ability to remain competitive could be impaired.***

The industry in which we compete is characterized by rapid technological change, frequent introductions of new products, and evolving industry standards. Our ability to attract new customers and increase revenue from existing customers will depend in significant part on our ability to anticipate industry standards and trends and continue to enhance our platform, introduce new functionality, update our infrastructure on a timely basis to broaden the appeal of our platform to potential new customers, provide an intuitive and user-friendly interface, increase the opportunities for further expanding the use of our platform by existing customers, and keep pace with technological developments. The success of any enhancement, new functionality, or infrastructure development depends on several factors, including timely completion and market acceptance. Any new enhancement, functionality, or infrastructure development might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of our competitors implements new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours at lower prices.

We have experienced, and may in the future experience, delays in the planned release dates of enhancements to our platform. Delays could result in adverse publicity, loss of sales, delay in market acceptance of our platform, any of which could cause us to lose existing customers or impair our ability to attract new customers. In addition, the introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings could make our platform obsolete or adversely affect our ability to compete. Any delay or failure in the introduction of enhancements, functionality, or infrastructure developments could harm our business, results of operations, and financial condition.

Our platform must also integrate with a variety of third-party technologies, and we need to continuously modify and enhance our platform to adapt to changes in cloud-enabled hardware, software, networking, browser, and database technologies. Any failure of our platform to operate effectively with existing or future technologies could reduce the demand for our platform, resulting in customer dissatisfaction and harm to our business. Further, the emergence of new industry standards



related to strategic planning and operational execution products and services may adversely affect the demand for our platform. In addition, because our platform is cloud-based, we need to continually enhance and improve our platform to keep pace with changes in Internet-related hardware, software, communications, and database technologies and standards. Any failure of our platform to operate effectively with future hardware or software technologies, or to comply with new industry standards, could reduce the demand for our platform and harm our business, results of operations, and financial condition.

***Our growth depends in part on the success of our strategic relationships with third parties and their continued performance.***

We have established strategic relationships with global strategic consulting firms, global systems integrators, regional consulting firms, implementation partners, and technology partners. In order to grow our business, we anticipate that we will need to broaden and deepen our partner ecosystem by continuing to establish and maintain relationships with such third parties. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our platform by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired, we could incur increased operating expenses and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer adoption or usage of our platform or increased revenue.

***Adverse global economic and market conditions may negatively impact our business, results of operations and cash flows.***

Our business depends on the overall demand for information technology and on the economic health of our current and prospective customers in the United States and abroad. Any significant weakening of the economy in the United States or in regions globally like Europe and Asia, more limited availability of credit, a reduction in business confidence and activity, decreased government spending, perceived impact of global trade barriers like tariffs and sanctions and the corresponding retaliatory actions, economic uncertainty, or other difficulties may affect one or more of the sectors or countries in which we sell our platform. Global economic and political uncertainty, including the uncertainty surrounding Brexit, increased tariffs and international trade disputes, may cause some of our customers or potential customers to curtail spending, result in new regulatory and cost challenges to our international operations and cause customers to delay or reduce their technology spending. In addition, a strong dollar could reduce demand for our products in countries with relatively weaker currencies. These adverse conditions could result in reductions in the rate of enterprise software spending generally, sales of our platform, longer sales cycles, slower adoption of new technologies, lower renewal rates, and increased price competition. Any of these events could have an adverse effect on our business, operating results, and financial position.

***Real or perceived errors, failures, bugs, service outages, or disruptions in our platform could adversely affect our reputation and harm our business.***

Our platform is complex, has contained defects and errors and may continue to contain undetected defects or errors. We are continuing to evolve the features and functionality of our platform through updates and enhancements, and as we do so, we may introduce additional defects or errors

that may not be detected until after deployment by our customers. In addition, if our platform is not implemented or used correctly or as intended, inadequate performance and disruptions in service may result. Moreover, if we acquire companies or integrate into our platform technologies developed by third parties, we may encounter difficulty in incorporating the newly-obtained technologies into our platform and maintaining the quality standards that are consistent with our reputation. In addition, while we seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers, we have experienced, and may in the future experience, disruptions, outages, and other performance problems.

Since our customers use our platform for important aspects of their business, any actual or perceived errors, defects, disruptions in service, outages, or other performance problems could damage our customers' businesses. Any defects or errors in our platform and solutions, or the perception of such defects or errors, or other performance problems could result in any of the following, each of which could adversely affect our business and results of operations:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate or work around errors or defects;
- loss of existing or potential customers or partners;
- interruptions or delays in sales of our platform;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- delay in the development or release of new functionality or improvements to our platform;
- negative publicity, which could harm our reputation;
- sales credits or refunds for prepaid amounts related to unused subscription services;
- diversion of development and customer service resources;
- breach of warranty claims against us, which could result in an increase in our provision for doubtful accounts; and
- an increase in collection cycles for accounts receivable or the expense and risk of litigation.

Although we have contractual protections, such as warranty disclaimers and limitation of liability provisions, in our standard terms and conditions of sale, they may not fully or effectively protect us from claims by customers, partners or other third parties. Any insurance coverage we may have may not adequately cover all claims asserted against us, or cover only a portion of such claims. A successful product liability, warranty, or other similar claim against us could have an adverse effect on our business, operating results, and financial condition. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and divert management's time and other resources.

***Interruptions, delays in service or inability to increase capacity, including internationally, at our third-party data center facilities could impair the use or functionality of our platform, harm our business, and subject us to liability.***

We currently serve our customers from third-party data center facilities operated by Equinix, Inc. located in California and Virginia in the United States, Amsterdam in the Netherlands, and Frankfurt in Germany. Any damage to, or failure of, our systems generally could interrupt service or impair the use or functionality of our platform. In addition, as we continue to increase the number of customers and users on our platform, we will need to increase the capacity of our data center infrastructure, including internationally. If we do not increase our capacity in a timely manner, customers could experience

interruptions or delays in access to our platform, and we may not be able to attract potential customers in specific regions of the world unless we open data centers in those regions. As we continue to add data centers and capacity in our existing data centers, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the use or functionality of our platform. Any damage to, or failure of, our systems, or those of our third-party data centers, could result in impairment of or interruptions in service. Impairment of or interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, subject us to claims and litigation, cause our customers to terminate their subscriptions, and adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our platform is unreliable.

***Because our platform is sold to large and midsize enterprises with complex operating environments, we encounter long and unpredictable sales cycles, which could adversely affect our operating results in a given period.***

Our ability to increase revenue and achieve profitability depends, in large part, on widespread acceptance of our platform by large and midsize enterprises. As we target our sales efforts at these customers, we face greater costs, longer sales cycles and less predictability in completing some of our sales. As a result of the variability and length of the sales cycle, we have only a limited ability to forecast the timing of sales. A delay in or failure to complete sales could harm our business and financial results, and could cause our financial results to vary significantly from period to period. Our sales cycle varies widely, reflecting differences in potential customers' decision-making processes, procurement requirements, and budget cycles, and is subject to significant risks over which we have little or no control, including:

- customers' budgetary constraints and priorities;
- the timing of customers' budget cycles;
- the need by some customers for lengthy evaluations;
- announcements of new products, features, or functionality by us or our competitors; and
- the length and timing of customers' approval processes.

In the enterprise market, a customer's decision to use our platform may be an enterprise-wide decision, requiring us to expend substantial time, effort, and money educating enterprise customers as to the use and value of our platform. In addition, our ability to successfully sell our platform to large and midsize enterprises is dependent on us attracting and retaining sales personnel with experience in selling to larger organizations. Moreover, our target customers may prefer to purchase software that is critical to their business from one of our larger, more established competitors. Our typical sales cycles can range from three to nine months, and we expect that this lengthy sales cycle may continue or lengthen further. Longer sales cycles could cause our operating and financial results to suffer in a given period.

***Because we recognize subscription revenue over the subscription term, downturns or upturns in new sales and renewals will not be immediately reflected in our operating results and may be difficult to discern.***

We generally recognize subscription revenue from customers ratably over the terms of their contracts, which are typically two to three years, although some customers commit for shorter periods. As a result, most of the subscription revenue we report in each quarter are derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter will likely have only a small impact on our revenue for that quarter. However, such a decline will negatively affect our revenue in future quarters.

Accordingly, the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our pricing policies or rate of renewals, may not be fully apparent from our reported results of operations until future periods.

In addition, a significant majority of our costs are expensed as incurred, while subscription revenue is recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of our agreements with them. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

In addition, professional services revenue is recognized as the services are performed or upon the completion of the project, depending on the type of professional services arrangement involved. Professional services engagements typically span from a few weeks to several months, which can make it difficult to predict the timing of revenue recognition for such services and the corresponding effects on our results of operations. Professional services revenue has fluctuated and may continue to fluctuate significantly from period to period, as we are increasingly leveraging our partners to provide these services. In addition, because professional services expenses are recognized as the services are performed, professional services, and total margins can significantly fluctuate from period to period.

***The sum of our revenue and changes in deferred revenue may not be an accurate indicator of business activity within a period.***

Investors or analysts sometimes look to the sum of revenue and changes in deferred revenue, sometimes referred to as “estimated billings,” as an indicator of business activity in a period for businesses such as ours. However, these measures may significantly differ from underlying business activity for a number of reasons including:

- a relatively large number of transactions occur at the end of the quarter. Invoicing of those transactions may or may not occur before the end of the quarter based on a number of factors including receipt of information from the customer, volume of transactions, and holidays. A shift of a few days has little economic impact on our business, but will shift deferred revenue from one period into the next;
- multi-year upfront billings may distort trends;
- subscriptions that have deferred start dates; and
- services that are invoiced upon delivery.

Accordingly, we do not believe that estimated billings is an accurate indicator of future revenue for any given period of time. However, many companies that provide subscriptions report changes in estimated billings as a key operating or financial metric, and it is possible that analysts or investors may view this metric as important. Thus, any changes in our estimated billings could adversely affect the market price of our common stock.

***Changes in our subscription or pricing models could adversely affect our operating results.***

As the markets for our software subscriptions grow, as new competitors introduce new products or services that compete with ours or as we enter into new international markets, we may be unable to attract new customers at the same price or based on the same pricing model as we have historically used. Regardless of pricing model used, large customers may demand higher price discounts than in the past. As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

We have limited experience with respect to determining the optimal prices for our platform and services. In the past, we have been able to increase our prices for our platform and services, but we may choose not to introduce or be unsuccessful in implementing future price increases. Our competitors may introduce new products that compete with ours or reduce their prices, or we may be unable to attract new customers or retain existing customers based on our historical pricing models. As we expand internationally, we also must determine the appropriate price to enable us to compete effectively internationally. In addition, if our mix of products sold changes, then we may need to, or choose to, revise our pricing. As a result, we may be required or choose to reduce our prices or change our pricing model, which could harm our business, results of operations and financial condition.

***We have experienced rapid growth in recent periods and expect to continue to invest in our growth for the foreseeable future. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service, or adequately address competitive challenges.***

We have recently experienced a period of rapid growth in our headcount and operations. During this period, we also established operations in a number of countries outside the United States. We have also significantly increased the size of our customer base.

We anticipate that we will continue to significantly expand our operations and headcount in the near term, including internationally. We sell our platform to customers in 46 countries and have employees in North America, Europe and Asia. We plan to continue to expand our operations into other countries in the future. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively and execute our business plan. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures, and we will need to ensure that we maintain high levels of customer support. Failure to effectively manage growth and execute our business plan could result in difficulty or delays in increasing the size of our customer base, declines in quality of customer support or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely affect our business performance and results of operations.

***We invest significantly in research and development, and to the extent our research and development investments are not directed efficiently or do not result in material enhancements to our platform, our business and results of operations would be harmed.***

A key element of our strategy is to invest significantly in our research and development efforts to enhance the features, functionality, performance, and ease of use of our platform to address additional applications and use cases that will broaden the appeal of our platform and facilitate the broad use of our platform across the largest enterprise customers. If we do not spend our research and development budget efficiently or effectively on compelling innovation and technologies, our business may be harmed and we may not realize the expected benefits of our strategy. Moreover, research and development projects can be technically challenging and expensive. As a result of the nature of research and development cycles, there will be delays between the time we incur expenses associated with research and development activities and the time we are able to offer compelling enhancements to our platform and generate revenue, if any, from those activities. Additionally, anticipated customer demand for a platform enhancement we are developing could decrease after the development cycle has commenced. If we expend a significant amount of resources on research and development efforts that do not lead to the successful introduction of functionality or platform improvements that are competitive in our current or future markets our business and results of operations will suffer.

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

Our business depends on the professional services that are performed to help our customers use our platform. Professional services may be performed by our own staff, by a third-party partner or by a combination of the two. Our strategy is to work with partners to increase the breadth of capability and depth of capacity for delivery of these services to our customers, and we expect the number of our partner-led implementations to continue to increase over time. If a customer is not satisfied with the quality of work performed by us or a partner or with the type of professional services or functionality delivered, even if we are not contractually responsible for the partner services, then we could incur additional costs to address the situation, the profitability of that work might be impaired and the customer's dissatisfaction with our or our partner's services could damage our ability to expand the scope of functionality subscribed to by that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

***We typically provide service level commitments under our customer contracts. 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 customer agreements typically provide 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 customers with service credits, or 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 customers. Any extended service outages could adversely affect our reputation, ability to attract new customers and retain existing customers, revenue, and operating results.

***Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and our financial results.***

Once our platform is implemented, our customers depend on our support organization to resolve technical issues or perceived technical issues relating to the platform. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell subscriptions to our platform to existing and prospective customers and our business, operating results, and financial position.

***If we fail to develop, maintain, and enhance widespread brand awareness cost-effectively, and expedite the awareness of Connected Planning solutions, our revenue and competitive position may be materially and adversely affected.***

We believe that developing, maintaining, and enhancing widespread awareness of our brand and Connected Planning solutions in a cost-effective manner is critical to achieving widespread acceptance of our platform, attracting new customers, and maintaining existing customers. For

example, widespread awareness of our brand is critical to ensuring that we are invited to participate in requests for proposals from prospective customers. We have made, and will continue to make, significant investments to promote our brand. However, brand promotion activities may not generate customer awareness or increase revenue, and, even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts or to achieve the widespread brand awareness that is critical for broad customer adoption of our platform. We believe that the importance of our brand and reputation will increase as competition in our market further intensifies.

In addition, independent industry analysts often provide reviews of our platform, as well as the products and services of our competitors, and perception of our platform in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products and services, our brand may be adversely affected. Additionally, the performance of our partners may affect our brand and reputation if customers do not have a positive experience with our partners' services. Negative publicity, whether or not justified, relating to events or activities attributed to us, our employees, our partners or others associated with any of these parties, may tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity may reduce demand for our platform and have an adverse effect on our business, operating results, and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brands may be costly and time consuming, and such efforts may not ultimately be successful. The upfront investment and costs incurred to build and maintain our brand, both domestically and internationally, may not generate increased market acceptance and may negatively impact our results of operations.

***We depend on the experience and expertise of our senior management team and certain key employees, and the loss of any executive officer or key employee, or the inability to identify and recruit executive officers and key employees in a timely manner, could harm our business, operating results, and financial condition.***

Our success depends largely upon the continued services of our key executive officers and certain key employees. We rely on our executive officers and key employees in the areas of business strategy, research and development, marketing, sales, services, and general and administrative functions. From time to time, there may be changes in our executive management team or key employees resulting from the hiring or departure of executives or key employees, which could disrupt our business. We do not maintain key-man insurance for any member of our senior management team or any other employee. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Conversely, we may terminate the employment of the senior management team and certain key employees, which may subject us to costly and time-consuming litigation and employment claims. Moreover, we may experience high levels of attrition after the expiration of the lock-up period in connection with our initial public offering, or IPO, when employees may receive significant proceeds from sales of our common stock in the public markets. The loss of one or more of our executive officers or key employees could have a serious adverse effect on our business.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software for Internet-related services, and for direct sales personnel. In particular, competition is intense for experienced software and cloud infrastructure engineers in San Francisco in the United States and London and York in the U.K., our primary development locations. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for



experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or our company have breached their legal obligations, resulting in a diversion of our time and resources and potentially in litigation. In addition, job candidates and existing employees often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

***Our senior management team, including members of our financial and accounting staff, has worked at the company for a limited time.***

Despite having significant experience in their individual areas of expertise, several key members of our executive leadership team have a relatively short tenure with the Company. These members of management are critical to our vision, strategic direction, culture, and overall business success. Because of these recent changes, our senior management team has not worked at the company for an extended period of time and may not be able to work together effectively to execute our business objectives.

***Because our platform could be used to collect and store personal information, domestic and international privacy concerns could result in additional costs and liabilities to us or inhibit sales of our platform.***

We may collect, process, and store personal information for our customers and similar data about our employees and services providers. Additionally, our customers can use our platform to collect, process, and store certain types of personal or identifying information regarding their employees and customers. In most cases we contractually prohibit our customers from using our platform to collect, process, or store sensitive information (such as personal health information or credit card information); however, our customers may breach such use prohibitions without our knowledge. Such a breach could result in our violation of the laws, rules, or regulations governing the collection, use, and protection of personal information, which could adversely impact our business, financial condition, and operating results. Moreover, as our customers face increased scrutiny for data privacy breaches, they may elect to transfer the risk to us through contractual provisions which may subject us to increasing levels of contractual liability for data privacy breaches.

Personal privacy has become a significant issue in the United States and in many other countries where our platform is available. The regulatory framework for privacy issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. For example, in June 2018, California enacted the California Consumer Privacy Act, or CCPA. The CCPA takes effect on January 1, 2020, and broadly defines personal information, extends expanded privacy rights and protections to California residents, and provides for civil penalties for violations and a private right of action for data breaches. In addition to California, many federal, state, and foreign government bodies and agencies have adopted or are considering adopting laws, rules, and regulations regarding the collection, use, storage, data residency, security, and disclosure of personal information and breach notification procedures. Laws, rules, and regulations in these jurisdictions apply broadly to the collection, use, storage, data residency, 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, or IP, addresses. Interpretation of, and costs of compliance with, these laws, rules, and regulations and their application to our platform and services in the United States and foreign jurisdictions is ongoing and cannot be fully determined at this time.

In the United States, these include laws, rules, and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, Computer Fraud and



Abuse Act, the Health Insurance Portability and Accountability Act of 1996, or HIPAA, the Gramm Leach Bliley Act, and state laws relating to privacy and data security. Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal framework with which we, or our customers, must comply. There may be substantial amounts of personally identifiable information or other sensitive information processed and stored on our platform.

In December 2015, European Union, or EU, institutions reached agreement on a draft regulation that was formally adopted in April 2016, referred to as the General Data Protection Regulation, or GDPR. The GDPR, which became effective May 25, 2018, includes more stringent operational requirements for processors and controllers of personal data, and it replaces both the 1995 EU Data Protection Directive and supersedes applicable EU member state legislation.

The GDPR significantly increases the level of sanctions for non-compliance from those in existing EU data protection law. EU data protection authorities will have the power to impose administrative fines for violations of the GDPR of up to a maximum of € 20 million or 4% of the data controller's or data processor's total worldwide global turnover for the preceding financial year, whichever is higher, and actual or alleged violations of the GDPR may also lead to damages claims by data controllers and data subjects. We have taken and will continue to take steps to cause our processes to be compliant with applicable portions of the GDPR, but the rules and regulations under the GDPR may not be fully articulated and we cannot assure you that our steps will be compliant. Our efforts to comply with the GDPR or other new data protection laws and regulations may cause us to incur substantial operational costs, require us to modify our data handling practices), and may otherwise adversely impact our business, financial condition and operating results.

Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU known as "Brexit". This has created uncertainty with regard to the future regulation of data protection in the United Kingdom. We may experience reluctance or refusal by current or prospective customers in Europe, including the United Kingdom, to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of European residents. The regulatory environment applicable to the handling of European residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs, and could result in our business, operating results, and financial condition being harmed.

We have been certified under the EU-U.S. Privacy Shield with respect to our transfer of certain personal data from the European Union to the United States. The Privacy Shield program is subject to annual review and may be challenged, suspended, or invalidated. At present, the EU-U.S. Privacy Shield framework and the use of EU Standard Contractual Clauses, or the Model Clauses, to protect data exports between the European Union and the U.S. are both subject to ongoing legal challenges. These legal challenges may result in a ruling that the industry-standard measures we, and other companies, have taken are no longer sufficient. It is also possible that the Privacy Shield program may need to be updated by the European Commission and Department of Commerce to take into account the GDPR. Moreover, we may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the European Union to the United States and may be at risk of experiencing reluctance or refusal of European or multi-national customers to use our solutions and incurring regulatory penalties, which may have an adverse effect on our business. In addition to government regulation, privacy advocates, and industry groups may propose new and different self-regulatory standards that may apply to us. Because the interpretation and application of privacy and data protection laws, regulations, rules, and other standards are still uncertain, it is possible that these laws, rules, regulations, and other standards' 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 data management practices or the features 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 platform, which we may be unable to do in a commercially reasonable manner or at all, and which could have an adverse effect on our business.

If we were to fail to comply with applicable privacy or data protection laws and regulations, or to protect our customers' data, or were perceived to have failed to comply with these obligations, we could be subject to enforcement action against us, including fines, claims for damages by customers and other affected individuals, damage to our reputation, and loss of goodwill (both in relation to existing customers and prospective customers), any of which could harm our business, results of operations, and financial condition.

Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our platform. Privacy concerns, whether valid or not valid, may inhibit market adoption of our software particularly in certain industries and foreign countries.

***Our global operations and sales to customers outside the United States or with international operations subject us to risks inherent in international operations that can harm our business, results of operations, and financial condition.***

A key element of our strategy is to operate globally and sell our products to customers across the world. We derive a significant portion of our revenue from customers located outside the United States. Operating globally requires significant resources and management attention and subject us to regulatory, economic, geographic, and political risks, including:

- increased management, travel, infrastructure and legal compliance costs associated with having operations in many countries;
- increased financial accounting and reporting burdens and complexities;
- variations in adoption and acceptance of cloud computing in different countries, requirements or preferences for domestic products, and difficulties in replacing products offered by more established or known regional competitors;
- new and different sources of competition;
- laws and business practices favoring local competitors;
- differing technical standards, existing or future regulatory and certification requirements and required features and functionality;
- communication and integration problems related to entering and serving new markets with different languages, cultures, and political systems;
- compliance with foreign privacy and security laws and regulations, including data privacy laws that require customer data to be stored and processed in a designated territory, and the risks and costs of non-compliance;
- compliance with laws and regulations for foreign operations, including anti-bribery laws (such as the U.S. Foreign Corrupt Practices Act, the U.S. Travel Act, and the U.K. Bribery Act), import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non-compliance;
- heightened risks of unfair or corrupt business practices in certain geographies that may impact our financial results and result in restatements of our consolidated financial statements;
- fluctuations in currency exchange rates and related effects on our results of operations;

- difficulties in repatriating or transferring funds from or converting currencies in certain countries;
- different pricing environments, longer sales cycles, and longer accounts receivable payment cycles and collections issues;
- weak economic conditions in certain countries or regions and general economic uncertainty around the world;
- differing labor standards, including restrictions related to, and the increased cost of, terminating employees in some countries;
- difficulties in recruiting and hiring employees in certain countries;
- the preference for localized software and licensing programs;
- the preference for localized language support;
- unstable regional and economic political conditions;
- weaker protection in some jurisdictions for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- compliance with the laws of numerous foreign taxing jurisdictions, including withholding obligations, and overlapping of different tax regimes;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy, and data protection laws and regulations; and
- the fragmentation of longstanding regulatory frameworks caused by Brexit.

Any of the above risks could adversely affect our international operations, reduce our revenue from customers outside of the United States or increase our operating costs, each of which could adversely affect our business, results of operations, financial condition, and growth prospects.

Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

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

Our agreements with customers and other third parties generally include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations, and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, those limitations may not be fully enforceable in all situations, and we may still incur substantial liability under those agreements. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

***We may face exposure to foreign currency exchange rate fluctuations.***

While our international contracts are sometimes denominated in US dollars, a significant portion of our revenue is in foreign currencies and the majority of our international costs are denominated in

local currencies. Over time, an increasing portion of our international contracts may be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may affect our operating results when translated into U.S. dollars. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

***We are subject to anti-corruption, anti-bribery, and similar laws, and failure to comply with these laws could subject us to criminal penalties or significant fines and harm our business and reputation.***

We are subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-corruption, anti-bribery, and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making or offering improper payments, or other benefits to government officials and others in the private sector. As we increase our international sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage, and other consequences. Any investigations, actions, or sanctions could harm our business, operating results, and financial condition.

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

We are subject to certain U.S. export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. Exports of our platform must be made in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including: the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities.

We incorporate encryption technology into our platform. These encryption products and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception or other appropriate government authorizations. In addition, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our platform or could limit our customers' ability to implement our platform in those countries. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export approval for our platform, when applicable, could harm our international sales and adversely affect our revenue. Furthermore,

U.S. export control laws and economic sanctions programs prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. Any violations of such economic embargoes and trade sanction regulations could have negative consequences, including government investigations, penalties, and reputational harm.

Changes in our platform or future changes in export and import regulations may create delays in the introduction and sale of our platform in international markets, prevent our customers with international operations from deploying our platform globally or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell our platform to, existing or potential customers with international operations. Any decreased use of our platform or limitation on our ability to export or sell our platform would likely adversely affect our business, financial condition, and results of operations.

***We could incur substantial costs in expanding, protecting or defending our intellectual property rights, and any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.***

Our success and ability to compete depend in part upon our intellectual property and our ability to expand our existing intellectual property portfolio. We primarily rely on copyright, patent, trade secret and trademark laws, trade secret protection, and confidentiality or contractual agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate and we may not be able to secure our intellectual property rights in the U.S. and international markets in which we operate.

Some or all of our issued patents may be invalidated or otherwise limited, allowing our competitors to develop competitive offerings. In addition, issuance of a patent does not guarantee that we have a right to practice the patented invention or that we can effectively use that patent to limit the ability of other companies to develop competitive products. We cannot be certain that we are the first to use the inventions claimed in our issued patents or pending patent applications or otherwise used in our platform, that we are the first to file for protection in our patent applications, or that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our patented technology. While we have patents and patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications or the patent protection may not be obtained quickly enough to meet our business needs. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our platform is available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States (in particular, some foreign jurisdictions do not permit patent protection for software), and mechanisms for enforcement of intellectual property rights may be inadequate. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States, including the America Invents Act, and by other national governments and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

Although we generally enter into confidentiality and invention assignment agreements with our employees and consultants that have access to material confidential information and enter into confidentiality agreements with our customers and the parties with whom we have strategic relationships and business alliances, these agreements may not be effective in controlling access to

and distribution of our platform and propriety information or preventing reverse engineering. Further, these agreements may not prevent competitors from independently developing technologies that are substantially similar or superior to our platform.

Unauthorized use of our intellectual property may have already occurred or may occur in the future. In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights and could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Our failure to secure, protect, and enforce our intellectual property rights could seriously adversely affect our brand and adversely affect our business.

***We may be sued by third parties for alleged infringement of their proprietary rights, which may be costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.***

There has been considerable activity in our industry to develop intellectual property and enforce intellectual property rights. Our success depends upon our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our platform and underlying technology, and we may be unaware of the intellectual property rights that others may claim cover aspects of our platform or the underlying technology. In the future, others may claim that our platform and underlying technology infringe or violate their intellectual property rights.

Claims of intellectual property rights infringement or other violations of intellectual property rights might require us to stop using technology found to violate a third party's rights, redesign our platform, which could require significant effort and expense and cause delays of releases, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling our platform. With respect to such technology for which intellectual property rights are claimed to be infringed or otherwise violated by our technology or the conduct of our business, if we cannot or do not license any infringed or otherwise violated technology on commercially reasonable terms or at all, or substitute similar non-infringing technology from another source, we could be forced to limit or stop selling our platform, we may not be able to meet our obligations to customers under our customer contracts, we may be unable to compete effectively, and our revenue and operating results could be adversely impacted. We may also be obligated to indemnify our customers and business partners or to pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify our platform, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding intellectual property could be costly and time-consuming, damage our reputation and brand, and divert the attention of our management and key personnel from our business operations.

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

Our platform incorporates certain third-party software obtained under licenses from other companies, and we use third-party software development tools as we continue to develop and enhance our platform. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that there are commercially reasonable alternatives to the third-party

software we currently license, this may not always be the case, or it may be difficult or costly to replace such software. In addition, integration of the software used in our platform with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our platform depends upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our platform, delay new feature introductions, result in a failure of our functionality, and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties. In the event that we are not able to maintain our licenses to third-party software, or cannot obtain licenses to new software as needed, or in the event third-party software used in conjunction with our platform contains errors or defects, our business, operating results, and financial condition may be adversely affected.

***Our platform utilizes open source software, which could negatively affect our ability to offer our products and subject us to litigation or other adverse consequences.***

Our platform utilizes software governed by open source licenses, which may include, by way of example, the MIT License and the Apache License. The use of open source software involves a number of risks, many of which cannot be eliminated and could negatively affect our business. For example, the terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our platform. By the terms of certain open source licenses, if we combine our proprietary software with open source software in a certain manner, we could be required to release the source code of our proprietary software and to make our proprietary software available under open source licenses. We may face claims alleging noncompliance with open source license terms or misappropriation or other violation of open source technology. These claims could result in litigation, damage our reputation in the open-source community, or require us to purchase a costly license, devote additional research or development resources to re-engineer our products or services, discontinue the sale of our products if re-engineering could not be accomplished on a timely or cost-effective basis, require us to make the source code of our proprietary code generally available, or result in us being enjoined from the offering of components of our platform that contained the open source software, any of which would have a negative effect on our business and operating results. We also could be subject to lawsuits from other 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 or financial condition, and could require us to devote additional research and development resources to re-engineer our platform. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software.

***If the market for enterprise cloud software develops more slowly than we expect or declines our business could be adversely affected.***

Since our inception, nearly all of our revenue has come from sales of our subscription-based cloud software platform. We expect these sales to account for the substantial majority of our revenue for the foreseeable future. Our success will depend to a substantial extent on the widespread adoption of cloud computing in general and of cloud-based business planning solutions in particular. The enterprise cloud software market is not as mature as the market for on-premises enterprise software, and it is uncertain whether enterprise cloud software will achieve and sustain high levels of customer demand and market acceptance. Many enterprises have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses and, therefore, may be reluctant or unwilling to migrate to enterprise cloud software. It is difficult to predict customer adoption



rates and demand for our platform, the future growth rate and size of the enterprise cloud software market, or the entry of competitive solutions. The expansion of the enterprise cloud software market depends on a number of factors, including the cost, performance, and perceived value associated with enterprise cloud software, as well as the ability of enterprise cloud software companies to address security and privacy concerns. If other enterprise cloud software providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for enterprise cloud software as a whole, including our platform, may be negatively affected. If enterprise cloud software does not achieve widespread adoption, or if there is a reduction in demand for enterprise cloud software caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending, or otherwise, our business could be adversely affected. Even if the enterprise cloud software market achieves widespread adoption in certain geographies, our business may be adversely affected if it does not achieve widespread adoption in other geographies.

***Forecasts of market opportunity and market growth may prove to be inaccurate, and, even if the markets in which we compete achieve the forecasted growth, we cannot assure you our business will grow at similar rates, if at all.***

Estimates of market opportunity and forecasts of market growth are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates of the size of the markets that we may be able to address and forecasts relating to the expected growth in the performance management and analytic applications software market are subject to many assumptions and may prove to be inaccurate. We may not be able to address fully the markets that we believe our platform may address, and these markets may not grow at the rates that we forecast. Even if our platform is able to address the markets that we believe represent our market opportunity and even if these markets experience the forecasted growth, we may not grow our business at similar rates, or 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, estimates of market opportunity and forecasts of market growth should not be taken as indicative of our future growth.

***Our corporate culture promotes visionary thinking, teamwork and creativity, and if we cannot maintain this culture as we grow, it could harm our business.***

Our corporate culture promotes an entrepreneurial mindset that has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the core principles that have fueled our growth. We believe that our culture has been and will continue to be a key contributor to our success. We hope to maintain our growth trajectory and will continue to hire aggressively as we expand, especially engineering, research and development and sales personnel. If we do not continue to maintain our corporate culture as we grow, we may be unable to foster the innovation, creativity, and entrepreneurial spirit we believe we need to support our growth. Moreover, after the lock-up period in connection with our IPO expires at the end of the day on April 9, 2019, many of our existing employees may be able to receive significant proceeds from sales of our common stock in the public markets, which could lead to employee attrition that could adversely impact our culture and employee morale. Our aggressive focus on increasing our headcount and our transition from a private company to a public company may result in a change to our corporate culture, which could harm our business and results of operations.

As we expand our geographical footprint and increase our headcount we will need to maintain our corporate culture among a larger number of employees dispersed in various geographic regions. Any failure to maintain the cohesiveness our culture could negatively affect our business, reduce our ability to retain and recruit personnel and could lead to the failure to achieve our vision and implement our strategy.



***We may engage in strategic transactions, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.***

We have in the past acquired 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. We could also enter into joint ventures or other strategic transactions for the same purpose. The pursuit of any of these strategic transactions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable transactions, whether or not they are consummated.

In addition, we have limited experience in consummating strategic transactions. If we acquire additional businesses or enter into other strategic transactions, we may not be able to integrate the acquired personnel, operations, and technologies successfully, or effectively manage the combined business following the strategic transactions. We also may not achieve the anticipated benefits from the strategic transactions due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the strategic transactions;
- incurrence of transaction-related costs;
- difficulty integrating the accounting systems, operations, and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our platform and contract terms, including disparities in the revenue, licensing, support, or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the strategic transactions;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the strategic transaction.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Strategic transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results, increase our financial risk, and cause the market price of our common stock to decline. In addition, if a strategic transaction fails to meet our expectations, our operating results, business, and financial position may suffer.

***We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.***

We have funded our operations since inception primarily through equity financings and payments by customers. We do not know when or if our operations will generate sufficient cash to fund

our ongoing operations. In the future, we may require additional capital to respond to business opportunities, challenges, strategic transactions, a decline in the level of customer prepayments or unforeseen circumstances. We may determine to engage in equity or debt financings or enter into credit facilities for these or other reasons, and we may not be able to timely secure additional debt or equity financing on favorable terms, or at all. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential strategic transactions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

***If we default on our credit obligations, our operations may be interrupted and our business could be seriously harmed.***

We have a credit facility that we may draw on to finance our operations, strategic transactions, and other corporate purposes. Our obligations pursuant to this credit facility are secured by a first priority lien on our assets for the benefit of the lenders. Our credit facility contains financial and operating covenants, including maintenance of specified financial ratios, customary limitations on the incurrence of certain indebtedness and liens, restrictions on certain intercompany transactions, and limitations on the amount of dividends and stock repurchases. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants or other obligations in the credit facility, or the occurrence of certain events specified in the credit facility, could result in a default under the credit facility and any future financial agreements into which we may enter. If we default on the obligations under our credit facility, our lenders may pursue various remedial actions against us, including:

- requiring repayment of any outstanding amounts drawn on our credit facility;
- terminating our credit facility;
- disposing of our assets subject to the lien; and
- requiring us to pay significant damages.

If any of these events occur, our operations may be interrupted and our ability to fund our operations or obligations, as well as our business, could be seriously harmed. For more information on our credit facility, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

***Catastrophic events and other events beyond our control may disrupt our business and adversely affect our operating results.***

Our corporate headquarters are located in San Francisco, California, and our data centers are located in Santa Clara, California, Ashburn, Virginia, Frankfurt, Germany, and Amsterdam, The Netherlands. The west coast of the United States contains active earthquake zones. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational support, hosted services, and sales activities. In the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our product development, lengthy interruptions in our services, breaches of data security, and loss of critical data, all of which could have an adverse effect on our business, operating results, and financial condition.

***We incur increased costs and devote substantial management time as a result of operating as a public company.***

As a public company, we incur significant legal, accounting, and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the Securities and Exchange Commission, or the SEC, and the New York Stock Exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements has increased, and may continue to increase our legal and financial compliance costs and makes some activities more time consuming and costly. In addition, our management and other personnel need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when we are no longer an emerging growth company, as defined by the JOBS Act, in fiscal 2020.

Public company reporting and disclosure obligations have caused our business and financial condition to become more visible. We believe that this increased visibility may result in threatened or actual litigation from time to time. If such claims are successful, our business, and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them and the diversion of management resources, could adversely affect our business and operating results.

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

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

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. During our most recent fiscal quarter ended January 31, 2019, a material weakness in internal control over financial reporting was identified relating to an error in the accounting for stock-based compensation expense with respect to certain of our restricted stock units ("RSUs") granted prior to our IPO. 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 our financial statements will not be prevented or detected on a timely basis. The error was corrected through an immaterial correction relating specifically to stock-based compensation expense in the three and nine months ended October 31, 2018, as described in Note 1 of the notes to the consolidated financial statements. We remediated this material weakness during the quarter ended January 31, 2019 by enhancing, and adding additional review controls over non-standard share-based payment awards. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended,

and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting 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 also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be 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 could 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 applicable stock exchange. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act in fiscal 2020. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material adverse effect on our business and operating results and could cause a decline in the price of our common stock.

***We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an emerging growth company. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

For as long as we continue to be an emerging growth company, we will continue to take advantage, or intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of

July 31, (ii) the end of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more during such fiscal year, (iii) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period, or (iv) January 31, 2024.

***We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our potential profitability.***

We have federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in fiscal 2029 and 2025 for federal and state purposes, respectively. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our potential profitability.

Furthermore, under the Tax Cuts and Jobs Act of 2017, or Tax Reform Act, although the treatment of tax losses generated in taxable years ending before December 31, 2017, has generally not changed, tax losses generated in taxable years beginning after December 31, 2017 may be utilized to offset no more than 80% of taxable income annually. The reduced availability of net operating losses in future taxable years could adversely affect our potential profitability.

In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an “ownership change.” Such an “ownership change” generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. We do not believe that our IPO and concurrent private placement resulted in an ownership change, or if they did, we do not believe they will trigger any material limitation on the use of our tax attributes for purposes of Section 382 of the Code. However, the extent of such limitations for prior years, if any, has not yet been determined. Future changes in our stock ownership, however, could also cause an “ownership change.” It is possible that an ownership change, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our potential profitability.

***Comprehensive tax reform legislation could adversely affect our business and financial condition.***

The recently enacted Tax Reform Act includes significant changes in the taxation of business entities. These changes include, among others, a permanent reduction to the corporate income tax rate, limiting interest deductions, adopting elements of a territorial tax system, assessing a repatriation tax or “toll-charge” on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain anti-base erosion provisions. The primary impact of the new legislation on our provision for income taxes will be a reduction of the future tax benefits of existing temporary differences, which are primarily comprised of net operating loss carryforwards. Since we have recorded a full valuation allowance against our deferred tax assets, we do not anticipate that these changes will have a material impact on our operating results, but we continue to examine the impact that this tax reform legislation may have on our business. The overall impact of this tax reform is uncertain, and our business and financial condition, including with respect to our non-U.S. operations, could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the Tax Reform Act and what effect that legal challenges will have on the Tax Reform Act.

***Adverse tax laws or regulations could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our services and adversely affect our business.***

The application of federal, state, local, and international tax laws to services provided electronically is evolving. New income, sales, use, or other tax laws, statutes, rules, regulations, or

ordinances could be enacted at any time (possibly with retroactive effect) and could be applied solely or disproportionately to services provided over the Internet. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and ultimately result in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties and interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely affecting our operating results and cash flows.

***Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added, or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.***

We do not collect sales and use, value added, and similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or that we are not required to collect such taxes with respect to the jurisdiction. Sales and use, value added, and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. The U.S. Supreme Court's recent decision in *South Dakota v. Wayfair, Inc.* increasing states' ability to assert taxing jurisdiction on out-of-state retailers could result in certain additional jurisdictions asserting that sales and use and other taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, and interest or future requirements may adversely affect our results of operations.

***Unanticipated changes in our effective tax rate could harm our future results.***

We are subject to income taxes in the United States and foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses as a result of acquisitions, the valuation of deferred tax assets and liabilities, and changes in federal, state, or international tax laws and accounting principles. In addition, we may be subject to income tax audits by many tax jurisdictions throughout the world, many of which have not established clear guidance on the tax treatment of SaaS-based companies. Any tax assessments, penalties, and interest, or future requirements may adversely affect our results of operations. Moreover, imposition of such taxes on us going forward will effectively increase the cost of our products to our customers and might adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed.

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.***

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, or 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 financial results for periods prior and subsequent to such change. For example, recent new standards issued by the FASB that could materially impact our financial statements include certain changes to accounting for leases. We may

adopt one or more of these standards retrospectively to prior periods, and the adoption may result in an adverse change to previously reported results. Additionally, the adoption of these standards may potentially require enhancements or changes in our systems and could require our financial management to devote significant time and resources to implementing those changes.

### **Risks Related to Ownership of Our Common Stock**

***The stock price of our common stock may be volatile and may decline regardless of our operating performance and you may lose all or part of your investment.***

The market price of our common stock has been and may continue to be volatile. Since shares of our common stock were sold in our IPO in October 2018 at a price of \$17.00 per share, our stock price has ranged from \$20.95 to \$40.68, through March 20, 2019. In addition to 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;
- our operating performance, including key metrics, and the performance of other similar companies;
- changes in our projected operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- announcements of technological innovations, new software or enhancements to services, acquisitions, strategic alliances, or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software, or network problems;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, market conditions in our industry and the industries of our customers;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- the expiration of market standoff or contractual lock-up agreements;
- the size of our market float; and
- any other factors discussed in this Annual Report on Form 10-K.

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 technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources, and the attention of management from our business and adversely affect our business.



***Substantial blocks of our total outstanding shares may be sold into the market when “lock-up” or “market standoff” periods end. Substantial sales of shares of our common stock, or the perception that such sales could occur, could cause the price of our common stock to decline.***

The market price of the shares of our common stock could decline as a result of the sale of a substantial number of our shares of common stock in the public market, particularly by our directors, executive officers, or significant shareholders, or the perception in the market that the holders of a large number of shares intend to sell their shares. All of the shares of common stock sold in our IPO are freely tradeable in the United States, except for any shares purchased by our “affiliates” as defined in Rule 144 under the Securities Act of 1933. Substantially all of our outstanding shares of common stock prior to our IPO and shares issued in the concurrent private placement are currently restricted from resale as a result of market standoff and “lock-up” agreements that have been entered into with Goldman Sachs & Co. LLC and Morgan Stanley & Co LLC in connection with our IPO. These shares will become available to be sold on April 10, 2019, 181 days after the date of the final prospectus used in connection with our IPO. Goldman Sachs & Co. LLC and Morgan Stanley & Co LLC may, in their discretion, permit our stockholders to sell shares prior to the expiration of the restrictive provisions contained in those lock-up agreements. Shares held by directors, executive officers, and other affiliates will be subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, and various vesting agreements.

Certain of our stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares to include their shares in registration statements that we may file for ourselves or our stockholders, subject to market standoff and lock-up agreements.

In addition, we have filed a registration statement to register shares reserved for future issuance under our equity compensation plans. Subject to the satisfaction of applicable exercise periods and expiration of market standoff agreements and lock-up agreements referred to above, the shares issued upon exercise of outstanding stock options or settlement of outstanding restricted stock units will be available for immediate resale in the United States in the open market. The issuance of these shares will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such issuance or conversion could adversely affect prevailing market prices of our common stock.

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

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more analysts cease or reduce coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline.

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

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders 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 investment.



***The concentration of our stock ownership will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.***

Our executive officers, directors, and the holders of more than 5% of our outstanding common stock, in the aggregate, beneficially owned approximately a majority of our common stock, assuming no exercise of outstanding options and no settlement of outstanding restricted stock units. As a result, these stockholders, acting together, will have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate actions might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

***Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- a classified board of directors so that not all members of our board of directors are elected at one time, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. This provision may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from engaging in a business combination with us even if the business combination would be beneficial to our existing stockholders. A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws, and Delaware law could make it more difficult for stockholders or potential

acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including delay or impede a merger, tender offer, or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for many types of disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for 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, our certificate of incorporation or our 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 our directors, officers, or other employees and may discourage these types of lawsuits. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

We sublease approximately 55,000 square feet of space for our corporate headquarters in San Francisco, California pursuant to a sublease that expires in February 2026, which is subject to a master lease that expires in June 2026. We also have leased offices or co-working facilities in Chicago, Illinois, Boston, Massachusetts, Minneapolis, Minnesota, New York, New York and Plano, Texas. We maintain international offices or co-working facilities in Australia, Austria, Belgium, France, Germany, India, Japan, the Netherlands, Russia, Singapore, Sweden, Switzerland and the United Kingdom. We believe that we will be able to obtain additional space on commercially reasonable terms.

#### **ITEM 3. 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, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

PART II

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information for Common Stock**

Our common stock has been listed on the New York Stock Exchange under the symbol “PLAN” since October 12, 2018. Prior to that date, there was no public trading market for our common stock.

**Holders of Record**

As of March 20, 2019, there were 569 registered stockholders of record of our common stock. We believe a substantially greater number of beneficial owners hold shares through brokers, banks or other nominees.

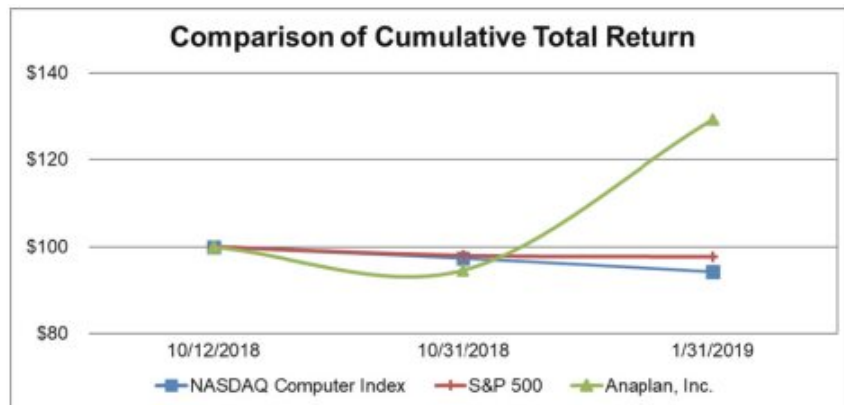
**Securities Authorized for Issuance under Equity Compensation Plans**

The information concerning our equity compensation plans is incorporated by reference herein to the section of the Proxy Statement entitled “Equity Compensation Plan Information.”

**Stock Performance Graph**

The following shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any of our other filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

The performance graph below shows the cumulative total stockholder return on our common stock for the period from October 12, 2018 to January 31, 2019. This is compared with the cumulative total return of the NASDAQ Computer Index and the Standard & Poor’s 500 Stock Index, or the S&P 500, over the same period. The graph assumes that on October 12, 2018, our initial trading day, \$100 was invested in our common stock at the market close and \$100 was invested at the market close in each of the other two indices, with dividends reinvested on the date of payment without payment of any commissions. Dollar amounts in the graph are rounded to the nearest whole dollar. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



## **Recent Sale of Unregistered Securities and Use of Proceeds**

### ***Sale of Unregistered Securities***

On December 4, 2018, we issued and sold 10,454 shares of our common stock to one investor upon the exercise of a warrant with an exercise price of \$2.3913 per share for aggregate consideration of \$24,999. The shares of common stock were issued and sold pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

### ***Use of Proceeds***

On October 16, 2018, we closed our IPO, in which we sold an aggregate of 17,825,000 shares of common stock at a price to the public of \$17.00 per share, including shares sold in connection with the exercise of the underwriters' option to purchase additional shares. An additional 1,176,466 shares of our common stock were sold in a concurrent private placement, or the Concurrent Private Placement, at a purchase price of \$17.00 per share for aggregate proceeds of approximately \$20.0 million. The offer and sale of all of the shares in the IPO, but not those in the Concurrent Private Placement, were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-227355), which was declared effective by the Securities and Exchange Commission on October 11, 2018.

The remainder of the information required by this item regarding the use of our IPO proceeds has been omitted pursuant to SEC rules because such information has not changed since our last periodic report was filed.

### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**ITEM 6. SELECTED FINANCIAL DATA**

The consolidated statements of operations data for fiscal 2019, 2018, and 2017, and the consolidated balance sheets data as of January 31, 2019 and 2018, are derived from our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for fiscal 2016 and the consolidated balance sheet data as of January 31, 2017 are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our future results. The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended January 31,			
	2019	2018	2017	2016
	(In thousands, except per share data)			
<b>Consolidated Statements of Operations Data:</b>				
Revenue:				
Subscription revenue	\$ 208,605	\$ 143,542	\$ 91,416	\$ 50,772
Professional services revenue	32,037	24,805	29,083	20,753
Total revenue	<u>240,642</u>	<u>168,347</u>	<u>120,499</u>	<u>71,525</u>
Cost of revenue:				
Cost of subscription revenue (1)	36,500	19,927	9,072	7,655
Cost of professional services revenue (1)	30,898	32,058	30,335	22,849
Total cost of revenue	<u>67,398</u>	<u>51,985</u>	<u>39,407</u>	<u>30,504</u>
Gross profit	173,244	116,362	81,092	41,021
Operating expenses:				
Research and development (1)	48,998	30,908	23,868	19,288
Sales and marketing (1)	176,323	100,654	73,656	55,279
General and administrative (1)	76,186	30,719	22,503	19,313
Total operating expenses	<u>301,507</u>	<u>162,281</u>	<u>120,027</u>	<u>93,880</u>
Loss from operations	(128,263)	(45,919)	(38,935)	(52,859)
Interest income, net	1,921	108	88	55
Other expense, net	(1,465)	(482)	(835)	(1,343)
Loss before income taxes	(127,807)	(46,293)	(39,682)	(54,147)
Provision for income taxes	(3,209)	(1,261)	(512)	(80)
Net loss	<u>\$ (131,016)</u>	<u>\$ (47,554)</u>	<u>\$ (40,194)</u>	<u>\$ (54,227)</u>
Net loss per share attributable to common stockholders, basic and diluted (2)	<u>\$ (2.46)</u>	<u>\$ (2.51)</u>	<u>\$ (2.92)</u>	<u>\$ (4.62)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted (2)	<u>53,328</u>	<u>18,956</u>	<u>13,774</u>	<u>11,741</u>
(1) Includes stock-based compensation expense as follows:				
Cost of subscription revenue	\$ 831	\$ 148	\$ 49	\$ 305
Cost of professional services revenue	851	507	336	122
Research and development	3,826	742	634	452
Sales and marketing	15,475	3,496	2,555	1,363
General and administrative	31,823	3,746	2,529	1,266
Total stock-based compensation expense	<u>\$ 52,806</u>	<u>\$ 8,639</u>	<u>\$ 6,103</u>	<u>\$ 3,508</u>

(2) See Notes 1 and 9 of the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for an explanation of the method used to calculate basic and diluted net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

	As of January 31,		
	2019	2018	2017
	(In thousands)		
<b>Consolidated Balance Sheets Data:</b>			
Cash and cash equivalents	\$ 326,863	\$ 110,898	\$ 80,155
Working capital	240,301	63,925	55,830
Total assets	528,769	246,747	174,941
Deferred revenue, current and non-current	150,843	101,286	65,897
Total stockholders' equity	307,478	111,639	84,744

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties as discussed in "Cautionary Note Regarding Forward-Looking Statements" included in this Annual Report on Form 10-K. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in "Risk Factors" under Part I, Item 1A in this Annual Report on Form 10-K. Our fiscal year ends January 31.*

### Overview

Anaplan is pioneering the category of Connected Planning, which allows organizations to transform their businesses by making better and faster decisions.

We believe Connected Planning is the next essential cloud category. It fundamentally transforms planning by connecting all of the people, data, and plans needed to accelerate business value and enable real-time planning and decision-making in rapidly changing business environments. Connected Planning accelerates business value by transforming the way organizations make decisions and placing the power of planning in the hands of every individual at every level within and between organizations.

Connected Planning represents a fundamental shift from the legacy approach to planning, which is typically confined to the finance department and uses a patchwork of outdated and disconnected tools and manual processes that are often overly complex, slow, inefficient, and static. Connected Planning enables dynamic, collaborative, and intelligent planning across all areas of an organization, including finance, sales, and supply chain, and other corporate functions such as marketing, human resources, and operations.

We sell subscriptions to our cloud-based planning platform primarily through our direct sales team. We also have strategic partnerships that provide us with a significant source of lead generation and implementation leverage. Our global partners, including global strategic consulting firms and global systems integrators, often promote our platform as part of the large-scale transformation projects they drive by identifying opportunities in which our platform can help companies maximize the effectiveness of their business processes. We also partner with leading regional consulting firms and implementation partners. These highly skilled regional partners not only provide subject-matter expertise in the implementation of specific use cases, but they also act as an extension of our direct sales force by identifying and referring opportunities to us. We and our partners create pre-packaged applications that are available on our App Hub marketplace to further accelerate the adoption and expansion of our platform.

We focus our selling efforts on executives of large enterprises, who are often making a strategic purchase of our platform with the potential for broad use throughout their organizations. We use a "land and expand" sales strategy to capitalize on this potential. Our platform is often initially adopted within a specific line of business, including in finance, sales, and supply chain, and other corporate functions such as marketing, human resources, and operations, for one or more planning use cases. Once customers see the benefits of our platform for their initial use cases, they often increase the number of users, add new use cases, and expand to additional lines of business, divisions, and geographies. We see a greenfield opportunity to help over 70 million knowledge workers around the world plan more efficiently using Anaplan.

We derive the substantial majority of our revenue from subscriptions for users on our platform. Our initial subscription term is typically two to three years, although some customers commit for shorter

periods. We generally bill our customers annually in advance. We also offer professional services, including consulting, implementation, and training, but are increasingly leveraging our partners to provide these services. During fiscal 2019, 2018, and 2017, subscription revenue was \$208.6 million, \$143.5 million and \$91.4 million, respectively, representing a year-over-year subscription revenue growth rate of 45% and 57% in fiscal 2019 and 2018, respectively. During fiscal 2019, 2018, and 2017, services revenue was \$32.0 million, \$24.8 million and \$29.1 million, respectively. Our subscription revenue as a percentage of total revenue was 87%, 85%, and 76% in fiscal 2019, 2018, and 2017, respectively.

During fiscal 2019, 2018 and 2017, our revenue was \$240.6 million, \$168.3 million and \$120.5 million, respectively. Approximately 43%, 41% and 38% of our revenue was generated from outside of the United States in fiscal 2019, 2018 and 2017, respectively. Our net loss was \$131.0 million, \$47.6 million and \$40.2 million in fiscal 2019, 2018 and 2017, respectively.

We believe that our focus on customer success allows us to retain and expand the subscription revenue generated from our existing customers, and is an indicator of the long-term value of our customer relationships for Anaplan as a whole. We track our performance in this area by measuring our dollar-based net expansion rate, which compares our annual recurring revenue from the same set of customers across comparable periods. The dollar-based net expansion rate was 123% and 122% as of January 31, 2019 and 2018, respectively.

Our dollar-based net expansion rate equals the annual recurring revenue at the end of a period for a base set of customers from which we generated annual recurring revenue in the year prior to the date of calculation, divided by the annual recurring revenue one year prior to the date of the calculation for that same set of customers. Annual recurring revenue is calculated as subscription revenue already booked and in backlog that will be recorded over the next 12 months, assuming any contract expiring in those 12 months is renewed and continues on its existing terms and at its prevailing rate of utilization.

### **Factors Affecting Our Performance**

We believe that our future performance will depend on many factors, including those described below. While these areas present significant opportunity, they also present risks that we must manage to achieve successful results. See the section titled “Risk Factors”. If we are unable to address these challenges, our business and operating results could be adversely affected.

**Market adoption of our platform .** Even though we believe Connected Planning is a strategic imperative for enterprises in today’s rapidly changing business environment, it is at an early stage of adoption. Our long-term success will depend on widespread adoption of Connected Planning by enterprises for numerous planning applications with broad use of those applications within their organizations. While we believe that we are still in the early stages of penetrating our addressable market, we have benefited from rapid customer growth.

**Customer First strategy.** We put the success of our customers at the center of our culture, strategy, and investments. We view our Customer First strategy as core to capturing our Connected Planning vision and driving the continued adoption and expansion in the use of our platform. By aligning our thought leadership, worldwide development and delivery capabilities, and local sales and service resources, our Customer First strategy drives exceptional value throughout our customers’ Connected Planning journeys. Our continued success depends in part on our ability to continue to put customers at the center of our strategy.

**Expansion of existing customers.** We employ a “land and expand” approach, with many of our customers initially deploying our product for a specific use case and group of users, and, once they realize the benefits and wide applicability of our platform, subsequently renewing subscriptions and expanding the number of users or use cases within and across lines of business and geographies. As

a result, we are able to generate a significant increase in revenue from the expanded use of our platform across the enterprise. Going forward we are focused on our large customers where the opportunity for expansion and need for our planning solutions are greatest. Our future revenue growth and our ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers' use of our platform.

**Scaling our sales team.** Our ability to achieve significant growth in revenue in the future will depend, in large part, upon the effectiveness of our sales efforts, both domestically and internationally. We have invested and intend to continue to invest aggressively in expanding our direct sales force, particularly in attracting and retaining sales personnel with experience selling to larger enterprises. A substantial portion of our sales force joined us over the last 12 months, and our ability to increase our revenue will depend on the new members of our sales force becoming fully productive. In the enterprise market, a customer's decision to use our platform may be an enterprise-wide decision. These types of sales require us to provide greater levels of education regarding the use and benefits of our platform, which involves substantial time, effort, and costs. We anticipate that our headcount will continue to increase as a result of these investments.

**International sales.** Our revenue generated outside of the United States during fiscal 2019, 2018 and 2017, was approximately 43%, 41% and 38%, respectively, of our total revenue. We believe global demand for our platform will continue to increase as organizations experience the benefits that our platform can provide to international enterprises with complex planning needs spanning multiple geographies. Accordingly, we believe there is significant opportunity to grow our international business. We have invested, and plan to continue to invest, ahead of this potential demand in personnel, marketing, and access to data center capacity to support our international growth.

**Partner ecosystem.** Our partner ecosystem extends our geographic coverage, accelerates the usage and adoption of our platform, and enables more efficient delivery of service solutions. We intend to augment and deepen our partnerships with global and regional partners, which include consulting firms, systems integrators, and implementation partners. We believe our partners' scale and route to market can significantly contribute to our ability to penetrate our addressable market, extend our geographic coverage, and extend usage and adoption of our platform.

**Product velocity.** We have invested and intend to continue to invest significantly in research and development in an effort to enhance and expand the functionality of our platform, to attract and retain development personnel, and to protect our market-leading technology advantage. We have a well-defined technology roadmap to introduce new features and functionality to our platform that we believe will improve our ability to generate revenue by broadening the appeal of our platform to potential new customers as well as increasing the opportunities for further expanding the use of our platform by existing customers. We are also investing to further enhance the user interface, functionality, and usability of our platform, including in machine learning and other artificial intelligence technologies, to further enhance the predictive capabilities of our platform. We will need to continue to focus on bringing cutting-edge technology to market in order to remain competitive.

## Components of Results of Operations

### Revenue

We offer subscriptions to our cloud-based planning platform. We derive our revenue primarily from subscription fees and, to a lesser degree, from professional services fees. Subscription revenue consists primarily of fees to provide our customers access to our cloud-based platform. Professional services revenue includes fees from assisting customers in implementing and optimizing the use of our cloud-based platform. These services include implementation, consulting, and training.



### *Subscription Revenue*

Subscription revenue accounted for 87%, 85% and 76% for fiscal 2019, 2018 and 2017, respectively. Subscription revenue is driven primarily by the number of customers, the number of users at each customer, the price of user subscriptions, and renewal rates.

Subscription fees are recognized ratably as revenue over the contract term beginning on the date the platform is made available to the customer. Our new business subscriptions typically have a term of two to three years. We generally invoice our customers in annual installments at the beginning of each year within the subscription period. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably over the subscription period.

Most of our contracts are non-cancellable over the contract term. We had a remaining performance obligation, or backlog, in the amount of \$440.0 million and \$304.6 million as of January 31, 2019 and 2018, respectively, consisting of both billed and unbilled consideration.

Because we recognize revenue from subscription fees ratably over the term of the contract, changes in our contracting activity in the near term may not impact our reported revenue until future periods.

### *Professional Services Revenue*

Professional services revenue is generally recognized as the services are rendered for time and material contracts, or on a proportional performance basis for fixed price contracts. The substantial majority of our professional service contracts are on a time and materials basis. Implementations generally take one to six months to complete depending upon the scope of engagement with the customer. Our professional services revenue fluctuates from quarter to quarter as a result of the achievement of payment milestones in our professional services arrangements, and the requirements, complexity, and timing of our customers' implementation projects.

## **Cost of Revenue**

### *Cost of Subscription Revenue*

Cost of subscription revenue primarily consists of costs related to hosting our service. Significant expenses include data center capacity costs, personnel-related costs directly associated with our cloud infrastructure, including total compensation, customer support, equipment depreciation, and amortization of internal-use software.

### *Cost of Professional Services Revenue*

Cost of professional services revenue primarily consists of costs related to providing implementation and configuration services, optimization services and training services, personnel-related costs directly associated with our professional services and training departments, including salaries and bonuses, benefits, and stock-based compensation, the costs of contracted third-party vendors, and travel.

Professional services associated with the implementation and configuration of our subscription platform are performed directly by our services team, as well as by contracted third-party vendors. When third-party vendors invoice us for services performed for our customers, those fees are recognized as expense over the requisite service period.

## **Operating Expenses**

### *Research and Development*

Research and development expenses consist primarily of personnel-related costs for our development team, including salaries and bonuses, benefits, stock-based compensation expense, and

allocated overhead costs. We have invested, and intend to continue to invest, in developing technology to support our growth. We capitalize certain software development costs that are attributable to developing new features and adding incremental functionality to our platform, and amortize such costs as costs of subscription revenue over the estimated life of the new incremental functionality, which is three years. We plan to increase our investment in research and development for the foreseeable future as we focus on further developing our platform and enhancing its use cases. However, we expect our research and development expenses to decrease as a percentage of our total revenue over time, although they may fluctuate as a percentage of our total revenue from period to period.

#### ***Sales and Marketing***

Sales and marketing expenses consist primarily of personnel-related costs directly associated with our sales and marketing staff, including salaries and bonuses, benefits, commissions, and stock-based compensation. Other sales and marketing costs include promotional events to promote our brand, including our Anaplan Connected Planning Xperience (CPX) user conference, previously known as our Hub conferences, advertising, and allocated overhead. We plan to increase our investment in sales and marketing over the foreseeable future, primarily stemming from increased headcount in sales and marketing, and investment in brand- and product-marketing efforts. However, we expect our sales and marketing expenses to decrease as a percentage of our total revenue over time, although they may fluctuate as a percentage of our total revenue from period to period.

#### ***General and Administrative***

General and administrative expenses consist of personnel-related costs associated with our executive, finance, legal, and human resources personnel, including salaries and bonuses, benefits, and stock-based compensation expense, professional fees for external legal, accounting and other consulting services, and allocated overhead costs. We expect to increase the size of our general and administrative function to support the growth of our business and to take advantage of the large opportunity in front of us. We expect to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a U.S. securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. In addition, as a public company, we have incurred, and expect to continue to incur, increased expenses such as insurance, investor relations, and professional services. As a result, we expect the dollar amount of our general and administrative expenses to increase for the foreseeable future. However, we expect our general and administrative expenses to decrease as a percentage of our total revenue over time, although they may fluctuate as a percentage of our total revenue from period to period.

#### ***Interest Income, Net***

Interest income, net consists primarily of interest income earned on our cash and cash equivalents.

#### ***Other Expense, Net***

Other expense, net consists primarily of foreign exchange gains and losses.

#### ***Provision for Income Taxes***

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

## Results of Operations

The following tables set forth selected consolidated statements of operations data for each of the periods indicated:

	Year Ended January 31,		
	2019	2018	2017
	(In thousands)		
<b>Revenue:</b>			
Subscription revenue	\$ 208,605	\$ 143,542	\$ 91,416
Professional services revenue	32,037	24,805	29,083
Total revenue	240,642	168,347	120,499
<b>Cost of revenue:</b>			
Cost of subscription revenue (1)	36,500	19,927	9,072
Cost of professional services revenue (1)	30,898	32,058	30,335
Total cost of revenue	67,398	51,985	39,407
Gross profit	173,244	116,362	81,092
<b>Operating expenses:</b>			
Research and development (1)	48,998	30,908	23,868
Sales and marketing (1)	176,323	100,654	73,656
General and administrative (1)	76,186	30,719	22,503
Total operating expenses	301,507	162,281	120,027
Loss from operations	(128,263)	(45,919)	(38,935)
Interest income, net	1,921	108	88
Other expense, net	(1,465)	(482)	(835)
Loss before income taxes	(127,807)	(46,293)	(39,682)
Provision for income taxes	(3,209)	(1,261)	(512)
Net loss	\$ (131,016)	\$ (47,554)	\$ (40,194)
<b>(1) Includes stock-based compensation expense as follows:</b>			
Cost of subscription revenue	\$ 831	\$ 148	\$ 49
Cost of professional services revenue	851	507	336
Research and development	3,826	742	634
Sales and marketing	15,475	3,496	2,555
General and administrative	31,823	3,746	2,529
Total stock-based compensation expense	\$ 52,806	\$ 8,639	\$ 6,103

## Fiscal Year 2019 Compared to Fiscal Year 2018

### Revenue

	Year Ended January 31,		% Change
	2019	2018	
	(In thousands)		
Subscription revenue	\$ 208,605	\$ 143,542	45%
Professional services revenue	32,037	24,805	29
Total revenue	\$ 240,642	\$ 168,347	43

Total revenue was \$240.6 million in fiscal 2019 compared to \$168.3 million in fiscal 2018, an increase of \$72.3 million, or 43%.

Subscription revenue was \$208.6 million, or 87% of total revenue, in fiscal 2019, compared to \$143.5 million, or 85% of total revenue, in fiscal 2018. The increase of \$65.1 million, or 45%, in

subscription revenue was primarily due to additional sales to existing customers, which accounted for approximately 77% of the increase, and a significant increase in sales to new customers, which accounted for approximately 23% of the increase.

Professional services revenue was \$32.0 million in fiscal 2019 compared to \$24.8 million in fiscal 2018. The increase of \$7.2 million, or 29%, in professional services revenue was primarily due to the higher revenue generated from partners and utilization of our professional services employees in fiscal 2019. This also represents a continued decline in professional services revenue as a percentage of total revenue from 15% to 13% primarily due to our strategy of shifting professional services revenue to our partners and a growing partner network.

**Cost of Revenue**

	Year Ended January 31,		% Change
	2019	2018	
	(In thousands)		
Cost of subscription revenue	\$ 36,500	\$ 19,927	83%
Cost of professional services revenue	30,898	32,058	(4)
Total cost of revenue	<u>\$ 67,398</u>	<u>\$ 51,985</u>	30

Total cost of revenue was \$67.4 million in fiscal 2019 compared to \$52.0 million in fiscal 2018, an increase of \$15.4 million, or 30%.

Cost of subscription revenue was \$36.5 million in fiscal 2019 compared to \$19.9 million in fiscal 2018, an increase of \$16.6 million, or 83%. The increase in cost of subscription revenue was primarily due to an increase in salary and bonuses, and benefits costs related to an increase in headcount of \$7.7 million, including stock-based compensation, an increase in amortization of capitalized software development costs and intangible assets of \$1.7 million, an increase in software licenses to support data servers of \$1.5 million, an increase in hosting fees of \$1.5 million due primarily to additional servers, an increase in allocated facilities and IT of \$1.2 million due to additional leases signed in fiscal 2019, and an increase in depreciation of our servers placed in service in fiscal 2019 of \$1.1 million.

Cost of professional services revenue was \$30.9 million in fiscal 2019 compared to \$32.1 million in fiscal 2018, a decrease of \$1.2 million, or 4%. The decrease in cost of professional services revenue was primarily due to our strategy of shifting professional services to our partners.

**Gross Profit and Gross Margin**

	Year Ended January 31,		% Change
	2019	2018	
	(In thousands)		
Subscription gross profit	\$ 172,105	\$ 123,615	39%
Professional services gross profit (loss)	1,139	(7,253)	(116)
Total gross profit	<u>\$ 173,244</u>	<u>\$ 116,362</u>	49
Subscription gross margin	83%	86%	
Professional services gross margin	4%	(29%)	
Total gross margin	72%	69%	

Gross profit was \$173.2 million in fiscal 2019 compared to \$116.4 million in fiscal 2018, an increase of \$56.9 million, or 49%. The increase in gross profit was the result of the increases in our subscription revenue primarily due to additional sales to existing customers and the addition of new customers in fiscal 2019.

Gross margin was 72% in fiscal 2019 compared to 69% in fiscal 2018. The increase in gross margin was primarily due to the increase in subscription revenue, which generates a significantly higher gross margin than our professional services revenue, as a percentage of total revenue, and an

increase in our professional services gross margins. Beginning in the fourth quarter of our fiscal 2018, we redeployed certain employees from our Customer Success team to the Sales and Marketing team as part of our overall strategy to transition more services to partners. Our gross margins can fluctuate from quarter to quarter as a result of the achievement of payment milestones in our professional services arrangements, and the requirements, complexity, and timing of our customers' implementation projects that can vary significantly.

### Operating Expenses

	Year Ended January 31,		% Change
	2019	2018	
	(In thousands)		
Operating expense:			
Research and development	\$ 48,998	\$ 30,908	59%
Sales and marketing	176,323	100,654	75
General and administrative	76,186	30,719	148
Total operating expenses	<u>\$ 301,507</u>	<u>\$ 162,281</u>	86

#### Research and Development

Research and development expenses were \$49.0 million in fiscal 2019 compared to \$30.9 million in fiscal 2018, an increase of \$18.1 million, or 59%. The increase was primarily due to an increase in salary and bonuses, and benefits costs related to an increase in headcount of \$12.3 million, including an increase in stock-based compensation of \$3.6 million mainly related to compensation expense related to our RSUs being recognized upon completion of our IPO, an increase in allocated facilities of \$1.6 million due to additional leases signed in fiscal 2019, and an increase in consulting spend of \$1.5 million to support our anticipated growth.

#### Sales and Marketing

Sales and marketing expenses were \$176.3 million in fiscal 2019 compared to \$100.7 million in fiscal 2018, an increase of \$75.6 million, or 75%. The increase was primarily due to an increase in salary and bonuses, and benefits costs related to an increase in headcount of \$53.3 million, including an increase in stock-based compensation of \$12.0 million mainly related to compensation expense related to our RSUs being recognized upon completion of our IPO, an increase in allocated facilities and IT of \$7.2 million due primarily to new facility leases in fiscal 2019, and an increase in commission expenses of \$5.3 million.

#### General and Administrative

General and administrative expenses were \$76.2 million in fiscal 2019 compared to \$30.7 million in fiscal 2018, an increase of \$45.5 million, or 148%. The increase was primarily due to an increase in salary and bonuses, and benefits costs related to an increase in headcount of \$40.5 million, including an increase in stock-based compensation of \$28.1 million mainly related to compensation expense related to our RSUs being recognized upon completion of our IPO, and an increase in software licenses of \$2.9 million.

### Other Income and Expense, Net

	Year Ended January 31,		% Change
	2019	2018	
	(In thousands)		
Interest income, net	\$ 1,921	\$ 108	1,679%
Other expense, net	(1,465)	(482)	204

**Interest Income, net**

Interest income, net increased by \$1.8 million, or 1,679%, in fiscal 2019. The increase in interest income, net was primarily due to higher average cash and cash equivalents balances in fiscal 2019 compared to fiscal 2018.

**Other Expense, net**

Other expense, net was a loss of \$1.5 million in fiscal 2019 compared to a loss of \$0.5 million in fiscal 2018, an increase of \$1.0 million, or 204%. The change was primarily due to foreign currencies decreasing in value compared to the U.S. dollar and the related remeasurements during the periods, primarily related to our U.K. operations.

**Provision for Income Taxes**

	Year Ended January 31,		% Change
	2019	2018	
	(In thousands)		
Provision for income taxes	\$ 3,209	\$ 1,261	154%

The provision for income taxes was \$3.2 million in fiscal 2019 compared to \$1.3 million in fiscal 2018, an increase of \$1.9 million, or 154%. The increase in provision for income taxes was primarily related to increased income generated from intercompany cost plus arrangements in certain European and Asian countries.

**Fiscal Year 2018 Compared to Fiscal Year 2017****Revenue**

	Year Ended January 31,		% Change
	2018	2017	
	(In thousands)		
Subscription revenue	\$ 143,542	\$ 91,416	57%
Professional services revenue	24,805	29,083	(15)
Total revenue	\$ 168,347	\$ 120,499	40

Total revenue was \$168.3 million for fiscal 2018 compared to \$120.5 million for fiscal 2017, an increase of \$47.8 million, or 40%.

Subscription revenue was \$143.5 million, or 85% of total revenue, for fiscal 2018, compared to \$91.4 million, or 76% of total revenue, for fiscal 2017. The increase of \$52.1 million, or 57%, in subscription revenue was primarily due to additional sales to existing customers, which accounted for approximately 61% of the increase, and a significant increase in sales to new customers, which accounted for approximately 39% of the increase.

Professional services revenue was \$24.8 million for fiscal 2018 compared to \$29.1 million for fiscal 2017. The decrease of \$4.3 million, or 15%, in professional services revenue was primarily due to the lower utilization of our professional services employees in fiscal 2018. This also represents a decline in professional services revenue as a percentage of total revenue from 24% to 15% primarily due to increased utilization of a growing partner network and our strategy of shifting professional services revenue to our partners.

**Cost of Revenue**

	Year Ended January 31,		% Change
	2018	2017	
	(In thousands)		
Cost of subscription revenue	\$ 19,927	\$ 9,072	120%
Cost of professional services revenue	32,058	30,335	6
Total cost of revenue	<u>\$ 51,985</u>	<u>\$ 39,407</u>	32

Total cost of revenue was \$52.0 million for fiscal 2018 compared to \$39.4 million for fiscal 2017, an increase of \$12.6 million, or 32%.

Cost of subscription revenue was \$19.9 million for fiscal 2018 compared to \$9.1 million for fiscal 2017, an increase of \$10.9 million, or 120%. The increase in cost of subscription revenue was primarily due to an increase in salary and benefits costs related to an increase in headcount of \$4.4 million, including stock-based compensation, an increase in consulting and contractor spend of \$1.2 million to support our anticipated growth, an increase in amortization of capitalized software development costs and intangible assets of \$1.1 million and an increase in software licenses to produce additional functionality of our platform of \$0.5 million, depreciation of our servers placed in service in fiscal 2018 of \$0.7 million, and an increase in allocated facilities of \$0.5 million due to additional leases signed in fiscal 2018.

Cost of professional services revenue was \$32.1 million for fiscal 2018 compared to \$30.3 million for fiscal 2017, an increase of \$1.7 million, or 6%. The relatively small increase in cost of professional services revenue was primarily due to an increase in partner implementation costs due to a growing partner network and the initial implementation of our strategy of shifting professional services to our partners.

**Gross Profit and Gross Margin**

	Year Ended January 31,		% Change
	2018	2017	
	(In thousands)		
Subscription gross profit	\$ 123,615	\$ 82,344	50%
Professional services gross profit (loss)	(7,253)	(1,252)	479
Total gross profit	<u>\$ 116,362</u>	<u>\$ 81,092</u>	43
Subscription gross margin	86%	90%	
Professional services gross margin	(29%)	(4%)	
Total gross margin	69%	67%	

Gross profit was \$116.4 million for fiscal 2018 compared to \$81.1 million for fiscal 2017, an increase of \$35.3 million, or 43%. The increase in gross profit is the result of the increases in our subscription revenue due primarily to additional sales to existing customers and the addition of new customers in fiscal 2018.

Gross margin was 69% for fiscal 2018 compared to 67% for fiscal 2017. The increase was due primarily to the increase in subscription revenue which generates a significantly higher gross margin than our professional services revenue. The effect on gross margin of the increase in subscription revenue was partially offset by an increase in the professional services gross loss and the negative gross margin related to the increase in cost of professional services revenue in fiscal 2018 and by a decrease in subscription gross margin. Our gross margins can fluctuate from quarter to quarter as a result of the achievement of payment milestones in our professional services arrangements, and the requirements, complexity, and timing of our customers' implementation projects that can vary significantly.

**Operating Expenses**

	Year Ended January 31,		% Change
	2018	2017	
	(In thousands)		
Operating expense:			
Research and development	\$ 30,908	\$ 23,868	29%
Sales and marketing	100,654	73,656	37
General and administrative	30,719	22,503	37
Total operating expenses	<u>\$ 162,281</u>	<u>\$ 120,027</u>	35

**Research and Development**

Research and development expenses were \$30.9 million for fiscal 2018 compared to \$23.9 million for fiscal 2017, an increase of \$7.0 million, or 29%. The increase was primarily due to an increase in salary and benefits costs related to an increase in headcount of \$4.4 million, including stock-based compensation, an increase in consulting and contractor spend of \$3.0 million to support our anticipated growth, an increase in allocated facilities of \$1.4 million due primarily to new facility leases entered into in fiscal 2018, an increase in hosting fees of \$1.1 million for increased cloud services, and an increase of \$0.6 million in recruiting costs. The increase in research and development costs was partially offset by an increase in capitalized software development costs of \$3.5 million due to a significant increase in development of our core software and a one-time research and development credit in the amount of \$1.4 million.

**Sales and Marketing**

Sales and marketing expenses were \$100.7 million for fiscal 2018 compared to \$73.7 million for fiscal 2017, an increase of \$27.0 million, or 37%. The increase was primarily due to an increase in salary and benefits costs related to an increase in headcount of \$14.9 million, including stock-based compensation, a \$2.7 million increase in commission expenses recognized in fiscal 2018, an increase in travel related expenses of \$2.2 million, and an increase in allocated facilities of \$1.0 million due primarily to a new facility lease entered into in fiscal 2018.

**General and Administrative**

General and administrative expenses were \$30.7 million for fiscal 2018 compared to \$22.5 million for fiscal 2017, an increase of \$8.2 million, or 37%. The increase was primarily due to an increase in salary and benefits costs related to an increase in headcount of \$6.5 million, including stock-based compensation, an increase in consulting and contractor spend of \$1.9 million, an increase in software licenses of \$0.7 million, and an increase in recruiting costs of \$0.7 million to support our anticipated growth. The increase was partially offset by restructuring charges of \$3.3 million in fiscal 2017 related to severance and other related costs for employees terminated during that period.

**Other Income and Expenses**

	Year Ended January 31,		% Change
	2018	2017	
	(In thousands)		
Interest income, net	\$ 108	\$ 88	23%
Other expenses, net	(482)	(835)	(42)

**Interest Income, net**

Interest income, net increased by \$20,000, or 23%, in fiscal 2018 as there were no significant changes to income interest or expense activities during the respective periods.



**Other Expense, net**

Other expense, net was a loss of \$0.5 million in fiscal 2018 compared to a loss of \$0.8 million in fiscal 2017, a change of \$0.4 million, or 42%. The change was primarily due to currency fluctuations and the related remeasurements during the periods, primarily related to our U.K. operations.

**Provision for Income Taxes**

	Year Ended January 31,		% Change
	2018	2017	
	(In thousands)		
Provision for income taxes	\$ 1,261	\$ 512	146%

The provision for income taxes was \$1.3 million in fiscal 2018 compared to \$0.5 million in fiscal 2017, an increase of \$0.7 million, or 146%, primarily related to increased income generated from intercompany cost share arrangements in certain European and Asian countries.

**Quarterly Financial Data**

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in fiscal 2019 and 2018. The information for each of these eight quarters has been prepared on the same basis as the audited annual consolidated financial statements included elsewhere in this Annual Report on Form 10-K and, in the opinion of management, includes all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with generally accepted accounting principles, or GAAP.

This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended							
	April 30, 2017	July 31, 2017	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	October 31, 2018 (1)	January 31, 2019
	(in thousands, except per share data)							
Total revenues	\$ 36,745	\$ 41,074	\$ 44,189	\$ 46,339	\$ 51,550	\$ 57,828	\$ 62,014	\$ 69,250
Gross profit	\$ 26,009	\$ 27,625	\$ 28,945	\$ 33,783	\$ 37,518	\$ 41,869	\$ 44,769	\$ 49,088
Loss from operations	\$ (7,542)	\$ (8,364)	\$ (10,237)	\$ (19,776)	\$ (25,306)	\$ (19,948)	\$ (50,326)	\$ (32,683)
Net loss	\$ (8,232)	\$ (7,747)	\$ (11,770)	\$ (19,805)	\$ (26,181)	\$ (21,048)	\$ (51,231)	\$ (32,556)
Net loss per share, basic and diluted	\$ (0.50)	\$ (0.40)	\$ (0.60)	\$ (0.97)	\$ (1.21)	\$ (0.90)	\$ (1.11)	\$ (0.27)

(1) Refer to "Immaterial Correction of Error" in Note 1 of the Notes to Consolidated Financial Statements.

**Liquidity and Capital Resources**

As of January 31, 2019, our principal sources of liquidity were cash and cash equivalents totaling \$326.9 million, which were held for working capital purposes. Our cash equivalents are comprised primarily of bank deposits.

In October 2018, we completed our IPO and received aggregate net proceeds of \$281.8 million, after underwriting discounts and commissions, and before deducting offering costs of \$6.5 million. We also received aggregate proceeds of \$20.0 million related to a concurrent private placement, and did not pay any underwriting discounts or commissions with respect to the shares that were sold in this private placement.

We believe our existing cash and cash equivalents will be sufficient to meet our projected operating requirements for at least the next 12 months. Our future capital requirements will depend on

many factors, including our pace of growth, subscription renewal activity, the timing and extent of spend to support research and development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced platform offerings, and the continuing market acceptance of the platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

After the IPO, all of our restricted stock units, or RSUs, vest upon the satisfaction of a service-based vesting condition. Vested RSUs are settled in shares of our common stock. The first settlement event for certain of our RSUs occurred in December 2018, at which time approximately 2.3 million RSUs were settled. We withheld approximately 1.2 million shares of common stock upon settlement in order to satisfy tax withholding obligations. At the time of settlement in December 2018, the value of our common stock was \$24.63 per share. Based on an estimated withholding tax rate of approximately 50%, this December 2018 settlement resulted in aggregate withholding obligations of approximately \$28.4 million paid by us from our working capital. An additional settlement event for our RSUs will occur no later than April 15, 2019, by which time approximately 0.5 million shares underlying RSUs held by our officers and employees will be vested and settled into shares of our common stock. We currently expect that the average withholding tax rate for the holders of these RSUs will be approximately 50%. Subject to the discretion of our board of directors and certain contractual obligations that require us to withhold shares of common stock in order to satisfy tax withholding obligations at RSU settlement, we have established a policy requiring individuals to sell-to-cover in order to satisfy our tax withholding obligations for such individuals due at settlement. Assuming that the holders of the 0.5 million RSUs sell-to-cover consistent with this policy, approximately 50%, or approximately 0.25 million, of the vested shares would need to be sold on the settlement date.

### ***Loan and Credit Facility Agreements***

In April 2018, we entered into a syndicated loan agreement with Wells Fargo to provide a secured revolving credit facility that allows us to borrow up to \$40.0 million, subject to an accounts receivable borrowing base, for general corporate purposes through April 2020. Any advances drawn on the credit facility will incur interest at a rate equal to (i) the highest of (A) the prime rate, (B) the federal funds rate plus 0.5% and (C) one-month LIBOR plus 1% less (ii) 0.5%. Interest is payable monthly in arrears with the principal and any accrued and unpaid interest due on April 30, 2020. There was a \$6.0 million reduction of the available credit facility in April 2018 related to letters of credit for certain of our facility leases, which resulted in the simultaneous release of \$6.0 million in restricted cash. As of January 31, 2019, the Company had not drawn down any amounts under this agreement.

We granted Wells Fargo a first priority lien in our accounts receivable, all of the issued shares of capital stock and equity interests of our subsidiaries, and other corporate assets and agreed not to pledge our intellectual property to other parties. The loan agreement includes affirmative and negative covenants, including financial covenants requiring: (i) maintenance at all times of minimum tangible net worth, defined as assets, excluding intangible assets, less liabilities of not less than \$1; and (ii) maintenance at all times of a ratio of (A) the aggregate of our cash, cash equivalents and net accounts receivable to (B) total current liabilities less current deferred revenue plus revolving credit loans drawn under the loan agreement of not less than \$1.50 to \$1.00. This syndicated loan agreement was subsequently amended in September 2018. As of January 31, 2019, we were in compliance with all covenants associated with the credit facility.

## Cash Flows

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

	Year Ended January 31,		
	2019	2018	2017
	(In thousands)		
Net cash used in operating activities	\$ (45,853)	\$ (14,501)	\$ (26,161)
Net cash used in investing activities	(22,519)	(15,366)	(2,371)
Net cash provided by financing activities	279,923	64,724	2,239

## Operating Activities

Net cash used in operating activities of \$45.9 million for fiscal 2019 was primarily due to a net loss of \$131.0 million, partially offset by non-cash charges for stock-based compensation of \$52.8 million, depreciation and amortization of \$12.9 million, amortization of deferred commissions of \$11.7 million, and loss on disposal of property and equipment of \$0.6 million. Changes in working capital were favorable to cash flows from operations by \$7.1 million primarily due to an increase in the deferred revenue balance of \$52.6 million due to increases in sales, and an increase in accounts payable and accrued expenses of \$15.5 million due to our growth, partially offset by an increase in deferred commissions of \$32.8 million, and increases in accounts receivable, net of \$28.5 million.

Net cash used in operating activities of \$14.5 million for fiscal 2018 was primarily due to a net loss of \$47.6 million, partially offset by non-cash charges for stock-based compensation of \$8.6 million, depreciation and amortization of \$7.4 million, and amortization of deferred commissions of \$7.4 million. Changes in working capital were favorable to cash flows from operations by \$9.5 million primarily due to a change in the deferred revenue balance of \$32.4 million from our increases in sales and increases in accounts payable and accrued expenses of \$8.9 million due to our growth, partially offset by an increase in deferred commissions of \$14.8 million and increases in accounts receivable, net of \$10.0 million and in prepaid expenses and other current assets of \$5.9 million also related to increases in our sales.

Net cash used in operating activities of \$26.2 million for fiscal 2017 was primarily due to a net loss of \$40.2 million, partially offset by non-cash charges for stock-based compensation of \$6.1 million, depreciation and amortization of \$4.3 million, and amortization of deferred commissions of \$4.8 million. Changes in working capital were unfavorable to cash flows from operations by \$1.3 million primarily due to increases in our accounts receivable, net of \$16.3 million and deferred commissions of \$12.2 million due to increases in sales, partially offset by increases in deferred revenue of \$24.2 million also due to increases in sales and an increase in accounts payable and accrued expenses of \$5.4 million related to our growth.

## Investing Activities

Net cash used in investing activities for fiscal 2019 of \$22.5 million was related to purchases of property and equipment of \$15.1 million related to our growth and the capitalization of internal-use software of \$7.4 million as we expanded the platform and increased our development efforts.

Net cash used in investing activities for fiscal 2018 of \$15.4 million was related to purchases of property and equipment of \$9.6 million related to our growth and the capitalization of internal use software of \$5.8 million as we expanded the platform and increased our development efforts.

Net cash used in investing activities for fiscal 2017 of \$2.4 million was related to purchases of property and equipment of \$2.8 million and the capitalization of internal use software of \$2.2 million, partially offset by maturities in marketable securities of \$3.0 million.



contract inception we evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. We combine contracts entered into at or near the same time with the same customer if we determine that the contracts are negotiated as a package with a single commercial objective; the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or the services promised in the contracts are a single performance obligation.

Our performance obligations consist of (i) subscription and support services and (ii) professional and other services. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on their relative standalone selling price. We determine standalone selling price, or SSP, for all our performance obligations using observable inputs, such as standalone sales and historical contract pricing. SSP is consistent with our overall pricing objectives, taking into consideration the type of subscription services and professional and other services. SSP also reflects the amount we would charge for that performance obligation if it were sold separately in a standalone sale, and the price we would sell to similar customers in similar circumstances.

In general, we satisfy the majority of our performance obligations over time as we transfer the promised services to our customers. We review the contract terms and conditions to evaluate the timing and amount of revenue recognition; the related contract balances; and our remaining performance obligations. We also estimate the number of hours expected to be incurred based on an expected hours approach that considers historical hours incurred for similar projects based on the types and sizes of customers. These evaluations require significant judgment that could affect the timing and amount of revenue recognized.

### ***Deferred Commissions***

We capitalize sales commissions that are considered to be incremental to the acquisition of customer contracts, which are then amortized over an estimated period of benefit. To determine the period of benefit of our deferred commissions, we evaluate the type of costs incurred, the nature of the related benefit, and the specific facts and circumstances of our arrangements. We determine the period of benefit for commissions paid for the acquisition of the initial subscription contract by taking into consideration our initial estimated customer life and the technological life of the platform and related significant features. We determine the period of benefit for commissions on renewal subscription contracts by considering the average contractual term for renewal contracts. We evaluate these assumptions on a quarterly basis and periodically review whether events or changes in circumstances have occurred that could impact the period of benefit.

### ***Stock-Based Compensation***

Stock-based compensation expense is measured based on the fair value of the awards granted, and recognized in the consolidated financial statements over the requisite service period for stock options, restricted stock units (RSUs), and stock purchase rights (SPRs), and over the offering period for purchase rights issued under the ESPP.

We also estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors.

### ***Stock Options***

The fair value of a stock option is estimated on the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense is recognized, net of forfeitures, over the requisite service periods of the awards, which is generally four years.

Our use of the Black-Scholes option-pricing model requires the input of highly subjective assumptions, including the fair value of our underlying common stock, expected term of the option, expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

- **Fair Value of Common Stock.** Prior to our IPO, our board of directors determined the fair value of our common stock using various valuation methodologies, including valuation analyses performed by third-party valuation firms. After our IPO, we use the publicly quoted market closing price as reported on the New York Stock Exchange as the fair value of our common stock.
- **Risk-Free Interest Rate.** We base the risk-free interest rate for the expected term of the options on the U.S. Treasury yield curve in effect at the time of the grant.
- **Expected Term.** We determine the expected term using the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award, as we do not have sufficient historical data relating to stock-option exercises.
- **Expected Volatility.** As there was no public market for our common stock prior to our IPO, we have limited information on the volatility of our common stock. Accordingly, the expected volatility for our common stock was estimated by taking the average historic price volatility for industry peers, consisting of several public companies in our industry which are either similar in size, stage of life cycle or financial leverage, over a period equivalent to the expected term of the awards.
- **Expected Dividend Yield.** We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. As a result, we use an expected dividend yield of zero.

The Black-Scholes assumptions used in evaluating our awards are as follows:

	Year Ended January 31,		
	2019	2018	2017
Risk-free interest rate	2.68% - 3.00%	1.88% - 2.54%	1.28% - 2.18%
Expected term (years)	6.06 - 6.26	6.08	5.25 - 6.08
Expected volatility	37.0% - 37.8%	38.0% - 41.6%	41.7% - 44.2%
Dividend yield	-	-	-

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

#### *Restricted Stock Units*

RSUs granted under the 2012 Stock Plan (2012 Plan) vest upon the satisfaction of both a service condition and a liquidity condition. Both the service and liquidity conditions must be met for the expense to be recognized. The liquidity condition was satisfied upon completion of our IPO, and we recognized an expense of \$29.9 million in the three months ended October 31, 2018 for the portion of the RSUs that had met the service condition as of such date. Expense related to these RSUs is recognized using the tranche-by-tranche method.

RSUs granted under the 2018 Equity Incentive Plan (2018 Plan) vest solely upon the satisfaction of a service condition. Expense related to these RSUs is recognized using the straight-line attribution method.

As of January 31, 2019, unrecognized stock-based compensation cost related to outstanding unvested RSUs that are expected to vest was \$78.1 million, which is expected to be recognized over a weighted-average period of 2.6 years.

#### *Stock Purchase Rights*

SPRs have been issued in exchange for recourse promissory notes that have been deemed to be non-substantive in nature. The rights are accounted for as option awards with the related stock-based compensation recognized over the vesting period of the awards.

The related stock-based compensation is based on the fair value of the awards determined using the Black-Scholes option-pricing model and the assumptions are determined similarly to those noted in the option discussion above for each of the fair value of our underlying common stock, expected term of the option, expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock.

We have not granted any SPRs since fiscal 2017.

### **Recent Accounting Pronouncements**

See “Summary of Business and Significant Accounting Policies” in Note 1 of the notes to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

## **ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk**

### *Foreign Currency Exchange Risk*

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British Pound Sterling, Euro, and Singapore Dollar. Impacts to our operations from changes in foreign currency have been fairly limited to date and thus we have not instituted a hedging program. We expect our international operations to continue to grow in the near term and we will monitor our foreign currency exposure to determine when we should begin a hedging program. A majority of our agreements have been and we expect will continue to be denominated in U.S. dollars. A hypothetical 10% increase or decrease in the relative value of the U.S. dollar to other currencies would not have had a material effect on operating results for fiscal 2019, 2018 and 2017.

### *Interest Rate Sensitivity*

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. As of January 31, 2019, we had cash and cash equivalents of \$326.9 million, which consisted primarily of bank deposits. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates would not have had a material impact on our operating results for fiscal 2019, 2018 and 2017.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The supplementary financial information required by this Item 8 is included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quarterly Financial Data” in Item 7 of this Annual Report on Form 10-K and is incorporated herein by reference.

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**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors  
Anaplan, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Anaplan, Inc. and subsidiaries (the Company) as of January 31, 2019 and 2018, the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2019, in conformity with U.S. generally accepted accounting principles.

*Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, effective February 1, 2018, using the full retrospective transition method.

*Basis for Opinion*

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

San Francisco, California  
March 29, 2019

**ANAPLAN, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	<b>As of January 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 326,863	\$ 110,898
Accounts receivable, net of allowances for doubtful accounts of \$842 and \$592 as of January 31, 2019 and 2018, respectively	92,597	66,061
Deferred commissions, current portion	15,827	9,101
Prepaid expenses and other current assets	13,377	12,014
Total current assets	448,664	198,074
Property and equipment, net	43,340	18,321
Deferred commissions, net of current portion	35,063	21,568
Restricted cash	-	6,128
Other noncurrent assets	1,702	2,656
<b>TOTAL ASSETS</b>	<b>\$ 528,769</b>	<b>\$ 246,747</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,182	\$ 6,417
Accrued expenses	52,570	26,685
Deferred revenue, current portion	149,611	101,047
Total current liabilities	208,363	134,149
Deferred revenue, net of current portion	1,232	239
Other noncurrent liabilities	11,696	720
<b>TOTAL LIABILITIES</b>	<b>221,291</b>	<b>135,108</b>
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, par value of \$0.0001 per share; 25,000 and 73,620 shares authorized as of January 31, 2019 and 2018, respectively; 0 and 73,610 shares issued and outstanding as of January 31, 2019 and 2018, respectively	-	7
Common stock, par value of \$0.0001 per share; 1,750,000 and 140,000 shares authorized as of January 31, 2019 and 2018, respectively; 126,246 and 29,947 shares issued and outstanding as of January 31, 2019 and 2018, respectively	12	3
Accumulated other comprehensive loss	(3,036)	(1,982)
Additional paid-in capital	653,738	325,831
Accumulated deficit	(343,236)	(212,220)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>307,478</b>	<b>111,639</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 528,769</b>	<b>\$ 246,747</b>

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

**ANAPLAN, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands, except per share data)

	<u>Year Ended January 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue:			
Subscription revenue	\$ 208,605	\$ 143,542	\$ 91,416
Professional services revenue	32,037	24,805	29,083
Total revenue	<u>240,642</u>	<u>168,347</u>	<u>120,499</u>
Cost of revenue:			
Cost of subscription revenue	36,500	19,927	9,072
Cost of professional services revenue	30,898	32,058	30,335
Total cost of revenue	<u>67,398</u>	<u>51,985</u>	<u>39,407</u>
Gross profit	173,244	116,362	81,092
Operating expenses:			
Research and development	48,998	30,908	23,868
Sales and marketing	176,323	100,654	73,656
General and administrative	76,186	30,719	22,503
Total operating expenses	<u>301,507</u>	<u>162,281</u>	<u>120,027</u>
Loss from operations	(128,263)	(45,919)	(38,935)
Interest income, net	1,921	108	88
Other expense, net	(1,465)	(482)	(835)
Loss before income taxes	(127,807)	(46,293)	(39,682)
Provision for income taxes	(3,209)	(1,261)	(512)
Net loss	<u>(131,016)</u>	<u>(47,554)</u>	<u>(40,194)</u>
Comprehensive loss:			
Foreign currency translation adjustments	(1,054)	846	(2,517)
Comprehensive loss	<u>\$ (132,070)</u>	<u>\$ (46,708)</u>	<u>\$ (42,711)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (2.46)</u>	<u>\$ (2.51)</u>	<u>\$ (2.92)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>53,328</u>	<u>18,956</u>	<u>13,774</u>

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

**ANAPLAN, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 31, 2016	68,155	\$ 7	26,636	\$ 2	\$ 243,665	\$ (311)	\$ (124,472)	\$ 118,891
Stock-based compensation	-	-	-	-	6,325	-	-	6,325
Repayment of promissory notes, net of early exercises	-	-	-	-	304	-	-	304
Net issuance of restricted common stock	-	-	369	-	-	-	-	-
Exercise of stock options, net of repurchases and early exercises	-	-	1,622	-	1,935	-	-	1,935
Net loss	-	-	-	-	-	-	(40,194)	(40,194)
Foreign currency translation adjustments	-	-	-	-	-	(2,517)	-	(2,517)
Balance at January 31, 2017	68,155	7	28,627	2	252,229	(2,828)	(164,666)	84,744
Issuance of Series F convertible preferred stock, net of issuance costs of \$119	5,455	-	-	-	59,881	-	-	59,881
Stock-based compensation	-	-	-	-	8,802	-	-	8,802
Repayment of promissory notes, net of early exercises	-	-	-	-	1,534	-	-	1,534
Repurchase of restricted common stock	-	-	(950)	-	-	-	-	-
Exercise of stock options, net of repurchases and early exercises	-	-	2,270	1	3,309	-	-	3,310
Net loss	-	-	-	-	-	-	(47,554)	(47,554)
Foreign currency translation adjustments	-	-	-	-	-	846	-	846
Other	-	-	-	-	76	-	-	76
Balance at January 31, 2018	73,610	7	29,947	3	325,831	(1,982)	(212,220)	111,639
Conversion of Series B convertible preferred stock	(4)	-	4	-	-	-	-	-
Issuance of common stock upon initial public offering, net of issuance costs	-	-	19,001	2	295,284	-	-	295,286
Conversion of preferred stock	(73,606)	(7)	73,606	7	-	-	-	-
Stock-based compensation	-	-	-	-	53,385	-	-	53,385
Repayment of promissory notes, net of early exercises	-	-	-	-	1,603	-	-	1,603
Exercise of stock options, net of repurchases and early exercises	-	-	2,482	-	6,020	-	-	6,020
Exercise of warrants	-	-	24	-	37	-	-	37
Vesting and settlement of restricted stock units	-	-	1,182	-	-	-	-	-
Taxes paid related to net share settlement of equity awards	-	-	-	-	(28,422)	-	-	(28,422)
Net loss	-	-	-	-	-	-	(131,016)	(131,016)
Foreign currency translation adjustments	-	-	-	-	-	(1,054)	-	(1,054)
Balance at January 31, 2019	-	\$ -	126,246	\$ 12	\$ 653,738	\$ (3,036)	\$ (343,236)	\$ 307,478

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

**ANAPLAN, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended January 31,		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (131,016)	\$ (47,554)	\$ (40,194)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	12,937	7,399	4,324
Amortization of deferred commissions	11,709	7,409	4,822
Stock-based compensation	52,806	8,639	6,103
Loss on disposal of property and equipment	582	71	38
Changes in operating assets and liabilities:			
Accounts receivable, net	(28,542)	(9,982)	(16,316)
Prepaid expenses and other current assets	(1,439)	(5,853)	(956)
Other noncurrent assets	702	(1,176)	(630)
Deferred commissions	(32,813)	(14,765)	(12,169)
Accounts payable and accrued expenses	15,544	8,948	5,365
Deferred revenue	52,604	32,413	24,168
Other noncurrent liabilities	1,073	(50)	(716)
Net cash used in operating activities	(45,853)	(14,501)	(26,161)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	(15,122)	(9,565)	(2,787)
Capitalized internal-use software	(7,397)	(5,801)	(2,184)
Acquisitions, net of cash acquired	-	-	(400)
Maturities of marketable securities	-	-	3,000
Net cash used in investing activities	(22,519)	(15,366)	(2,371)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from initial public offering, net of underwriting discounts and commissions	281,813	-	-
Proceeds from issuance of common stock in private placement	20,000	-	-
Proceeds from issuance of preferred stock, net of issuance costs	-	59,881	-
Proceeds from exercise of stock options	6,209	3,309	1,935
Proceeds from repayment of promissory notes	1,914	1,534	304
Payment of exercise of warrants	37	-	-
Taxes paid related to net share settlement of equity awards	(28,422)	-	-
Principal payments on capital lease obligations	(1,628)	-	-
Net cash provided by financing activities	279,923	64,724	2,239
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1,714)	1,264	(2,835)
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>209,837</b>	<b>36,121</b>	<b>(29,128)</b>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of period	117,026	80,905	110,033
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of period	<u>\$ 326,863</u>	<u>\$ 117,026</u>	<u>\$ 80,905</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid for interest	\$ 279	\$ 5	\$ 4
Cash paid for income taxes	\$ 582	\$ 445	\$ 258
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Increase (decrease) in purchases of property and equipment included in liabilities	\$ 1,435	\$ (724)	\$ 1,740
Capital leases for property and equipment	\$ 12,600	\$ -	\$ -
Deferred offering costs not paid	\$ 213	\$ -	\$ -

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

**ANAPLAN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Summary of Business and Significant Accounting Policies**

*Description of Business*

Anaplan, Inc. (the Company or Anaplan) was incorporated in Delaware on July 9, 2009 and is headquartered in San Francisco, California, with offices in several locations including Minneapolis, New York, the United Kingdom (U.K.), France, Japan, Australia, India, and Singapore.

The Company provides a cloud-based connected planning platform that helps connect organizations and people to make better and faster decisions. The Company delivers its application over the Internet as a subscription service using a software-as-a-service (SaaS) model. The Company also offers professional services related to implementing and supporting its application.

*Fiscal Year*

The Company's fiscal year ends on January 31. References to fiscal 2019, for example, refer to the fiscal year ended January 31, 2019.

*IPO and Private Placement*

In October 2018, the Company completed its IPO of 17,825,000 shares of its common stock, including the full exercise of the underwriters' option to purchase additional shares, at a public offering price of \$17.00 per share. The Company received net proceeds of \$281.8 million after deducting underwriting discounts and commissions. In connection with the IPO:

- all of the shares of preferred stock outstanding automatically converted into an aggregate of 73,605,861 shares of the Company's common stock;
- the outstanding warrant to purchase 10,454 shares of preferred stock automatically converted into a warrant to purchase 10,454 shares of the Company's common stock, and such warrant was subsequently exercised; and
- certain investors purchased 1,176,466 shares of the Company's common stock in a private placement at \$17.00 per share. The Company received aggregate proceeds of \$20.0 million and did not pay any underwriting discounts or commissions with respect to the shares that were sold in this private placement.

*JOBS Act Accounting Election*

The Company is an emerging growth company (EGC), as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has irrevocably elected not to avail itself of this exemption from new or revised accounting standards and, therefore, it will be subject to the same new or revised accounting standards as other public companies that are not EGCs. The Company also adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, effective February 1, 2018, using the full retrospective method.

*Principles of Consolidation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of the Company and its wholly owned subsidiaries (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

#### *Immaterial Correction of Error*

During the fourth quarter of fiscal 2019, the Company identified an error in stock-based compensation expense for the three and nine months ended October 31, 2018 related to the attribution of stock-based compensation with respect to certain restricted stock units containing double-trigger vesting conditions. The Company had incorrectly recognized expense using a straight-line attribution method rather than on a tranche-by-tranche basis for certain awards with a performance condition, resulting in an understatement of stock-based compensation expense of \$13.3 million for the three and nine months ended October 31, 2018. The resulting correction increased research and development, sales and marketing, and general and administrative expenses for the three and nine months ended October 31, 2018 by \$0.5 million, \$2.9 million, and \$9.9 million, respectively. This increased loss from operations, loss before income taxes, and net loss by \$13.3 million in the three and nine months ended October 31, 2018, and increased net loss per share attributable to common stockholders – basic and diluted by \$0.29 per share and \$0.44 per share for the three and nine months ended October 31, 2018, respectively. Additional paid-in capital and accumulated deficit also each increased by \$13.3 million as of October 31, 2018 resulting in a net nil impact to total stockholders' equity. This correction did not impact the total grant date fair value of these awards, revenue, or total cash flows provided by (used in) operating, investing, or financing activities. Management does not believe that this error and related correction were material to the condensed consolidated financial statements taken as a whole.

#### *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include, but are not limited to, the determination of revenue recognition, the fair value of stock awards issued, and the allowance for doubtful accounts. Actual results could differ from those estimates.

#### *Foreign Currency*

The functional currency of the Company's foreign subsidiaries is their respective local currency. The Company translates all assets and liabilities of foreign subsidiaries to U.S. dollars at the current exchange rate as of the applicable consolidated balance sheet date. Revenue and expenses are translated at the average exchange rate prevailing during the period. The related unrealized gains and losses from foreign currency translation are recorded in accumulated other comprehensive loss as a separate component of stockholders' equity. Foreign currency transaction losses were \$1.4 million, \$0.4 million and \$0.8 million for fiscal 2019, 2018, and 2017, respectively, and are included in other expense, net in the consolidated statements of comprehensive loss.

#### *Cash and Cash Equivalents and Restricted Cash*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are stated at fair value. Restricted cash represents cash held to collateralize lease obligations.

#### *Fair Value Measurement*

The Company's financial instruments, other than cash and restricted cash, consists principally of accounts receivable and accounts payable of which the fair value approximates the carrying value of these financial instruments because of their short-term nature.

#### *Property and Equipment, net*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which is

two or three years for all property and equipment, excluding leasehold improvements. Leasehold improvements are amortized using the straight-line method over the shorter of 10 years or the remaining lease term.

#### *Impairment of Long-Lived Assets*

The Company evaluates long-lived assets or asset groups for impairment whenever events indicate that the carrying value of an asset or asset group may not be recoverable based on expected future cash flows attributable to that asset or asset group. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds estimated undiscounted future cash flows, then an impairment charge would be recognized based on the excess of the carrying amount of the asset or asset group over its fair value. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell. There were no material impairment charges recognized related to long-lived assets during fiscal 2019, 2018, and 2017.

#### *Concentration of Risk and Significant Customers*

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable. The Company maintains its cash, cash equivalents, and restricted cash with high-quality financial institutions with investment-grade ratings. A majority of the cash balances are with U.S. banks and are insured to the extent defined by the Federal Deposit Insurance Corporation.

The Company markets its subscription and services in the United States and in foreign countries through its direct sales force and partners. No customer accounted for more than 10% of total revenue for fiscal 2019, 2018, and 2017, or more than 10% of total accounts receivable as of January 31, 2019 and 2018.

#### *Segment Information*

The Company operates in one operating segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue by geographical region can be found in the revenue recognition disclosures later in Note 1. As of January 31, 2019 and 2018, substantially all of the Company's long-lived assets were located in the United States.

#### *Accounts Receivable, net*

Accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. The allowance for doubtful accounts is based on the Company's assessment of the collectability of accounts. The Company regularly reviews the adequacy of the allowance for doubtful accounts based on a combination of factors. In establishing any required allowance, management considers historical losses adjusted to take into account current market conditions and the Company's customers' financial condition, the amount of any receivables in dispute, and the current receivables aging and current payment terms. Accounts receivable deemed uncollectable are charged against the allowance for doubtful accounts when identified.

#### *Revenue Recognition*

The Company adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, effective February 1, 2018, using the full retrospective transition method. Accordingly,



the Company has presented the consolidated financial statements for fiscal 2018 and 2017 as if this guidance had been effective as of the beginning of fiscal 2017. The adoption of the new guidance did not have a significant change on the Company's revenue during all periods presented. However, the adoption of the new guidance did impact the Company's commission expense recognized during each period presented, resulting in decreases from \$10.7 million and \$9.5 million to \$7.4 million and \$4.8 million during fiscal 2018 and 2017, respectively, which was recognized in sales and marketing expense. The cumulative effect of the adoption of the new guidance on the Company's opening accumulated deficit as of February 1, 2016 resulted in a change from \$129.8 million to \$124.5 million.

The Company derives revenue primarily from sales of subscription services and, to a lesser degree, from professional services. Revenue is recognized when a customer obtains access to the platform and receives the related professional services. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to receive in exchange for these services.

To achieve the core principle of this new standard, the Company applies the following steps:

*1. Identification of the contract, or contracts, with the customer*

The Company considers the terms and conditions of the contract in identifying the contracts. The Company determines a contract with a customer to exist when the contract is approved, each party's rights regarding the services to be transferred can be identified, the payment terms for the services can be identified, it has been determined the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company will evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, and financial information pertaining to the customer.

*2. Identification of the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. The Company's performance obligations generally consist of (i) subscription and support services and (ii) professional services.

*3. Determination of the transaction price*

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services to the customer. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of the Company's contracts contain a significant financing component.

*4. Allocation of the transaction price to the performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on each performance obligation's relative standalone selling price (SSP).

*5. Recognition of the revenue when, or as, a performance obligation is satisfied*

Revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognized when control of the service is

transferred to the customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company generates all its revenue from contracts with customers.

#### *Subscription Revenue*

The Company generates revenue primarily from sales of subscriptions to access its cloud-based business and execution planning platform. Subscription arrangements with customers do not provide the customer with the right to take possession of the software operating the platform. Instead, customers are granted continuous access to the platform over the contractual period. A time-elapsed method is used to measure progress because the Company's obligation is to provide continuous service over the contractual period. Accordingly, the fixed consideration related to subscription revenue is recognized ratably over the contract term beginning on the date access to the platform is provided.

The typical subscription term is two to three years and customers are generally invoiced in annual installments at the beginning of each year within the subscription period. Most contracts are non-cancelable over the contractual term. Some customers have the option to purchase additional subscription services at a stated price. These options are evaluated on a case-by-case basis but generally do not provide a material right as they are priced within a range of prices provided to other customers for the same products and, as such, would not result in a separate performance obligation.

#### *Professional Services Revenue*

Professional services revenue consists of fees associated with implementation or consultation services, and training. Professional services do not result in significant customization of the subscription service and are considered distinct. A substantial majority of the professional service contracts are recognized on a time and materials basis and the related revenue is recognized as the service hours are performed. For time and materials projects, the Company invoices for professional services as the work is incurred and in arrears.

#### *Contracts with Multiple Performance Obligations*

Most contracts with customers contain multiple performance obligations that are distinct and accounted for separately. The transaction price is allocated to the separate performance obligations on a relative SSP basis. The Company determines SSP for all performance obligations using observable inputs, such as standalone sales and historical contract pricing. SSP is consistent with the Company's overall pricing objectives, taking into consideration the type of subscription services and professional and other services. SSP also reflects the amount the Company would charge for that performance obligation if it were sold separately in a standalone sale, and the price the Company would sell to similar customers in similar circumstances.

#### *Variable Consideration*

Revenue from sales is recorded based on the transaction price, which includes estimates of variable consideration.

Variable consideration may exist where a customer has purchased professional services that are sold on a time and materials basis. The Company estimates the number of hours expected to be incurred based on an expected values approach that considers historical hours incurred for similar projects based on the types and sizes of customers.

*Disaggregation of Revenue*

The following table summarizes the revenue by region based on the shipping address of customers who have contracted to use the Company's cloud-based application:

	Year Ended January 31,					
	2019		2018		2017	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
	(In thousands, except percentage data)					
Americas	\$ 141,595	59 %	\$ 101,867	61 %	\$ 76,667	64 %
EMEA	78,868	33	53,123	32	35,437	29
APAC	20,179	8	13,357	7	8,395	7
Total	<u>\$ 240,642</u>	<u>100 %</u>	<u>\$ 168,347</u>	<u>100 %</u>	<u>\$ 120,499</u>	<u>100 %</u>

The United States and the United Kingdom were the only two countries that represented more than 10% of the Company's revenues in any period, comprised of \$136.8 million and 57%, \$98.5 million and 59%, and \$74.7 million and 62% for the United States in fiscal 2019, 2018, and 2017, respectively, and \$32.3 million and 13%, \$23.1 million and 14%, and \$17.0 million and 14% for the United Kingdom in fiscal 2019, 2018, and 2017, respectively.

*Contract Balances*

Contract assets represent revenue recognized for contracts that have not yet been invoiced to customers, typically for multi-year arrangements. Total contract assets were \$0.4 million and \$0.1 million as of January 31, 2019 and 2018, respectively, which were included within prepaid expenses and other current assets on the consolidated balance sheets.

Contract liabilities consist of deferred revenue. Revenue is deferred when the Company has the right to invoice in advance of performance under a contract. The current portion of deferred revenue balances are recognized over the following 12-month period. The amount of revenue recognized in fiscal 2019, 2018, and 2017 that was included in deferred revenue at the beginning of each period was \$101.0 million, \$65.6 million, and \$41.6 million, respectively.

*Deferred Commissions*

The Company capitalizes sales commissions that are incremental due to the acquisition of customer contracts. These costs are recorded as deferred commissions on the consolidated balance sheets. The Company determines whether costs should be deferred based on its sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

Sales commissions for renewal of a subscription contract are not considered commensurate with the commissions paid for the acquisition of the initial subscription contract given the substantive difference in commission rates between new and renewal contracts. Commissions paid upon the initial acquisition of a contract are amortized over an estimated period of benefit of five years, which is the estimated customer life, while commissions paid related to renewal contracts are amortized over the renewal term. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition. Commissions paid on professional services are typically recognized over the same period as the associated revenue. The Company determines the period of benefit for commissions paid for the acquisition of the initial subscription contract by taking into consideration the initial estimated customer life and the technological life of the platform and related significant features. The Company determines the period of benefit for renewal subscription contracts by considering the average contractual term for renewal contracts. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of comprehensive loss.

The Company periodically reviews these deferred commissions to determine whether events or changes in circumstances have occurred that could impact the period of benefit. There were no impairment losses recorded during the periods presented.

The following table represents a rollforward of the Company's deferred commissions:

	As of January 31,	
	2019	2018
	(In thousands)	
Beginning balance	\$ 30,669	\$ 22,742
Additions to deferred commissions	33,060	14,765
Amortization of deferred commissions	(11,709)	(7,409)
Foreign currency translation effect of deferred commissions	(1,130)	571
Ending balance	<u>\$ 50,890</u>	<u>\$ 30,669</u>
Deferred commissions, current portion (to be recognized in next 12 months)	15,827	9,101
Deferred commissions, net of current portion	<u>35,063</u>	<u>21,568</u>
Total deferred commissions	<u>\$ 50,890</u>	<u>\$ 30,669</u>

### *Remaining Performance Obligation*

As of January 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was \$440.0 million, which consists of both billed consideration in the amount of \$150.8 million and unbilled consideration in the amount of \$289.2 million that the Company expects to recognize as subscription revenue. The Company expects to recognize 53% of this amount as revenue in the fiscal year ending January 31, 2020 and 98% over the three years ending January 31, 2022.

The Company applied a practical expedient allowing it not to disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less.

### *Cost of Revenue*

#### *Cost of Subscription Revenue*

Cost of subscription revenue primarily consists of costs related to providing cloud applications, compensation and other employee-related expenses for data center staff, payments to outside service providers, customer service, data center and networking expenses, depreciation expenses, and amortization of capitalized software development costs.

#### *Cost of Professional Services Revenue*

Cost of professional services primarily consists of costs related to providing implementation services, optimization services, and training, and includes compensation and other employee-related expenses for professional services staff, costs of subcontractors, and travel.

### *Advertising Costs*

Advertising costs are expensed as incurred in sales and marketing expense and amounted to \$15.1 million, \$11.0 million, and \$9.6 million for fiscal 2019, 2018, and 2017, respectively.

### *Stock-Based Compensation*

Prior to the IPO, the Company's board of directors determined the fair value of its common stock using various valuation methodologies, including valuation analyses performed by third-party valuation firms. After the IPO, the Company uses the publicly quoted market closing price as reported on the New York Stock Exchange as the fair value of its common stock.

The Company measures the cost of employee services received in exchange for an award of equity instruments, including stock options, stock purchase rights (SPRs), restricted stock units (RSUs), and the purchase rights issued under the 2018 Employee Stock Purchase Plan (ESPP), based on the estimated grant-date fair value of the award. The Company calculates the fair value of options, SPRs, and the purchase rights issued under ESPP using the Black-Scholes option-pricing model and the related expense is recognized using the straight-line attribution approach. The vesting period is the period the employee is required to provide service in exchange for the award.

The Company's RSUs granted under the 2012 Stock Plan (2012 Plan) vest upon the satisfaction of both a service condition and a liquidity condition. Both the service and liquidity conditions must be met for the expense to be recognized. The liquidity condition was satisfied upon the IPO, and the Company recognized an expense of \$29.9 million in the three months ended October 31, 2018 for the portion of the RSUs that had met the service condition as of such date.

The Company's RSUs granted after the IPO under the 2018 Equity Incentive Plan (2018 Plan) vest upon the satisfaction of a service condition and do not have a corresponding liquidity condition.

As of January 31, 2019, unrecognized stock-based compensation cost related to outstanding unvested RSUs that are expected to vest was \$78.1 million, which is expected to be recognized over a weighted-average period of 2.6 years.

Stock-based compensation expense includes the impact of estimated forfeitures, and has been allocated between cost of revenue and operating expense lines based on the cost category of the respective award holders.

#### *Income Taxes*

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records a valuation allowance to reduce its deferred tax assets to the net amount that the Company believes is more likely than not to be realized. In assessing the need for a valuation allowance, the Company has considered its historical levels of income, expectations of future taxable income and ongoing tax planning strategies. Because of the uncertainty of the realization of the deferred tax assets, the Company has recorded a valuation allowance against substantially all deferred tax assets. Realization of its deferred tax assets is dependent primarily upon future U.S. and U.K. taxable income.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

#### *Capitalized Software Development Costs*

The Company capitalizes software development costs in connection with its cloud-based business modeling and planning software application, as well as certain projects for internal use, as incurred. Qualifying computer software costs that are incurred during the application development stage are capitalized. The Company capitalized \$8.1 million, \$5.8 million, and \$2.3 million related to software costs incurred during fiscal 2019, 2018, and 2017, respectively. Capitalized software costs are amortized on a straight-line basis over its estimated useful life, which is generally two to three years, in cost of subscription revenue.

### *Leases and Asset Retirement Obligations*

The Company categorizes leases at their inception as either operating or capital leases. In certain lease agreements, the Company may receive rent holidays and other incentives. For operating leases, the Company recognizes lease costs on a straight-line basis once control of the space is achieved, without regard to deferred payment terms such as rent holidays that defer the commencement date of required payments. Additionally, incentives received are treated as a reduction of costs over the term of the agreement.

The Company establishes assets and liabilities for the present value of estimated future costs to retire long-lived assets at the termination or expiration of a lease. Such assets are depreciated over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated retirement costs.

### *Deferred Offering Costs*

Deferred offering costs consist primarily of accounting, legal, and other fees related to the Company's IPO. Prior to the IPO, all deferred offering costs were capitalized in other noncurrent assets in the consolidated balance sheets. After the IPO, all deferred offering costs were reclassified into stockholders' equity as a reduction of the IPO proceeds in the consolidated balance sheets. As of January 31, 2019 and 2018, there were \$6.5 million and \$1.1 million of offering costs, respectively.

### *Net Loss Per Share Attributable to Common Stockholders*

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company considers all series of convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of the convertible preferred stock do not have a contractual obligation to share in the losses of the Company. Under the two-class method, net income would be attributed to common stockholders and participating securities based on their participation rights.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share attributable to common stockholders adjusts basic net loss per share for the potentially dilutive impact of convertible preferred stock, stock options, restricted stock units, stock repurchase rights, convertible preferred stock warrants, and common stock warrants. As the Company has reported losses for all periods presented, all potentially dilutive securities are antidilutive and accordingly, basic net loss per share equals diluted net loss per share.

### *Recently Issued Accounting Pronouncements*

In February 2016 and July 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 "Leases", ASU 2018-10 "Codification Improvements to Topic 842, Leases", and ASU 2018-11 "Leases (Topic 842): Targeted Improvements", which requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The new guidance requires that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The Company expects to adopt the guidance starting February 1, 2019 using a prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. The Company expects to elect certain practical expedients permitted under the transition guidance within the new guidance, which allows it to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. The Company also expects to elect not to use the

hindsight practical expedient in determining the lease term and impairment of the right-of-use (ROU) assets and to elect to keep leases with an initial term of 12 months or less off of its consolidated balance sheet. The Company expects to elect not to separate lease and non-lease components for all classes of underlying assets. The Company is finalizing its evaluation of the impacts that the adoption of this accounting guidance will have on its consolidated financial statements, and estimates approximately \$36 million to \$44 million of additional ROU for assets and liabilities to be recognized in its consolidated balance sheet upon adoption.

In June 2016, the FASB issued ASU 2016-13 “ *Financial Instruments – Credit Losses (Topic 326): Measurement of credit Losses on Financial Instruments* ”, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance will be effective for fiscal year beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact.

In August 2018, the FASB issued ASC 2018-15 “ *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ”. The new guidance amends the definition of a hosting arrangement and requires a customer in a hosting arrangement that is a service contract to capitalize certain costs as if the arrangement were an internal-use software project. The guidance will be effective for fiscal year beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company expects to early adopt the guidance starting February 1, 2019 using a prospective transition approach. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact.

#### *Recently Adopted Accounting Pronouncements*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* . The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the guidance using the full retrospective transition method starting February 1, 2018. The adoption of the new standard resulted in changes to the Company’s accounting policies for revenue recognition and deferred commissions and resulted in additional disclosures as noted in the revenue recognition section.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* , which changes several aspects of the accounting for share-based payment award transactions, including the accounting for income taxes, classification of excess tax benefits on the statement of cash flows, forfeitures, minimum statutory tax withholding requirements, classification of employee taxes paid on the statement of cash flows when the employer withholds shares for tax-withholding purposes, as well as expected term and intrinsic value estimates for nonpublic entities. The Company adopted the guidance on February 1, 2018, and elected to continue to estimate its forfeiture rate. The adoption of this standard had no material impact on the Company’s consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* , which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted the guidance starting February 1, 2018 and retrospectively revised the prior period cash flow from investing activities,

beginning cash balance, and ending cash balance to reflect the change in presentation of restricted cash. Other than the change in the presentation in the accompanying consolidated statements of cash flows, the adoption of this standard had no effect on the Company's consolidated financial statements and disclosures.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718) Scope of Modification Accounting*, which clarifies which changes to the terms or conditions of a share-based payment award are subject to the guidance on modification accounting. Entities would apply the modification accounting guidance unless the value, vesting requirements and classification of a share-based payment award are the same immediately before and after a change to the terms or conditions of the award. The Company adopted the guidance on February 1, 2018. The adoption of this standard had no material impact on the Company's consolidated financial statements and disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. The standard simplifies the accounting for share-based payments granted to nonemployees for goods and services and aligns most of the guidance on such payments to nonemployees with the requirements for share-based payments granted to employees. The Company adopted the guidance starting February 1, 2018. The adoption of the new standard had no material impact on the Company's consolidated financial statements and disclosures.

## (2) Consolidated Balance Sheet Components

### Property and Equipment, net

Property and equipment consisted of the following:

	As of January 31,	
	2019	2018
	(In thousands)	
Computer and office equipment	\$ 37,990	\$ 19,273
Leaseold improvements	11,823	2,722
Internal-use software	17,810	9,603
Construction in progress	1,041	2,077
Property and equipment, gross	68,664	33,675
Less: accumulated depreciation	(25,324)	(15,354)
Property and equipment, net	<u>\$ 43,340</u>	<u>\$ 18,321</u>

Depreciation expense was \$12.7 million, \$7.2 million, and \$4.1 million for fiscal 2019, 2018, and 2017, respectively.

As of January 31, 2019, total property and equipment financed under capital leases was \$14.2 million, net of accumulated amortization of \$1.3 million. For fiscal 2019, amortization expense related to property and equipment financed under capital leases was \$1.3 million. No property and equipment was financed under capital leases in fiscal 2018.



### Accrued Expenses

Accrued expenses consisted of the following:

	<b>As of January 31,</b>	
	<b>2019</b>	<b>2018</b>
	(In thousands)	
Vendor accruals	\$ 6,237	\$ 5,180
Accrued commission	10,000	3,938
Accrued bonuses	11,759	5,243
Accrued other payroll liabilities	10,112	5,164
Current portion of capital lease obligations	4,512	-
Accrued other	9,950	7,160
Accrued expenses	<u>\$ 52,570</u>	<u>\$ 26,685</u>

### (3) Bank Borrowing

In June 2015, the Company entered into a loan and security agreement with Comerica that allowed it to borrow up to \$20.0 million through June 19, 2019. Any advances drawn on the agreement would incur interest at the LIBOR plus additional interest between 2.5% and 3.25% and was required to be repaid with interest only payments in arrears with the principal due upon maturity of the agreement. In April 2018, in conjunction with entering into the Wells Fargo loan agreement, the Company terminated the loan and security agreement with Comerica.

In April 2018, the Company entered into a syndicated loan agreement with Wells Fargo to provide a secured revolving credit facility that allows the Company to borrow up to \$40.0 million, subject to an accounts receivable borrowing base, for general corporate purposes through April 2020. Any advances drawn on the credit facility will incur interest at a rate equal to (i) the highest of (A) the prime rate, (B) the federal funds rate plus 0.5%, and (C) the one-month LIBOR plus 1% less (ii) 0.5%. Interest is payable monthly in arrears with the principal and any accrued and unpaid interest due on April 30, 2020. There was a \$6.0 million reduction of the available credit facility in April 2018 related to letters of credits for certain facility leases which resulted in the simultaneous release of \$6.0 million in restricted cash. This syndicated loan agreement was subsequently amended in September 2018. As of January 31, 2019, the Company had not drawn down any amounts under this agreement. The Company was in compliance with the financial covenants contained in the agreement as of January 31, 2019.

### (4) Commitments and Contingencies

#### Operating Leases

The Company leases certain facilities under operating leases that expire from fiscal 2019 to 2028. Rent expense for all facilities during fiscal 2019, 2018, and 2017 was \$11.4 million, \$5.7 million, and \$3.4 million, respectively.

Future minimum payments related to operating leases as of January 31, 2019 are as follows:

Year ended January 31,	<b>Amount</b>
	(In thousands)
2020	\$ 10,994
2021	8,534
2022	7,065
2023	7,256
2024	7,342
2025 and thereafter	16,427
Total future minimum payments	<u>\$ 57,618</u>

### Capital Leases

In fiscal 2019, the Company entered into capital leases to finance equipment.

Future minimum payments related to the capital lease as of January 31, 2019 are as follows:

	<u>Amount</u>
	(In thousands)
Year ended January 31,	
2020	\$ 5,438
2021	5,366
2022	3,369
2023	386
Total future minimum payments	<u>\$ 14,559</u>

### Indemnifications

The Company delivers its application over the Internet as a subscription service using a SaaS model. Each subscription is subject to the terms of the contractual arrangement with the customer and generally includes certain provisions for holding the customer harmless against and indemnifying the customer for costs, damages, losses, liabilities, and expenses arising from claims that the Company's software infringes upon a copyright, trademark, or other trade secret rights, and third-party claims arising from the Company's breach of the contract.

The Company has not incurred any expense in defense or reimbursement of any of its customers for losses related to indemnification provisions, and no material claims against the Company are outstanding as of January 31, 2019 and 2018. The Company's exposure under these indemnification provisions is generally capped at a fixed amount in many customer agreements and uncapped in others. Due primarily to the lack of history of prior indemnification claims and the unique facts and circumstances involved in each particular contractual arrangement, the Company has determined that potential costs related to indemnification are not probable or estimable and, as such, has not recorded a reserve for fiscal 2019, 2018, or 2017.

### Warranties

The Company provides a warranty for the implementation services it performs for its subscription services to its customers for a period of 30 days after completion of the services. The Company's services are generally warranted to conform to the specifications set forth in the related customer contract and published documentation. In the event there is a failure of such warranties, the Company generally will correct the problem or provide a reasonable workaround or replacement product. If the Company cannot correct the problem or provide a workaround or replacement product, then the customer's remedy is generally limited to termination of the contractual arrangement related to the nonconforming product services with a refund of the related fees paid. Accordingly, no amounts have been recorded.

### Legal Matters

The Company is a party to various legal proceedings and claims, which arise in the ordinary course of business. As of January 31, 2019 and 2018, the Company determined that there was not at least a reasonable possibility that it had incurred a material loss, or a material loss in excess of a recorded accrual, with respect to such proceedings.

### **(5) Common Stock and Employee Stock Plans**

As of January 31, 2019, the Company was authorized to issue 1,750,000,000 shares of common stock. Shares were reserved for future issuance as follows:

	<u>As of January 31, 2019</u>
	(In thousands)
Outstanding stock options	14,986
Outstanding restricted stock units	10,894
Outstanding stock purchase rights	4,776
Shares available for future issuances under the 2018 Stock Plan	13,411
Shares available for future issuances under the 2018 ESPP	<u>2,700</u>
Total	<u><u>46,767</u></u>

#### *2012 Stock Plan*

In March 2012, the Company adopted the 2012 Plan, under which officers, employees, and consultants may be granted various forms of equity incentive compensation at the discretion of the Board of Directors, including stock options, RSUs, and SPRs. The awards have varying terms, but generally vest over four years, and are issued at the fair value of the shares of common stock on the date of grant.

In connection with the IPO, the 2012 Plan was terminated and the number of shares of common stock reserved under the 2012 Plan that were not issued or subject to outstanding awards under the 2012 Plan on the IPO date were transferred to the 2018 Plan. As of January 31, 2019, options to purchase and RSUs to convert to a total of 24.6 million shares of common stock were outstanding under the 2012 Plan pursuant to their original terms and no shares were available for future grant.

#### *2018 Stock Plan*

In October 2018, the Company adopted the 2018 Plan, which became effective on October 11, 2018 and serves as the successor to the Company's 2012 Plan, and provides various forms of equity incentive awards to the Company's officers, employees and consultants at the discretion of the Board of Directors. The awards have varying terms, but generally vest over four years, and are issued at the fair value of the shares of common stock on the date of grant.

As of January 31, 2019, options to purchase and RSUs to convert to a total of 1.2 million shares of common stock were outstanding under the 2018 Plan. On the first day of each fiscal year of the Company during the term of the 2018 Plan, commencing on February 1, 2019 and ending on (and including) February 1, 2028, the aggregate number of common shares that may be issued under the 2018 Plan shall automatically increase by a number equal to the least of (a) 5% of the total number of common shares issued and outstanding on the last day of the preceding fiscal year, (b) 7,500,000 of common shares, or (c) a number of common shares determined by the Company's board of directors.

#### *Employee Stock Purchase Plan*

In September 2018, the Company adopted the 2018 Employee Stock Purchase Plan (the ESPP), which became effective on October 12, 2018. The ESPP initially authorizes the issuance of 2,700,000 shares of the Company's common stock pursuant to purchase rights granted to eligible employees. The number of shares of common stock available for sale under the ESPP also includes an annual increase on the first day of each fiscal year beginning on February 1, 2019, equal to the least of: (i) 1% of the outstanding shares of common stock as of the last day of the preceding fiscal year, (ii) 1,500,000 shares of stock subject to anti-dilution adjustments or (iii) such other amount as the board of directors may determine.

Except for the initial offering period, the ESPP provides for 12-month offering periods beginning June 21 and December 21 of each year, and each offering period will consist of two six-month

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purchase periods. The initial offering period began October 12, 2018 and will end on December 20, 2019. On each purchase date, eligible employees will purchase the shares at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's stock on the offering date or (2) the fair market value of our stock on the purchase date.

The Company accounted for the stock purchase rights under ESPP at the grant date (first day of the offering period) by valuing each purchase period separately. The Black-Scholes assumptions used to value the ESPP are as follows:

	<b>Year Ended January 31, 2019</b>
ESPP:	
Risk-free interest rate	2.51% - 2.69%
Expected term (years)	0.69 - 1.19
Expected volatility	32.5% - 34.9%
Expected dividend yield	-

*Stock Purchase Rights (SPRs) with Recourse Notes*

SPRs have been issued in exchange for recourse promissory notes with the aggregate price of the underlying shares as the principal amount. The promissory notes are collateralized by the related common stock, and bear annual interest according to the table below. Repayment is due between four and 12 years from the date of the promissory notes or earlier in certain circumstances. In addition, any proceeds from the sale of shares purchased with the notes must be applied to repay the outstanding note receivable balance. The Company has a right to repurchase the shares if the employee's service period is not fulfilled or upon termination of employment at the original per share issuance price. The right of repurchase lapses over an employee service period which is typically four years with 25% vesting on the first anniversary of the vesting commencement date and 1/48 each month thereafter. The Company deemed all employee recourse promissory notes to be non-substantive in nature and therefore the notes are not reflected in the consolidated balance sheets and consolidated statements of stockholders' equity. Rather, the note issuances and the share purchases are accounted for as share option grants, with the related share-based compensation measured using the Black-Scholes option-pricing model and recognized over the vesting periods.

There were no SPRs issued in fiscal 2019 or 2018. Information related to SPRs issued in fiscal 2017 is as follows:

	<b>Year Ended January 31, 2017</b>
Recourse promissory notes:	
SPRs issued (in thousands)	608
Notes principal amount (in thousands)	\$ 2,789
Annual interest rate	1.18%
Terms (years)	7

Certain promissory notes are structured such that they are full-recourse with respect to 51% of the initial principal plus any accrued and unpaid interest, and non-recourse with respect to the remaining 49%. As the Company only has partial recourse under the promissory notes, and the underlying shares are subject to repurchase, the Company deemed the purchase of shares with the notes to be non-substantive. As such, the accounting for the partial-recourse notes is consistent with the recourse notes as discussed above.

Information related to SPRs issued related to the partial-recourse promissory notes is as follows:

	<b>Year Ended January 31, 2017</b>
Partial-recourse promissory notes:	
SPRs issued (in thousands)	250
Notes principal amount (in thousands)	\$ 1,148
Annual interest rate	1.41%
Terms (years)	6

Shares underlying the SPRs are presented as outstanding on the consolidated balance sheets and consolidated statements of stockholders' equity as the shares have voting and dividend rights and are thus considered legally outstanding. However, 4.8 million, 8.8 million, and 12.6 million of these underlying shares for fiscal 2019, 2018, and 2017, respectively, have been excluded from the respective net loss per share calculations because the shares are considered contingently issuable and subject to repurchase.

The Black-Scholes assumptions used to value the SPRs at the grant dates are as follows:

	<b>Year Ended January 31, 2017</b>
SPRs:	
Fair value of common stock	\$4.76 - \$4.81
Risk-free interest rate	0.00% - 0.10%
Expected term (years)	4.02 - 4.57
Expected volatility	43.1% - 44.2%
Expected dividend yield	-

The methodology used in determining the underlying common stock fair value and expected volatility for the SPRs is similar to those used for the grants of stock options.

A summary of the SPR activities for fiscal 2019 are as follows:

	<b>Number of SPRs</b>	<b>Weighted-Average Exercise Price</b>
	<u>(In thousands)</u>	
Nonvested SPRs as of January 31, 2018	675	
Granted	-	
Vested	(269)	\$ 4.59
Repurchased	-	
Nonvested SPRs as of January 31, 2019	<u>406</u>	

The weighted-average grant date fair value of SPRs granted during fiscal 2017 was \$1.75.

During fiscal 2018, the Company recorded stock-based compensation of \$0.5 million related to the accelerated vesting of certain SPRs for one former director.

During fiscal 2019, 2018, and 2017, the Company recorded stock-based compensation expense of \$0.6 million, \$1.4 million, and \$1.5 million, respectively, related to the SPRs.

As of January 31, 2019, unrecognized stock-based compensation costs related to outstanding unvested SPRs that are expected to vest was \$0.6 million, which is expected to be recognized over a weighted-average period of 1.1 years.

#### *Share Repurchase*

During fiscal 2019, 2018, and 2017, the Company repurchased approximately 0.2 million unvested shares from one employee, 1.0 million unvested shares from two employees and 0.9 million unvested shares from three employees, respectively. The share repurchases took place upon termination of employment by cancelling the principal balance of the related note, plus any accrued interest from the date of purchase related to the unvested portion.

### Stock Options and Restricted Stock Units

Stock options can be granted with an exercise price equal to or greater than the stock's fair value at the date of grant. Most awards have 10-year terms and vest and become exercisable at a rate of 25% on the first anniversary of the vesting commencement date and 1/48th each month thereafter. Options granted may include provisions for early exercisability.

The Black-Scholes assumptions used to value the employee options at the grant dates are as follows:

	Year Ended January 31,		
	2019	2018	2017
Stock Options:			
Fair value of common stock	\$ 7.12 - \$25.10	\$ 5.38 - \$6.14	\$ 4.59 - \$4.83
Risk-free interest rate	2.68% - 3.00%	1.88% - 2.54%	1.28% - 2.18%
Expected term (years)	6.06 - 6.26	6.08	5.25 - 6.08
Expected volatility	37.0% - 37.8%	38.0% - 41.6%	41.7% - 44.2%
Expected dividend yield	-	-	-

These assumptions and estimates were determined as follows:

- **Fair Value of Common Stock.** Prior to the IPO, the Company's board of directors determined the fair value of its common stock using various valuation methodologies, including valuation analyses performed by third-party valuation firms. After the IPO, the Company uses the publicly quoted market closing price as reported on the New York Stock Exchange as the fair value of its common stock.
- **Risk-Free Interest Rate.** The risk-free interest rate for the expected term of the options was based on the U.S. Treasury yield curve in effect at the time of the grant.
- **Expected Term.** The expected term was estimated using the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award, as the Company does not have sufficient historical data relating to stock-option exercises.
- **Expected Volatility.** As there was no public market for the Company's common stock prior to IPO, the Company has limited information on the volatility of its common stock. Accordingly, the expected volatility for the Company was estimated by taking the average historic price volatility for industry peers, consisting of several public companies in the Company's industry which are either similar in size, stage of life cycle, or financial leverage, over a period equivalent to the expected term of the awards.
- **Expected Dividend Yield.** The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero was used.

A summary of stock option and RSU activities for fiscal 2019 is as follows:

	Shares Available for Grant	Options Outstanding			RSUs Outstanding	
		Shares Subject to Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Shares
(in thousands, except percentage data)						
Balance as of January 31, 2018	8,073	15,815	\$ 4.41	7.75	\$ 27,294	5,249 \$ 5.38
Shares authorized	13,818	-	-	-	-	-
Options granted	(3,904)	3,904	9.73	-	-	-
Options exercised	-	(2,652)	2.34	-	-	-
Options forfeited	2,081	(2,081)	5.69	-	-	-
Shares repurchased	170	-	-	-	-	-
RSUs granted	(8,334)	-	-	-	-	8,334 14.14
RSUs vested	-	-	-	-	-	(2,336) 5.31
Shares withheld related to net share settlement of RSUs	1,154	-	-	-	-	-
RSUs forfeited	353	-	-	-	-	(353) 8.15
Balance as of January 31, 2019	<u>13,411</u>	<u>14,986</u>	\$ 5.99	7.92	\$ 380,673	<u>10,894</u> \$ 12.01
Exercisable as of January 31, 2019		<u>6,524</u>	\$ 4.19	6.88	\$ 177,447	-
Vested and expected to vest as of January 31, 2019		<u>13,868</u>	\$ 5.82	7.84	\$ 354,608	<u>9,041</u>

The total intrinsic value of the options exercised during fiscal 2019, 2018, and 2017 was \$24.2 million, \$8.9 million, and \$6.0 million, respectively. The intrinsic value is calculated as the difference between the current fair value of the underlying common stock and the exercise price of the stock option.

There were no options early exercised with recourse promissory notes in fiscal 2019. During fiscal 2018, an employee early exercised 0.2 million options with a full-recourse promissory note. During fiscal 2017, a director early exercised 0.4 million options with a partial-recourse promissory note. The unvested shares are subject to a repurchase right held by the Company at the original purchase price. As discussed in the Stock Purchase Rights with Recourse Notes section above, the notes issuances and share purchase are accounted for as share option grants, with the related share-based compensation measured using the Black-Scholes option-pricing model and recognized over the shares' vesting periods.

The weighted-average grant date fair value of options granted during fiscal 2019, 2018, and 2017 was \$5.48, \$2.41, and \$2.03, respectively.

As of January 31, 2019, unrecognized stock-based compensation cost related to outstanding unvested stock options that are expected to vest was \$25.8 million, which is expected to be recognized over a weighted-average period of 2.9 years.

The RSUs granted under the 2012 Plan vest upon the satisfaction of both a service condition and a liquidity condition. Both the service and liquidity conditions must be met for the expense to be recognized. The liquidity condition was satisfied upon the IPO, and the Company recognized an expense of \$29.9 million in the three months ended October 31, 2018 for the portion of the RSUs that had met the service condition as of such date.

The RSUs granted after the IPO under the 2018 Plan solely vest upon the satisfaction of a service condition.

As of January 31, 2019, unrecognized stock-based compensation cost related to outstanding unvested RSUs that are expected to vest was \$78.1 million, which is expected to be recognized over a weighted-average period of 2.6 years.

### Stock-Based Compensation

The stock-based compensation expense, net of estimated forfeitures, by line item in the accompanying consolidated statements of comprehensive loss is summarized as follows:

	Year Ended January 31,		
	2019	2018	2017
	(In thousands)		
Cost of subscription revenue	\$ 831	\$ 148	\$ 49
Cost of professional services revenue	851	507	336
Research and development	3,826	742	634
Sales and marketing	15,475	3,496	2,555
General and administrative	31,823	3,746	2,529
Total stock-based compensation expense	<u>\$ 52,806</u>	<u>\$ 8,639</u>	<u>\$ 6,103</u>

The Company's estimated forfeiture rate is based on accumulated historical forfeiture data.

The Company's capitalized stock-based compensation expense that was included in research and development expense was \$0.6 million, \$0.2 million, and \$0.1 million during fiscal 2019, 2018, and 2017, respectively.

### (6) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The Company did not hold any assets or liabilities that are measured at fair value on a recurring basis as of January 31, 2019 or 2018 and there were no transfers into or out of Level 1, Level 2, or Level 3 during fiscal 2019, 2018, and 2017.

### (7) Restructuring Reserves

During fiscal 2017, the Board of Directors approved a world-wide restructuring plan in order to re-balance staffing levels and reduce operating expenses to better align them with the evolving needs of the business. The restructuring plan included a reduction of approximately 25 positions, with a total charge of approximately \$3.3 million related to employee termination costs which were included within general and administrative expense on the consolidated statements of comprehensive loss. The restructuring plan was completed by January 31, 2017.



**(8) Income Taxes**

The components of the loss before income taxes were as follows:

	Year Ended January 31,		
	2019	2018	2017
	(In thousands)		
Domestic	\$ (89,375)	\$ (20,382)	\$ (19,214)
Foreign	(38,432)	(25,911)	(20,468)
Total	<u>\$ (127,807)</u>	<u>\$ (46,293)</u>	<u>\$ (39,682)</u>

The provision for income taxes was as follows:

	Year Ended January 31,		
	2019	2018	2017
	(In thousands)		
Current:			
Federal	\$ -	\$ -	\$ -
State	244	10	29
Foreign	2,078	1,069	357
Total current income tax expense	<u>2,322</u>	<u>1,079</u>	<u>386</u>
Deferred:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Foreign	887	182	126
Total deferred income tax expense	<u>887</u>	<u>182</u>	<u>126</u>
Total provision for income tax	<u>\$ 3,209</u>	<u>\$ 1,261</u>	<u>\$ 512</u>

A reconciliation of the U.S. federal statutory tax rate to the Company's provision for income taxes was as follows:

	Year Ended January 31,		
	2019	2018	2017
	(In thousands)		
U.S. federal taxes at statutory tax rate	\$ (26,841)	\$ (15,229)	\$ (13,492)
State taxes, net of federal benefit	(3,413)	(790)	(1,075)
Stock-based compensation	(431)	1,653	2,114
Change in valuation allowance	32,828	(7,711)	9,653
Foreign income taxed at various rates	1,984	4,002	2,980
U.S. Tax Reform	-	19,736	-
Other	(918)	(400)	332
Total	<u>\$ 3,209</u>	<u>\$ 1,261</u>	<u>\$ 512</u>

Significant components of net deferred tax assets are as follows:

	As of January 31,	
	2019	2018
	(In thousands)	
Deferred tax assets:		
Net operating losses	\$ 74,040	\$ 51,343
Stock-based compensation	12,529	1,075
Accruals and reserves	3,531	1,908
Depreciation and amortization	156	-
Gross deferred tax assets	<u>90,256</u>	<u>54,326</u>
Valuation allowance	(79,739)	(46,911)
Deferred tax liabilities:		
Depreciation and amortization	-	(718)
Accruals and reserves	(528)	-
Deferred commissions	<u>(11,022)</u>	<u>(7,045)</u>
Gross deferred tax liabilities	<u>(11,550)</u>	<u>(7,763)</u>
Total net deferred tax liabilities	<u>\$ (1,033)</u>	<u>\$ (348)</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management believes it is more likely than not that the deferred tax assets will not be realized; accordingly, a valuation allowance has been established on U.S. and U.K. net deferred tax assets. The valuation allowance increased \$32.8 million for fiscal 2019 and decreased \$7.7 million for fiscal 2018.

As of January 31, 2019, the Company has net operating loss carryforwards for federal income tax purposes of \$224.9 million available to reduce future income subject to income taxes. The federal net operating loss carryforwards will begin to expire, if not utilized, in fiscal 2029. In addition, the Company has \$71.1 million and \$69.6 million of net operating loss carryforwards available to reduce future taxable income subject to California state income taxes and all other applicable state jurisdictions, respectively. The California net operating loss carryforwards will begin to expire, if not utilized, in fiscal 2031 through fiscal 2039. The other states' net operating loss carryforwards will begin to expire at various dates beginning in fiscal 2025 through fiscal 2039, if not utilized. The U.K. net operating loss carryforwards of \$94.0 million do not expire.

The federal and state net operating loss carryforwards may be subject to significant limitations under Section 382 and Section 383 of the Internal Revenue Code of 1986 and similar provisions under state law. The Tax Reform Act of 1986 contains provisions that limit the federal net operating loss carryforwards that may be used in any given year in the event of special occurrences, including significant ownership changes. If these specified events occur or have occurred, the Company may lose some or all of the tax benefits of these carryforwards. The extent of such limitations for prior years, if any, has not yet been determined.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Reform Act). The Tax Reform Act reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. The Company had recorded the estimated effects of the Tax Reform Act in its fiscal 2018 tax provision pursuant to Staff Accounting Bulletin No. 118 (SAB 118) issued by SEC. In its fourth quarter of fiscal 2019, the Company finalized the accounting for the Tax Reform Act and did not record any measurement period adjustments. In addition, the Company computed its fiscal 2019, 2018, and 2017 provision with the tax rate of 21%, 33% and 34%, respectively.

The Company does not have any uncertain tax positions as of January 31, 2019 and does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next 12 months.

The Company files income tax returns for U.S. federal income tax, several U.S. states, and other foreign jurisdictions. The Company's most significant tax jurisdictions are the United States and the United Kingdom. The Company's tax years for 2009 and forward are subject to examination by the federal tax authorities. The Company's tax years for 2009 and forward are subject to examination by the state tax authorities. The Company's tax years for 2011 and forward are subject to examination by the foreign tax authorities. The Company is not currently under examination for income tax in any jurisdiction.

**(9) Net Loss Per Share Attributable to Common Stockholders**

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	<b>Year Ended January 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In thousands, except per share data)		
<b>Numerator:</b>			
Net loss	\$ (131,016)	\$ (47,554)	\$ (40,194)
<b>Denominator:</b>			
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	53,328	18,956	13,774
<b>Net loss per share attributable to common stockholders, basic and diluted</b>	(\$2.46)	(\$2.51)	(\$2.92)

The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive are as follows:

	<b>As of January 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(In thousands)		
Convertible preferred stock	-	73,610	68,155
Stock options	14,986	15,815	12,201
Stock repurchase rights	4,776	8,789	12,649
Restricted stock units	10,894	5,249	4,875
Unvested shares subject to repurchase	24	-	-
Convertible preferred stock warrants	-	10	10
Common stock warrants	-	14	14
Total	<u>30,680</u>	<u>103,487</u>	<u>97,904</u>

**(10) Employee Benefit Plans**

On January 1, 2013, the Company initiated a savings and retirement plan for employees. The Company's employee savings and retirement plan is qualified under Section 401 of the Internal Revenue Code. The plan is available to all regular employees on the Company's U.S. payroll and provides employees with tax-deferred salary deductions and alternative investment options.

Employees may contribute up to 90% of their salary up to the statutory prescribed annual limit. The Company also has a defined-contribution retirement plan that covers substantially all employees in the United Kingdom, Singapore, the Netherlands, France, Sweden, Belgium, India, Japan, Austria, and Australia. The Company matches employees' contributions to the U.S. 401(k) plan, subject to certain limitations. The Company also matches at varying percentages of income, voluntarily or within a statutory scheme, for employees in the countries listed above.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

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

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has 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, or the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Management's Annual Report on Internal Control Over Financial Reporting**

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm as permitted in this transition period under the rules of the SEC for newly public companies.

### **Changes in Internal Control Over Financial Reporting**

During our most recent fiscal quarter ended January 31, 2019, a material weakness in internal control over financial reporting was identified relating to an error in the accounting for stock-based compensation expense with respect to certain of our restricted stock units granted prior to our IPO. The error was corrected through an immaterial correction relating specifically to stock-based compensation expense in the three months ended October 31, 2018, as described in Note 1 of the notes to the consolidated financial statements. Management remediated this material weakness during the quarter ended January 31, 2019, by enhancing and adding additional review controls over non-standard share based payment awards.

Except for the foregoing, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only

reasonable, not absolute, assurance that the objectives of the control system are met. 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. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information called for by this item will be set forth in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended January 31, 2019 and is incorporated herein by reference.

We have adopted a Code of Conduct and Ethics that applies to all officers, directors and employees, which is available on our Website. The Internet address for our Website is [investors.anaplan.com](http://investors.anaplan.com), and the Code of Conduct and Ethics may be found from our main Web page by clicking first on "Investor Center," in the "About" menu, next on "Governance," next on "Governance Documents" and then on "Code of Conduct and Ethics."

We intend to satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Conduct and Ethics by posting such information on our Website, at the Internet address and location specified above.

**ITEM 11. EXECUTIVE COMPENSATION**

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

We have filed the following documents as a part of this Form 10-K:

**(a) Financial Statements**

	<u>Page</u>
<a href="#">Reports of Independent Registered Public Accounting Firm</a>	73
<a href="#">Consolidated Balance Sheet</a>	74
<a href="#">Consolidated Statements of Comprehensive Loss</a>	75
<a href="#">Consolidated Statements of Stockholders' Equity</a>	76
<a href="#">Consolidated Statements of Cash Flows</a>	77
<a href="#">Notes to Consolidated Financial Statements</a>	78

**(b) Financial Statement Schedules**

All schedules are omitted because they are not applicable or the required information is included in the Financial Statements or in the notes thereto.

**(c) Exhibits**

The following exhibits, as required by Item 601 of Regulation S-K are attached or incorporated by reference as stated below.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>				<u>Filed/ Furnished Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Registrant.</a>					X
3.2	<a href="#">Amended and Restated Bylaws of Registrant.</a>					X
4.1	<a href="#">Amended and Restated Investors' Rights Agreement, dated November 21, 2017, by and among the Registrant and the parties thereto.</a>	S-1	333-227355	4.1	September 14, 2018	
10.1#	<a href="#">Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.</a>	S-1/A	333-227355	10.1	October 1, 2018	
10.2#	<a href="#">2012 Stock Plan and forms of agreements thereunder.</a>	S-1	333-227355	10.2	September 14, 2018	
10.3#	<a href="#">The Registrant's 2018 Equity Incentive Plan, including form agreements.</a>	S-8	333-227798	99.2	October 12, 2018	

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<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Incorporated by Reference</b>				<b>Filed/ Furnished Herewith</b>
		<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	
10.4#	<a href="#">Severance and Change in Control Agreement, dated as of September 28, 2018, by and between the Registrant and Frank Calderoni.</a>	S-1/A	333-227355	10.4	October 1, 2018	
10.5#	<a href="#">Severance and Change in Control Agreement, dated as of July 16, 2018, by and between the Registrant and Steven Birdsall.</a>	S-1	333-227355	10.5	September 14, 2018	
10.6#	<a href="#">Severance and Change in Control Agreement, dated as of September 9, 2018, by and between the Registrant and David H. Morton, Jr.</a>	S-1	333-227355	10.16	September 14, 2018	
10.7#	<a href="#">The Registrant's 2018 Employee Stock Purchase Plan.</a>	S-1/A	333-227355	10.7	October 1, 2018	
10.8#	<a href="#">Confirmatory Employment Letter, dated September 28, 2018, between the Registrant and Frank Calderoni.</a>	S-1/A	333-227355	10.8	October 1, 2018	
10.9#	<a href="#">Employment Agreement, dated September 9, 2018, between the Registrant and David H. Morton, Jr.</a>	S-1	333-227355	10.15	September 14, 2018	
10.10#	<a href="#">Confirmatory Employment Letter, dated June 4, 2018, between the Registrant and Steven Birdsall.</a>	S-1	333-227355	10.10	September 14, 2018	
10.11#	<a href="#">Form of Stock Option Grant Agreement under Anaplan, Inc.'s 2018 Equity Incentive Plan</a>	10-Q	001-38698	10.10	December 10, 2018	
10.12#	<a href="#">Compensation Program for Non-Employee Directors.</a>	S-1/A	333-227355	10.12	October 1, 2018	
10.13	<a href="#">Credit Agreement between the Registrant and Wells Fargo, National Association.</a>	S-1/A	333-227355	10.13	October 1, 2018	
10.14	<a href="#">Sublease, dated November 9, 2017, by and among the Registrant and athenahealth, Inc.</a>	S-1/A	333-227355	10.14	October 1, 2018	
10.15#	<a href="#">Anaplan, Inc. Cash Incentive Plan Agreement</a>	10-Q	001-38698	10.11	December 10, 2018	
21.1	<a href="#">List of Subsidiaries of Registrant.</a>	S-1	333-227355	21.1	September 14, 2018	
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>					X

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<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>				<u>Filed/ Furnished Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
24.1	<a href="#">Power of Attorney (contained in the signature page to this registration statement).</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1†	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2†	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

#Indicates management contract or compensatory plan, contract or agreement.

†The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

**ITEM 16. FORM 10-K SUMMARY**

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### ANAPLAN, INC.

By: /s/ Frank Calderoni  
Frank Calderoni  
Chairman & Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Frank Calderoni and David H. Morton, Jr. and each of them, as his or her true and lawful attorneys-in-fact and agents, with power to act with or without the others and with full power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents and each of them may deem necessary or desirable to enable the registrant to comply with the U.S. Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission thereunder in connection with the registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2019, or the Annual Report, including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the registrant and the name of the undersigned, individually and in his or her capacity as a director or officer of the registrant, to the Annual Report as filed with the U.S. Securities and Exchange Commission, to any and all amendments thereto, and to any and all instruments or documents filed as part thereof or in connection therewith; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents and each of them shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Frank Calderoni</u> Frank Calderoni	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2019
<u>/s/ David H. Morton, Jr.</u> David H. Morton, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 29, 2019
<u>/s/ David Chung</u> David Chung	Chief Accounting Officer and Controller (Principal Accounting Officer)	March 29, 2019
<u>/s/ Robert E. Beauchamp</u> Robert E. Beauchamp	Lead Independent Director	March 29, 2019
<u>/s/ Susan L. Bostrom</u> Susan L. Bostrom	Director	March 29, 2019
<u>/s/ Ravi Mohan</u> Ravi Mohan	Director	March 29, 2019

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Standish O'Grady</u> Standish O'Grady	Director	March 29, 2019
<u>/s/ Sandesh Patnam</u> Sandesh Patnam	Director	March 29, 2019
<u>/s/ Rob Ward</u> Rob Ward	Director	March 29, 2019
<u>/s/ David Conte</u> David Conte	Director	March 29, 2019

## Anaplan, Inc.

## Amended and Restated Certificate of Incorporation

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Anaplan, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Anaplan, Inc., which was the name under which the corporation was originally incorporated. The date of the filing of its original certificate of incorporation with the Secretary of State of the State of Delaware was July 9, 2009.

2. This Amended and Restated Certificate of Incorporation, which restates, integrates and further amends the certificate of incorporation of the corporation, has been duly adopted by the corporation in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware and has been adopted by the requisite vote of the stockholders of the corporation, acting by written consent in lieu of a meeting in accordance with Section 228 of the General Corporation Law of the State of Delaware.

3. The certificate of incorporation of the corporation is hereby amended and restated in its entirety to read as follows:

**FIRST** : The name of the corporation is Anaplan, Inc. (hereinafter called the “ **Corporation** ”).

**SECOND** : The address of the registered office of the Corporation in the State of Delaware is 3500 South Dupont Highway, in the City of Dover Delaware 19901, County of Kent. The name of the registered agent of the Corporation in the State of Delaware at such address is Incorporating Services, Ltd.

**THIRD** : The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware or any applicable successor act thereto, as the same may be amended from time to time (the “ **DGCL** ”).

**FOURTH** : The total number of shares of all classes of capital stock that the Corporation is authorized to issue is 1,775,000,000 shares, consisting of (i) 1,750,000,000 shares of common stock, par value \$0.0001 per share (the “ **Common Stock** ”), and (ii) 25,000,000 shares of preferred stock, par value \$0.0001 per share (“ **Preferred Stock** ”). Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any of the Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the capital stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL, and no vote of the holders of any of the Common Stock or Preferred Stock voting separately as a class shall be required therefor.

A. Common Stock. The powers, preferences and relative participating, optional or other special rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

1. Ranking. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the “ **Board** ”) upon any issuance of the Preferred Stock of any series.

2. Voting. Except as otherwise provided by law or by the resolution or resolutions providing for the issue of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have the exclusive right to vote for the election and removal of directors and for all other purposes. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation (as amended from time to time, including the terms of any Preferred Stock Designation (as defined below), this “**Certificate of Incorporation**”) to the contrary, the holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Preferred Stock Designation) or the DGCL.

3. Dividends. Subject to the rights of the holders of Preferred Stock, holders of shares of Common Stock shall be entitled to receive such dividends and distributions and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor.

4. Liquidation. Subject to the rights of the holders of Preferred Stock, shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary. A liquidation, dissolution or winding up of the affairs of the Corporation, as such terms are used in this Section A(4), shall not be deemed to be occasioned by or to include any consolidation or merger of the Corporation with or into any other person or a sale, lease, exchange or conveyance of all or a part of its assets.

#### B. Preferred Stock

Shares of Preferred Stock may be issued from time to time in one or more series. The Board is hereby authorized to provide by resolution or resolutions from time to time for the issuance, out of the unissued shares of Preferred Stock, of one or more series of Preferred Stock, without stockholder approval, by filing a certificate pursuant to the applicable law of the State of Delaware (the “**Preferred Stock Designation**”), setting forth such resolution and, with respect to each such series, establishing the number of shares to be included in such series, and fixing the voting powers, full or limited, or no voting power of the shares of such series, and the designation, preferences and relative, participating, optional or other special rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof. The powers, designation, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, the determination of the following:

- (a) the designation of the series, which may be by distinguishing number, letter or title;

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- (b) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);
  - (c) the amounts or rates at which dividends will be payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative;
  - (d) the dates on which dividends, if any, shall be payable;
  - (e) the redemption rights and price or prices, if any, for shares of the series;
  - (f) the terms and amount of any sinking fund, if any, provided for the purchase or redemption of shares of the series;
  - (g) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;
  - (h) whether the shares of the series shall be convertible into or exchangeable for, shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;
  - (i) restrictions on the issuance of shares of the same series or any other class or series;
  - (j) the voting rights, if any, of the holders of shares of the series generally or upon specified events; and
  - (k) any other powers, preferences and relative, participating, optional or other special rights of each series of Preferred Stock, and any qualifications, limitations or restrictions of such shares,

all as may be determined from time to time by the Board and stated in the resolution or resolutions providing for the issuance of such Preferred Stock.

Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

**FIFTH** : This Article FIFTH is inserted for the management of the business and for the conduct of the affairs of the Corporation.

A. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided by law.

B. Number of Directors; Election of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be fixed from time to time by resolution of the majority of the Whole Board. For purposes of this Certificate of Incorporation, the term “Whole Board” will mean the total number of authorized directors, whether or not there exist any vacancies in previously authorized directorships. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

C. Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be and is divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective.

D. Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation’s first annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation’s second annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation’s third annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

E. Vacancies. Subject to the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

F. Removal. Any director or the entire Board may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 66 2/3% in voting power of the stock of the Corporation entitled to vote thereon.

G. Committees. Pursuant to the Amended and Restated Bylaws of the Corporation (the “Bylaws”), the Board may establish one or more committees to which may be delegated any or all of the powers and duties of the Board to the full extent permitted by law.

H. Stockholder Nominations and Introduction of Business. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws.

**SIXTH** : Unless and except to the extent that the Bylaws shall so require, the election of directors of the Corporation need not be by written ballot.

**SEVENTH** : To the fullest extent permitted by the DGCL as it now exists and as it may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that nothing contained in this Article SEVENTH shall eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to the provisions of Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or modification of this Article SEVENTH shall apply to or have any adverse effect on any right or protection of, or any limitation of the liability of, a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

**EIGHTH** : The Corporation may indemnify, and advance expenses to, to the fullest extent permitted by law, any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

**NINTH** : Subject to the terms of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders called in accordance with the Bylaws and may not be effected by written consent in lieu of a meeting.

**TENTH** : Special meetings of stockholders for any purpose or purposes may be called at any time by the majority of the Whole Board, the Chairman of the Board or the Chief Executive Officer of the Corporation, and may not be called by another other person or persons. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

**ELEVENTH** : If any provision or provisions of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the DGCL may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article ELEVENTH. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser

vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate of Incorporation or by any Preferred Stock Designation, the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon shall be required to amend, alter, change or repeal any provision of this Certificate of Incorporation, or to adopt any new provision of this Certificate of Incorporation; provided, however, that the affirmative vote of the holders of at least 66 2/3% in voting power of the stock of the Corporation entitled to vote thereon shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with, any of Article FIFTH, Article SEVENTH, Article EIGHTH, Article NINTH, Article TENTH, Article TWELFTH, Article THIRTEENTH, and this sentence of this Certificate of Incorporation, or in each case, the definition of any capitalized terms used therein or any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other provision of this Certificate of Incorporation). Any amendment, repeal or modification of any of Article SEVENTH, Article EIGHTH, and this sentence shall not adversely affect any right or protection of any person existing thereunder with respect to any act or omission occurring prior to such repeal or modification.

**TWELFTH** : In furtherance and not in limitation of the powers conferred upon it by law, the Board is expressly authorized and empowered to adopt, amend and repeal the Bylaws by the affirmative vote of a majority of the Whole Board. Notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate of Incorporation or by any Preferred Stock Designation, the Bylaws may also be amended, altered or repealed and new Bylaws may be adopted by the affirmative vote of the holders of at least 66 2/3% in voting power of the stock of the Corporation entitled to vote thereon.

**THIRTEENTH** :

A. Forum Selection. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (3) any action arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the Bylaws (as either may be amended from time to time), or (4) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article THIRTEENTH.

B. Personal Jurisdiction. If any action the subject matter of which is within the scope of Section A immediately above is filed in a court other than a court located within the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce Section A immediately above (an "FSC Enforcement Action") and (ii) having service of process made upon such stockholder in any such FSC Enforcement Action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.

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IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Certificate of Incorporation as of this 16th day of October, 2018.

By: /s/ Frank Calderoni  
Name: Frank Calderoni  
Title: President and Chief Executive Officer

**Anaplan, Inc.**  
**Amended and Restated Bylaws**

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## Article I Stockholders

1.1 **Place of Meetings** . All meetings of stockholders shall be held at such place, if any, as may be designated from time to time by the Board of Directors (the “ **Board** ”) of Anaplan, Inc. (the “ **Corporation** ”), the Chairman of the Board, the Chief Executive Officer or the President or, if not so designated, at the principal executive office of the Corporation. The Board may, in its sole discretion, determine that a meeting shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a) of the General Corporation Law of the State of Delaware or any applicable successor act thereto, as the same may be amended from time to time (the “ **DGCL** ”).

1.2 **Annual Meeting** . The annual meeting of stockholders for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly be brought before the meeting shall be held on a date and at a time designated by the Board, the Chairman of the Board, the Chief Executive Officer or the President (which date shall not be a legal holiday in the place, if any, where the meeting is to be held). The Board acting pursuant to a resolution adopted by the majority of the Whole Board may postpone, reschedule or cancel any previously scheduled annual meeting of stockholders, before or after the notice for such meeting has been sent to the stockholders. For purposes of these Amended and Restated Bylaws (the “ **Bylaws** ”), the term “ **Whole Board** ” will mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

1.3 **Special Meetings** . Special meetings of stockholders for any purpose or purposes may be called at any time by a resolution adopted by the majority of the Whole Board, the Chairman of the Board or the Chief Executive Officer, and may not be called by any other person or persons. The Board acting pursuant to a resolution adopted by the majority of the Whole Board may postpone, reschedule or cancel any previously scheduled special meeting of stockholders, before or after the notice for such meeting has been sent to the stockholders. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 **Notice of Meetings** . Except as otherwise provided by law, notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. Without limiting the manner by which notice otherwise may be given to stockholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with the DGCL) by the stockholder to whom the notice is given. The notices of all meetings shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If notice is given by mail, such notice shall be deemed

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given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the DGCL.

1.5 **Voting List** . The Secretary shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting ( provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 **Quorum** . Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the holders of a majority in voting power of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person, present by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum for the transaction of business; provided, however, that where a separate vote by a class or classes or series of capital stock is required by law or the Certificate of Incorporation, the holders of a majority in voting power of the shares of such class or classes or series of the capital stock of the Corporation issued and outstanding and entitled to vote on such matter, present in person, present by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on such matter. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented.

1.7 **Adjournments** . Any meeting of stockholders, annual or special, may be adjourned from time to time to any other time and to any other place at which a meeting of

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stockholders may be held under these Bylaws by the chairman of the meeting or by the stockholders present or represented at the meeting and entitled to vote thereon, although less than a quorum. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

**1.8 Voting and Proxies** . Each stockholder shall have such number of votes, if any, for each share of stock entitled to vote and held of record by such stockholder as may be fixed in the Certificate of Incorporation and a proportionate vote for each fractional share so held, unless otherwise provided by law or the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person (including by means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting) or may authorize another person or persons to vote for such stockholder by a proxy executed or transmitted in a manner permitted by applicable law. No such proxy shall be voted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

**1.9 Action at Meeting** . When a quorum is present at any meeting, any matter other than the election of directors to be voted upon by the stockholders at such meeting shall be decided by the vote of the holders of shares of stock having a majority in voting power of the votes cast by the holders of all of the shares of stock present or represented at the meeting and voting affirmatively or negatively on such matter (or if there are two or more classes or series of stock entitled to vote as separate classes, then in the case of each such class or series, the holders of a majority in voting power of the shares of stock of that class or series present or represented at the meeting and voting affirmatively or negatively on such matter), except when a different vote is required by applicable law, regulation applicable to the Corporation or its securities, the rules or regulations of any stock exchange applicable to the Corporation, the Certificate of Incorporation or these Bylaws. For the avoidance of doubt, neither abstentions nor broker non-votes will be counted as votes cast for or against such matter. Other than directors who may be elected by the holders of shares of any series of Preferred Stock or pursuant to any resolution or resolutions providing for the issuance of such stock adopted by the Board, each director shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Voting at meetings of stockholders need not be by written ballot.

**1.10 Nomination of Directors** .

(a) Except for (1) any directors entitled to be elected by the holders of Preferred Stock, (2) any directors elected in accordance with Section 2.9 hereof by the Board to fill a vacancy or newly-created directorship or (3) as otherwise required by applicable law or

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stock exchange regulation, at any meeting of stockholders, only persons who are nominated in accordance with the procedures in this Section 1.10 shall be eligible for election or re-election as directors. Nomination for election to the Board at a meeting of stockholders may be made (i) by or at the direction of the Board (or any committee thereof) or (ii) by any stockholder of the Corporation who (x) timely complies with the notice procedures in Section 1.10(b), (y) is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting and (z) is entitled to vote at such meeting.

(b) To be timely, a stockholder's notice must be received in writing by the Secretary at the principal executive offices of the Corporation as follows: (i) in the case of an election of directors at an annual meeting of stockholders, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that (x) in the case of the annual meeting of stockholders of the Corporation to be held in 2019 or (y) in the event that the date of the annual meeting in any other year is advanced by more than twenty (20) days, or delayed by more than sixty (60) days, from the first anniversary of the preceding year's annual meeting, a stockholder's notice must be so received not earlier than the one hundred and twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (A) the ninetieth (90th) day prior to such annual meeting and (B) the tenth (10th) day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs; or (ii) in the case of an election of directors at a special meeting of stockholders, provided that the majority of the Whole Board, the Chairman of the Board or the Chief Executive Officer has determined, in accordance with Section 1.3, that directors shall be elected at such special meeting and provided further that the nomination made by the stockholder is for one of the director positions that the Board, the Chairman of the Board or the Chief Executive Officer, as the case may be, has determined will be filled at such special meeting, not earlier than the one hundred and twentieth (120th) day prior to such special meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to such special meeting and (y) the tenth (10th) day following the day on which notice of the date of such special meeting was mailed or public disclosure of the date of such special meeting was made, whichever first occurs. In no event shall the adjournment or postponement of a meeting (or the public disclosure thereof) commence a new time period (or extend any time period) for the giving of a stockholder's notice.

The stockholder's notice to the Secretary shall set forth: (A) as to each proposed nominee (1) such person's name, age, business address and, if known, residence address, (2) such person's principal occupation or employment, (3) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such person, (4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among (x) the stockholder, the beneficial owner, if any, on whose behalf the nomination is being made and the respective affiliates and associates of, or others acting in concert with, such stockholder and such beneficial owner, on the one hand, and (y) each proposed nominee, and his or her respective affiliates and associates, or others acting in concert



with such nominee(s), on the other hand, including all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith were the “registrant” for purposes of such Item and the proposed nominee were a director or executive officer of such registrant, (5) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such proposed nominee, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such proposed nominee with respect to shares of stock of the Corporation, and (6) any other information concerning such person that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”); and (B) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is being made (1) the name and address of such stockholder, as they appear on the Corporation’s books, of such beneficial owner, and any Stockholder Associated Person (as defined below), (2) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder, such beneficial owner and any Stockholder Associated Person, (3) a description of any agreement, arrangement or understanding between or among such stockholder, such beneficial owner and/or any Stockholder Associated Person and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are being made or who may participate in the solicitation of proxies in favor of electing such nominee(s), (4) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder, such beneficial owner or any Stockholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder, such beneficial owner or any Stockholder Associated Person with respect to shares of stock of the Corporation, (5) any other information relating to such stockholder, such beneficial owner and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (6) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice and (7) a representation whether such stockholder, such beneficial owner and/or such Stockholder Associated Person intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock reasonably believed by such stockholder, such beneficial owner or such Stockholder Associated Person to be sufficient to elect the nominee and/or (y) otherwise to solicit proxies or votes from stockholders in support of such nomination. Such information provided and statements made as required by clauses (A) and (B) above or otherwise by this Section 1.10 are hereinafter referred to as a “**Nominee Solicitation Statement**.” Not later than ten (10) days after the record date for determining stockholders entitled to notice of the meeting, the information required by Items (A)(1)-(5) and

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(B)(1)-(5) of the prior sentence shall be supplemented by the stockholder giving the notice to provide updated information as of such record date. In addition, to be effective, the stockholder's notice must be accompanied by the written consent of the proposed nominee to serve as a director if elected and a written statement executed by the proposed nominee acknowledging that as a director of the Corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the Corporation and its stockholders. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation or whether such nominee would be independent under applicable Securities and Exchange Commission and stock exchange rules and the Corporation's publicly disclosed corporate governance guidelines. A stockholder shall not have complied with this Section 1.10(b) if the stockholder (or beneficial owner, if any, on whose behalf the nomination is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder's nominee in contravention of the representations with respect thereto required by this Section 1.10. For purposes of these Bylaws, a " **Stockholder Associated Person** " of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no person shall be eligible for election or re-election as a director of the Corporation at a meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 1.10. In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairman of any meeting shall have the power and duty to determine whether a nomination was made in accordance with the provisions of this Section 1.10 (including the previous sentence of this Section 1.10(c)), and if the chairman should determine that a nomination was not made in accordance with the provisions of this Section 1.10, the chairman shall so declare to the meeting and such nomination shall not be brought before the meeting.

(d) Except as otherwise required by law, nothing in this Section 1.10 shall obligate the Corporation or the Board to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board information with respect to any nominee for director submitted by a stockholder.

(e) Notwithstanding the foregoing provisions of this Section 1.10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting to present a nomination, such nomination shall not be brought before the meeting, notwithstanding that proxies in respect of such nominee may have been received by the Corporation. For purposes of this Section 1.10, to be considered a "qualified representative of the stockholder", a person must be authorized by a written instrument executed

by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of stockholders.

(f) For purposes of this Section 1.10, “**public disclosure**” shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(g) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.10; provided, however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations to be considered pursuant to this Section 1.10 (including paragraph (a)(ii) hereof), and compliance with paragraph (a)(ii) of this Section 1.10 shall be the exclusive means for a stockholder to make nominations. Nothing in this Section 1.10 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

#### 1.11 **Notice of Business at Annual Meetings .**

(a) At any annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (2) otherwise properly brought before the meeting by or at the direction of the Board (or any committee thereof), or (3) properly brought before the annual meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, (i) if such business relates to the nomination of a person for election as a director of the Corporation, the procedures in Section 1.10 must be complied with and (ii) if such business relates to any other matter, the business must constitute a proper matter under Delaware law for stockholder action and the stockholder must (x) have given timely notice thereof in writing to the Secretary in accordance with the procedures in Section 1.11(b), (y) be a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such annual meeting and (z) be entitled to vote at such annual meeting.

(b) To be timely, a stockholder’s notice must be received in writing by the Secretary at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year’s annual meeting; provided, however, that (x) in the case of the annual meeting of stockholders of the Corporation to be held in 2019 or (y) in the event that the date of the annual meeting in any other year is advanced by more than twenty (20) days, or delayed by more than sixty (60) days, from the first anniversary of the preceding year’s annual meeting, a stockholder’s notice must be so received not earlier than the one hundred and twentieth (120th)

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day prior to such annual meeting and not later than the close of business on the later of (A) the ninetieth (90th) day prior to such annual meeting and (B) the tenth (10th) day following the day on which notice of the date of such annual meeting was mailed or public disclosure of the date of such annual meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting (or the public disclosure thereof) commence a new time period (or extend any time period) for the giving of a stockholder's notice.

The stockholder's notice to the Secretary shall set forth: (A) as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting, (2) the text of the proposal (including the exact text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Bylaws, the exact text of the proposed amendment), and (3) the reasons for conducting such business at the annual meeting, and (B) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is being made (1) the name and address of such stockholder, as they appear on the Corporation's books, of such beneficial owner and of any Stockholder Associated Person, (2) the class and series and number of shares of stock of the Corporation that are, directly or indirectly, owned, beneficially or of record, by such stockholder, such beneficial owner and any Stockholder Associated Person, (3) a description of any material interest of such stockholder, such beneficial owner or any Stockholder Associated Person and the respective affiliates and associates of, or others acting in concert with, such stockholder, such beneficial owner or any Stockholder Associated Person in such business, (4) a description of any agreement, arrangement or understanding between or among such stockholder, such beneficial owner and/or any Stockholder Associated Person and any other person or persons (including their names) in connection with the proposal of such business or who may participate in the solicitation of proxies in favor of such proposal, (5) a description of any agreement, arrangement or understanding (including any derivative or short positions, swaps, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into by, or on behalf of, such stockholder, such beneficial owner or any Stockholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder, such beneficial owner or any Stockholder Associated Person with respect to shares of stock of the Corporation, (6) any other information relating to such stockholder, such beneficial owner and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the business proposed pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (7) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and (8) a representation whether such stockholder, such beneficial owner and/or any Stockholder Associated Person intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (y) otherwise to solicit proxies or votes from stockholders in support of such proposal. Such information provided and statements made as required by clauses (A) and (B) above or otherwise by this Section 1.11 are hereinafter referred to as a "**Business Solicitation Statement** ." Not later than ten (10) days after the record date for determining

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stockholders entitled to notice of the meeting, the information required by Items (A)(3) and (B)(1)-(6) of the prior sentence shall be supplemented by the stockholder giving the notice to provide updated information as of such record date. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting of stockholders except in accordance with the procedures in this Section 1.11; provided that any stockholder proposal which complies with Rule 14a-8 of the proxy rules (or any successor provision) promulgated under the Exchange Act and is to be included in the Corporation's proxy statement for an annual meeting of stockholders shall be deemed to comply with the notice requirements of this Section 1.11. A stockholder shall not have complied with this Section 1.11(b) if the stockholder (or beneficial owner, if any, on whose behalf the proposal is made) solicits or does not solicit, as the case may be, proxies or votes in support of such stockholder's proposal in contravention of the representations with respect thereto required by this Section 1.11.

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 1.11. In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairman of any annual meeting shall have the power and duty to determine whether business was properly brought before the annual meeting in accordance with the provisions of this Section 1.11 (including the previous sentence of this Section 1.11(c)), and if the chairman should determine that business was not properly brought before the annual meeting in accordance with the provisions of this Section 1.11, the chairman shall so declare to the meeting and such business shall not be brought before the annual meeting.

(d) Except as otherwise required by law, nothing in this Section 1.11 shall obligate the Corporation or the Board to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board information with respect to any proposal submitted by a stockholder.

(e) Notwithstanding the foregoing provisions of this Section 1.11, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present business, such business shall not be considered, notwithstanding that proxies in respect of such business may have been received by the Corporation.

(f) For purposes of this Section 1.11, the terms "qualified representative of the stockholder" and "public disclosure" shall have the same meaning as in Section 1.10.

(g) Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.11; provided, however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements

applicable to proposals as to any business to be considered pursuant to this Section 1.11 (including paragraph (a)(3) hereof), and compliance with paragraph (a)(3) of this Section 1.11 shall be the exclusive means for a stockholder to submit business (other than, as provided in the penultimate sentence of (b), business other than nominations brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 1.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

#### 1.12 Conduct of Meetings .

(a) Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the Chairman's absence by the Vice Chairman of the Board, if any, or in the Vice Chairman's absence by the Chief Executive Officer, or in the Chief Executive Officer's absence, by the President, or in the President's absence by a Vice President, or in the absence of all of the foregoing persons by a chairman designated by the Board. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

(b) The Board may adopt by resolution such rules, regulations and procedures for the conduct of any meeting of stockholders of the Corporation as it shall deem appropriate including, without limitation, such guidelines and procedures as it may deem appropriate regarding the participation by means of remote communication of stockholders and proxyholders not physically present at a meeting. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board, the chairman of any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as shall be determined; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(c) The chairman of the meeting shall announce at the meeting when the polls for each matter to be voted upon at the meeting will be opened and closed. After the polls close, no ballots, proxies or votes or any revocations or changes thereto may be accepted.

(d) In advance of any meeting of stockholders, the Board, the Chairman of the Board, the Chief Executive Officer or the President shall appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more other persons may

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be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is present, ready and willing to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector shall have the duties prescribed by law and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law. Every vote taken by ballots shall be counted by a duly appointed inspector or duly appointed inspectors.

## **Article II Directors**

2.1 **General Powers** . The business and affairs of the Corporation shall be managed by or under the direction of a Board, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation.

2.2 **Number, Election and Qualification** . Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be fixed from time to time by resolution of the majority of the Whole Board. Election of directors need not be by written ballot. Directors need not be stockholders of the Corporation.

2.3 **Chairman of the Board; Vice Chairman of the Board** . The Board may appoint from its members a Chairman of the Board and a Vice Chairman of the Board, neither of whom need be an employee or officer of the Corporation. If the Board appoints a Chairman of the Board, such Chairman shall perform such duties and possess such powers as are assigned by the Board and, if the Chairman of the Board is also designated as the Corporation's Chief Executive Officer, shall have the powers and duties of the Chief Executive Officer prescribed in Section 3.7 of these Bylaws. If the Board appoints a Vice Chairman of the Board, such Vice Chairman shall perform such duties and possess such powers as are assigned by the Board. Unless otherwise provided by the Board, the Chairman of the Board or, in the Chairman's absence, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board.

2.4 **Classes of Directors** . Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board shall be and is divided into three classes, designated: Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III at the time such classification becomes effective. If the number of such directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director.

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2.5 **Terms of Office** . Subject to the rights of holders of any series of Preferred Stock to elect directors, and except as set forth in the Certificate of Incorporation, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

2.6 **Quorum** . The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed by the Board pursuant to Section 2.2 of these Bylaws shall constitute a quorum of the Board. If at any meeting of the Board there shall be less than a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

2.7 **Action at Meeting** . Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the Certificate of Incorporation or these Bylaws.

2.8 **Removal** . Subject to the rights of holders of any series of Preferred Stock, directors of the Corporation may be removed only as expressly provided in the Certificate of Incorporation.

2.9 **Vacancies** . Subject to the rights of holders of any series of Preferred Stock, any newly created directorship that results from an increase in the number of directors or any vacancy on the Board that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall hold office for the remaining term of his or her predecessor.

2.10 **Resignation** . Any director may resign only by delivering a resignation in writing or by electronic transmission to the Chairman of the Board or the Chief Executive Officer. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event.

2.11 **Regular Meetings** . Regular meetings of the Board may be held without notice at such time and place as shall be determined from time to time by the Board; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of stockholders.



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2.12 **Special Meetings** . Special meetings of the Board may be held at any time and place designated in a call by the Chairman of the Board, the Chief Executive Officer, the President, two or more directors, or by one director in the event that there is only a single director in office.

2.13 **Notice of Special Meetings** . Notice of the date, place and time of any special meeting of the Board shall be given to each director by the Chairman of the Board, the Chief Executive Officer, the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (a) in person or by telephone at least twenty-four (24) hours in advance of the meeting, (b) by sending written notice by reputable overnight courier, telecopy, facsimile or other means of electronic transmission, or delivering written notice by hand, to such director's last known business, home or means of electronic transmission address at least twenty-four (24) hours in advance of the meeting, or (c) by sending written notice by first-class mail to such director's last known business or home address at least seventy-two (72) hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

2.14 **Meetings by Conference Communications Equipment** . Directors may participate in meetings of the Board or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.15 **Action by Consent** . Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee thereof. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.16 **Committees** . The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation with such lawfully delegable powers and duties as the Board thereby confers, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board and subject to the provisions of law, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for

approval, or (ii) adopt, amend or repeal any bylaw of the Corporation. Each such committee shall keep minutes and make such reports as the Board may from time to time request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board. Except as otherwise provided in the Certificate of Incorporation, these Bylaws, or the resolution of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

2.17 **Compensation of Directors** . Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary entities in any other capacity and receiving compensation for such service.

### **Article III Officers**

3.1 **Titles** . The “ **Executive Officers** ” of the Corporation shall be such persons as are designated as such by the Board and shall include, but not be limited to, a Chief Executive Officer, a President and a Chief Financial Officer. Additional Executive Officers may be appointed by the Board from time to time. In addition to the Executive Officers of the Corporation described above, there may also be such “ **Non-Executive Officers** ” of the Corporation as may be designated and appointed from time to time by the Board or the Chief Executive Officer of the Corporation in accordance with the provisions of Section 3.2 of these Bylaws. In addition, the Secretary and Assistant Secretaries of the Corporation may be appointed by the Board from time to time.

3.2 **Appointment** . The Executive Officers of the Corporation shall be chosen by the Board, subject to the rights, if any, of an Executive Officer under any contract of employment. Non-Executive Officers of the Corporation shall be chosen by the Board or the Chief Executive Officer of the Corporation.

3.3 **Qualification** . No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 **Tenure** . Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until such officer’s successor is duly elected and qualified, unless a different term is specified in the resolution electing or appointing such officer, or until such officer’s earlier death, resignation, disqualification or removal.

3.5 **Removal; Resignation** . Subject to the rights, if any, of an Executive Officer under any contract of employment, any Executive Officer may be removed, either with or without cause, at any time by the Board at any regular or special meeting of the Board. Any Non-Executive Officer may be removed, either with or without cause, at any time by the Chief

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Executive Officer of the Corporation or by the Executive Officer to whom such Non-Executive Officer reports. Any officer may resign only by delivering a resignation in writing or by electronic transmission to the Chief Executive Officer. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event.

3.6 **Vacancies** . The Board may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled, for such period as it may determine, any offices.

3.7 **President; Chief Executive Officer** . Unless the Board has designated another person as the Corporation's Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general charge and supervision of the business of the Corporation subject to the direction of the Board, and shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are delegated to such officer by the Board. The President shall perform such other duties and shall have such other powers as the Board or the Chief Executive Officer (if the President is not the Chief Executive Officer) may from time to time prescribe.

3.8 **Chief Financial Officer** . The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned by the Board or the Chief Executive Officer. In addition, the Chief Financial Officer shall perform such duties and have such powers as are incident to the office, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these Bylaws, to disburse such funds as ordered by the Board, to make proper accounts of such funds, and to render as required by the Board statements of all such transactions and of the financial condition of the Corporation.

3.9 **Vice Presidents** . Each Vice President shall perform such duties and possess such powers as the Board or the Chief Executive Officer may from time to time prescribe. The Board or the Chief Executive Officer may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title.

3.10 **Secretary and Assistant Secretaries** . The Secretary shall perform such duties and shall have such powers as the Board or the Chief Executive Officer may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board, to attend all meetings of stockholders and the Board and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board, the Chief Executive Officer or the Secretary may from time to time prescribe.

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In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the chairman of the meeting shall designate a temporary secretary to keep a record of the meeting.

3.11 **Salaries** . Executive Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board or a committee thereof.

3.12 **Delegation of Authority** . The Board may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

3.13 **Execution of Contracts** . Each Executive Officer and Non-Executive Officer of the Corporation may execute, affix the corporate seal and/or deliver, in the name and on behalf of the Corporation, deeds, mortgages, notes, bonds, contracts, agreements, powers of attorney, guarantees, settlements, releases, evidences of indebtedness, conveyances or any other document or instrument which (i) is authorized by the Board or (ii) is executed in accordance with policies adopted by the Board from time to time, except in each case where the execution, affixation of the corporate seal and/or delivery thereof shall be expressly and exclusively delegated by the Board to some other officer or agent of the Corporation.

#### **Article IV Capital Stock**

4.1 **Issuance of Stock** . Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any shares of the authorized capital stock of the Corporation held in the Corporation's treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board in such manner, for such lawful consideration and on such terms as the Board may determine.

4.2 **Stock Certificates; Uncertificated Shares** . The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Every holder of stock of the Corporation represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board, representing the number of shares held by such holder registered in certificate form. Each such certificate shall be signed in a manner that complies with Section 158 of the DGCL.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, these Bylaws, applicable securities laws or any agreement among any number of stockholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional

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or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of each certificate representing shares of such class or series of stock, provided that in lieu of the foregoing requirements there may be set forth on the face or back of each certificate representing shares of such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the DGCL or, with respect to Section 151 of DGCL, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

4.3 **Transfers** . Shares of stock of the Corporation shall be transferable in the manner prescribed by law, the Certificate of Incorporation and in these Bylaws. Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation. Subject to applicable law, shares of stock represented by certificates shall be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

4.4 **Lost, Stolen or Destroyed Certificates** . The Corporation may issue a new certificate or uncertificated shares in place of any previously issued certificate alleged to have been lost, stolen or destroyed, upon such terms and conditions as the Board may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity and posting of such bond as the Board may require for the protection of the Corporation or any transfer agent or registrar.

4.5 **Record Date** . In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date,

that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which shall not be more than sixty (60) days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

4.6 **Regulations** . The issue and registration of shares of stock of the Corporation shall be governed by such other regulations as the Board may establish.

4.7 **Dividends** . Dividends on the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, pursuant to law, and may be paid in cash, in property or in shares of capital stock.

## **Article V General Provisions**

5.1 **Fiscal Year** . Except as from time to time otherwise designated by the Board, the fiscal year of the Corporation shall begin on the first day of February of each year and end on the last day of January in each year.

5.2 **Corporate Seal** . The corporate seal shall be in such form as shall be approved by the Board.

5.3 **Waiver of Notice** . Whenever notice is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a written waiver signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before, at or after the time of the event for which notice is to be given, shall be deemed equivalent to notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in any such waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

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5.4 **Voting of Securities** . Except as the Board may otherwise designate, the Chief Executive Officer, the President or the Treasurer may waive notice, vote, consent, or appoint any person or persons to waive notice, vote or consent, on behalf of the Corporation, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution) with respect to, the securities of any other entity which may be held by this Corporation.

5.5 **Evidence of Authority** . A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

5.6 **Certificate of Incorporation** . All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and/or restated and in effect from time to time.

5.7 **Severability** . Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

5.8 **Pronouns** . All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

5.9 **Electronic Transmission** . For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

## **Article VI Amendments**

These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the Whole Board or by the stockholders as expressly provided in the Certificate of Incorporation.

## **Article VII Indemnification and Advancement**

7.1 **Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation** . Subject to Section 7.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or

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completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or Executive Officer of the Corporation, or, while a director or Executive Officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea or nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

**7.2 Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation** . Subject to Section 7.3, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or Executive Officer of the Corporation, or, while a director or Executive Officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

**7.3 Authorization of Indemnification** . Any indemnification under this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or Executive Officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.1 or Section 7.2, as the case may be. Such determination shall be made, with respect to a person who is a director or Executive Officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders.



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Such determination shall be made, with respect to former directors and Executive Officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or Executive Officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding set forth in Section 7.1 or Section 7.2 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

**7.4 Good Faith Defined** . For purposes of any determination under Section 7.3, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on good faith reliance on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "**another enterprise**" as used in this Section 7.4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 7.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 7.1 or 7.2, as the case may be.

**7.5 Right of Claimant to Bring Suit** . Notwithstanding any contrary determination in the specific case under Section 7.3, and notwithstanding the absence of any determination thereunder, if a claim under Sections 7.1 or 7.2 of the Article VII is not paid in full by the Corporation within (i) ninety (90) days after a written claim for indemnification has been received by the Corporation, or (ii) thirty (30) days after a written claim for an advancement of expenses has been received by the Corporation, the claimant may at any time thereafter (but not before) bring suit against the Corporation in the Court of Chancery in the State of Delaware to recover the unpaid amount of the claim, together with interest thereon, or to obtain advancement of expenses, as applicable. It shall be a defense to any such action brought to enforce a right to indemnification (but not in an action brought to enforce a right to an advancement of expenses) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither a contrary determination in the specific case under Section 7.3 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the claimant has not met any applicable standard of conduct. If successful, in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith, to the fullest extent permitted by applicable law.

**7.6 Expenses Payable in Advance** . Expenses, including without limitation attorneys' fees, incurred by a current or former director or Executive Officer in defending any

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civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such current or former director or Executive Officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VII.

**7.7 Nonexclusivity of Indemnification and Advancement of Expenses** . The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that, subject to Section 7.11, indemnification of the persons specified in Sections 7.1 and 7.2 shall be made to the fullest extent permitted by law. The provisions of this Article VII shall not be deemed to preclude the indemnification of any person who is not specified in Section 7.1 or 7.2 but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

**7.8 Insurance** . The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, Executive Officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, Executive Officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VII.

**7.9 Certain Definitions** . For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VII, references to "fines" shall include any excise taxes assessed on a person with respect of any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

7.10 **Survival of Indemnification and Advancement of Expenses** . The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or Executive Officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.11 **Limitation on Indemnification** . Notwithstanding anything contained in this Article VII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 7.5), the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with an action, suit or proceeding (or part thereof):

(a) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(b) for an accounting or disgorgement of profits pursuant to Section 16(b) of the Exchange Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(c) for any reimbursement of the Corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the corporation, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act** ”), or the payment to the Corporation of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);

(d) initiated by such person, including any action, suit or proceeding (or part thereof) initiated by such person against the Corporation or its directors, officers, employees, agents or other indemnitees, unless (i) the Board authorized the action, suit or proceeding (or relevant part thereof) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (iii) otherwise required to be made under Section 7.5 or (iv) otherwise required by applicable law; or

(e) if prohibited by applicable law.

7.12 **Contract Rights** . The obligations of the Corporation under this Article VII to indemnify, and advance expenses to, a person who is or was a director or Executive Officer of the Corporation shall be considered a contract between the Corporation and such person, and no modification or repeal of any provision of this Article VII shall affect, to the detriment of such person, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Anaplan, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-227798) on Form S-8 of Anaplan, Inc. of our report dated March 29, 2019, with respect to the consolidated balance sheets of Anaplan, Inc. as of January 31, 2019 and 2018, the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2019, and the related notes to the consolidated financial statements, which report appears in the January 31, 2019 annual report on Form 10-K of Anaplan, Inc.

Our report on the consolidated financial statements refers to a change in the method of accounting for revenue due to the adoption of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

/s/ KPMG LLP  
San Francisco, California  
March 29, 2019

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Frank Calderoni, certify that:

1. I have reviewed this annual report on Form 10-K of Anaplan, 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)) 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. 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
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: March 29, 2019

By: /s/ Frank Calderoni  
Frank Calderoni  
Chairman & Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David H. Morton, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Anaplan, 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)) 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. 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
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: March 29, 2019

By: /s/ David H. Morton, Jr.

David H. Morton, Jr.  
Executive Vice President & Chief Financial Officer  
(Principal Financial Officer)

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

I, Frank Calderoni, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Anaplan, Inc. on Form 10-K for the year ended January 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Anaplan, Inc.

Date: March 29, 2019

By: */s/ Frank Calderoni*

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Frank Calderoni  
Chairman & Chief Executive Officer  
(Principal Executive Officer)

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

I, David H. Morton, Jr., certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Anaplan, Inc. on Form 10-K for the year ended January 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Anaplan, Inc.

Date: March 29, 2019

By: */s/ David H. Morton, Jr.* \_\_\_\_\_  
David H. Morton, Jr.  
Executive Vice President & Chief Financial Officer  
(Principal Financial Officer)