UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from ____ to ____
Commission File Number: 001-38098

APPIAN CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	**54-1956084**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
7950 Jones Branch Drive McLean, VA	**22102**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 442-8844

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

Title of each class	Trading symbol	Name of each exchange on which registered
Class A Common Stock	APPN	The Nasdaq Stock Market LLC

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

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

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

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 ☒

As of November 1, 2021, there were 39,683,710 shares of the registrant’s Class A common stock and 31,499,516 shares of the registrant’s Class B common stock, each with a par value of $0.0001 per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

APPIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of	
	September 30, 2021 (unaudited)	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 127,122	$ 112,462
Short-term investments and marketable securities	61,384	109,826
Accounts receivable, net of allowance of $1,400 as of each of September 30, 2021 and December 31, 2020	110,223	97,278
Deferred commissions, current	21,632	17,899
Prepaid expenses and other current assets	26,208	27,955
Total current assets	346,569	365,420
Property and equipment, net	34,280	35,404
Long-term investments	—	36,120
Goodwill	27,414	4,862
Intangible assets, net of accumulated amortization of $902 and $429 as of September 30, 2021 and December 31, 2020, respectively	8,527	1,744
Operating right-of-use assets	29,218	30,659
Deferred commissions, net of current portion	42,035	34,198
Deferred tax assets	991	489
Restricted cash, non-current	3,240	—
Other assets	2,096	3,625
Total assets	$ 494,370	$ 512,521
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 9,899	$ 2,967
Accrued expenses	10,278	5,821
Accrued compensation and related benefits	28,727	22,981
Deferred revenue, current	122,833	116,256
Operating lease liabilities, current	6,606	6,923
Other current liabilities	77	940
Total current liabilities	178,420	155,888
Operating lease liabilities, net of current portion	49,592	51,194
Deferred revenue, net of current portion	2,041	3,886
Deferred tax liabilities	82	70
Other non-current liabilities	7,759	4,878
Total liabilities	237,894	215,916
Stockholders' equity		
Class A common stock—par value $0.0001; 500,000,000 shares authorized and 39,667,317 shares issued and outstanding as of September 30, 2021; 500,000,000 shares authorized and 38,971,324 shares issued and outstanding as of December 31, 2020	4	4
Class B common stock—par value $0.0001; 100,000,000 shares authorized and 31,499,516 shares issued and outstanding as of September 30, 2021; 100,000,000 shares authorized and 31,707,866 shares issued and outstanding as of December 31, 2020	3	3
Additional paid-in capital	490,565	470,498
Accumulated other comprehensive loss	(2,410)	(5,010)
Accumulated deficit	(231,686)	(168,890)
Total stockholders' equity	256,476	296,605
Total liabilities and stockholders' equity	$ 494,370	$ 512,521

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

APPIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenue				
Subscriptions	$ 67,240	$ 50,760	$ 187,952	$ 142,614
Professional services	25,177	26,544	76,319	80,329
Total revenue	92,417	77,304	264,271	222,943
Cost of revenue				
Subscriptions	7,092	5,101	19,806	15,185
Professional services	19,415	16,450	56,065	51,641
Total cost of revenue	26,507	21,551	75,871	66,826
Gross profit	65,910	55,753	188,400	156,117
Operating expenses				
Sales and marketing	42,071	31,633	118,575	94,891
Research and development	26,510	18,150	71,062	51,366
General and administrative	20,226	13,485	56,726	38,076
Total operating expenses	88,807	63,268	246,363	184,333
Operating loss	(22,897)	(7,515)	(57,963)	(28,216)
Other expense (income)				
Other expense (income), net	2,329	(4,277)	4,141	(1,845)
Interest expense	72	119	233	390
Total other expense (income)	2,401	(4,158)	4,374	(1,455)
Loss before income taxes	(25,298)	(3,357)	(62,337)	(26,761)
Income tax expense	86	255	459	335
Net loss	$ (25,384)	$ (3,612)	$ (62,796)	$ (27,096)
Net loss per share:				
Basic and diluted	$ (0.36)	$ (0.05)	$ (0.89)	$ (0.39)
Weighted average common shares outstanding:				
Basic and diluted	71,118,881	69,923,553	70,935,585	68,611,994

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

APPIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (25,384)	$ (3,612)	$ (62,796)	$ (27,096)
Comprehensive income (loss), net of income taxes				
Foreign currency translation adjustment	28	(1,960)	2,569	(2,157)
Unrealized gains on available-for-sale securities	—	—	31	—
Total other comprehensive loss, net of income taxes	$ (25,356)	$ (5,572)	$ (60,196)	$ (29,253)

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

APPIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2021	70,679,190	$ 7	$ 470,498	$ (5,010)	$ (168,890)	$ 296,605
Net loss	—	—	—	—	(13,587)	(13,587)
Issuance of common stock to directors	960	—	—	—	—	—
Vesting of restricted stock units	56,326	—	—	—	—	—
Exercise of stock options	88,269	—	625	—	—	625
Stock-based compensation expense	—	—	7,894	—	—	7,894
Other comprehensive income	—	—	—	4,023	—	4,023
Balance, March 31, 2021	70,824,745	7	479,017	(987)	(182,477)	295,560
Net loss	—	—	—	—	(23,825)	(23,825)
Issuance of common stock to directors	1,175	—	—	—	—	—
Vesting of restricted stock units	43,024	—	—	—	—	—
Exercise of stock options	211,651	—	1,464	—	—	1,464
Stock-based compensation expense	—	—	4,598	—	—	4,598
Other comprehensive loss	—	—	—	(1,451)	—	(1,451)
Balance, June 30, 2021	71,080,595	7	485,079	(2,438)	(206,302)	276,346
Net loss	—	—	—	—	(25,384)	(25,384)
Issuance of common stock to directors	1,130	—	—	—	—	—
Vesting of restricted stock units	38,148	—	—	—	—	—
Exercise of stock options	46,960	—	286	—	—	286
Stock-based compensation expense	—	—	5,200	—	—	5,200
Other comprehensive income	—	—	—	28	—	28
Balance, September 30, 2021	71,166,833	$ 7	$ 490,565	$ (2,410)	$ (231,686)	$ 256,476

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

APPIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2020	67,468,022	$ 6	$ 340,929	$ (285)	$ (135,413)	$ 205,237
Net loss	—	—	—	—	(11,669)	(11,669)
Issuance of common stock to directors	1,946	—	—	—	—	—
Vesting of restricted stock units	46,031	—	—	—	—	—
Exercise of stock options	129,082	—	670	—	—	670
Stock-based compensation expense	—	—	3,476	—	—	3,476
Other comprehensive income	—	—	—	17	—	17
Balance, March 31, 2020	67,645,081	6	345,075	(268)	(147,082)	197,731
Net loss	—	—	—	—	(11,815)	(11,815)
Issuance of common stock from public offering, net of issuance costs	1,931,206	1	107,914	—	—	107,915
Issuance of common stock to directors	2,296	—	—	—	—	—
Vesting of restricted stock units	13,567	—	—	—	—	—
Exercise of stock options	248,165	—	1,571	—	—	1,571
Stock-based compensation expense	—	—	3,614	—	—	3,614
Other comprehensive loss	—	—	—	(214)	—	(214)
Balance, June 30, 2020	69,840,315	7	458,174	(482)	(158,897)	298,802
Net loss	—	—	—	—	(3,612)	(3,612)
Issuance of common stock to directors	2,417	—	—	—	—	—
Vesting of restricted stock units	33,641	—	—	—	—	—
Exercise of stock options	143,816	—	934	—	—	934
Stock-based compensation expense	—	—	3,578	—	—	3,578
Other comprehensive loss	—	—	—	(1,960)	—	(1,960)
Balance, September 30, 2020	70,020,189	$ 7	$ 462,686	$ (2,442)	$ (162,509)	$ 297,742

APPIAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net loss	$ (62,796)	$ (27,096)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,071	4,485
Bad debt expense	61	778
Loss on disposal of property and equipment	78	22
Change in fair value of available-for-sale securities	(31)	—
Deferred income taxes	(522)	(162)
Stock-based compensation	17,692	10,668
Changes in assets and liabilities:		
Accounts receivable	(10,005)	(22,594)
Prepaid expenses and other assets	2,734	4,491
Deferred commissions	(11,570)	(4,349)
Accounts payable and accrued expenses	10,797	(2,456)
Accrued compensation and related benefits	5,782	5,844
Other current and non-current liabilities	2,858	2,963
Deferred revenue	6,829	10,531
Operating lease liabilities	(476)	3,422
Net cash used in operating activities	(34,498)	(13,453)
Cash flows from investing activities:		
Proceeds from sale of investments	84,592	—
Payments for acquisitions, net of cash acquired	(30,729)	(6,138)
Purchases of property and equipment	(2,473)	(1,036)
Net cash provided by (used in) investing activities	51,390	(7,174)
Cash flows from financing activities:		
Principal payments on finance leases	—	(1,080)
Proceeds from public offering, net of underwriting discounts	—	108,260
Payments of costs related to public offerings	—	(18)
Proceeds from exercise of common stock options	2,375	3,175
Net cash provided by financing activities	2,375	110,337
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(1,367)	1,623
Net increase in cash, cash equivalents, and restricted cash	17,900	91,333
Cash, cash equivalents, and restricted cash at beginning of period	112,462	159,755
Cash, cash equivalents, and restricted cash at end of period	$ 130,362	$ 251,088
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 240	$ 116
Cash paid for income taxes	$ 1,196	$ 630

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

1. Organization and Description of Business

Appian Corporation (together with its subsidiaries, “Appian,” the “Company,” “we,” or “our”) helps organizations build applications and workflows rapidly, with a low-code automation platform. Combining people, technologies, and data in a single workflow, Appian can help companies maximize their resources and improve business results. Many of the world’s largest organizations use Appian applications to improve customer experience, achieve operational excellence, and simplify global risk management and compliance. We were incorporated in the state of Delaware in August 1999. We are headquartered in McLean, Virginia and operate in Canada, Switzerland, the United Kingdom, France, Germany, the Netherlands, Italy, Australia, Spain, Singapore, Sweden, and Japan.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and footnotes have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) as contained in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) for interim financial information. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the results of operations, financial position, changes in stockholders’ equity, and cash flows. The results of operations for the current period are not necessarily indicative of the results for the full year or the results for any future periods. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (the “SEC”) on February 18, 2021.

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Although we believe the estimates we use are reasonable, due to the inherent uncertainty involved in making these estimates, actual results reported in future periods could differ from those estimates.

Significant estimates embedded in the condensed consolidated financial statements include revenue recognition, income taxes and the related valuation allowance, the valuation of goodwill and intangible assets, leases, costs to obtain a contract with a customer, the valuation of financial instruments, and stock-based compensation.

The ongoing outbreak of the novel coronavirus disease ("COVID-19") has resulted in the declaration of a global pandemic and introduced a level of disruption and uncertainty into the financial markets and global economy. While we continue to monitor the developments surrounding the pandemic, as of the date of issuance of these financial statements, we are not aware of any specific events or circumstances that would require us to update our estimates, assumptions, and judgments or revise the carrying value of our assets or liabilities. We cannot estimate the impacts COVID-19 may have on our business going forward as such impacts will be largely dependent upon a number of factors outside of our control including the extent and duration of the outbreak as well as any mitigating actions which may be undertaken by global governments and the general public.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Appian and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Public Offering

In June 2020, we completed an underwritten public offering of 2,500,000 shares of our Class A common stock, of which 1,931,206 shares of Class A common stock were sold by us and 568,794 shares of Class A common stock were sold by existing stockholders. The underwriter purchased the shares from us and the selling stockholders at a price of $56.50 per share. Our net proceeds from the offering were $107.9 million, after deducting underwriting discounts and commissions and offering expenses. We did not receive any of the proceeds from the sale of shares by the selling stockholders.

Revenue Recognition

Refer to Note 3 for a detailed discussion on specific revenue recognition principles related to our major revenue streams.

Cost of Revenue

Subscriptions

Cost of subscriptions revenue consists primarily of fees paid to our third-party managed hosting providers and other third-party service providers, personnel costs such as payroll and benefits for our technology operations and customer support teams, and allocated facility costs and overhead.

Professional Services

Cost of professional services revenue includes all direct and indirect costs to deliver our professional services and training, including employee compensation for our global professional services and training personnel, third-party contractor costs, allocated facility costs and overhead, and the costs of billable expenses such as travel and lodging. The unpredictability of the timing of entering into significant professional services agreements sold on a standalone basis may cause significant fluctuations in our quarterly financial results and allocated facility costs and overhead.

Concentration of Credit and Customer Risk

Our financial instruments exposed to concentration of credit and customer risk consist primarily of cash, cash equivalents, and restricted cash, accounts receivable, and our short- and long-term investments. Deposits held with banks may exceed the amount of insurance provided on such deposits; however, we believe the financial institutions holding our cash deposits are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

With regard to our customers, credit evaluation and account monitoring procedures are used to minimize the risk of loss. We believe no additional credit risk beyond amounts provided for collection loss are inherent in accounts receivable. Revenue generated from government agencies represented 19.2% and 20.0% of our revenue for the three and nine months ended September 30, 2021, respectively, of which the top three U.S. federal government agencies generated 7.5% and 6.3% of our revenue for the three and nine months ended September 30, 2021, respectively. Additionally, 32.0% and 33.1% of our revenue during the three and nine months ended September 30, 2021, respectively, was generated from foreign customers. Revenue generated from government agencies represented 19.9% and 17.9% of our revenue for the three and nine months ended September 30, 2020, respectively, of which the top three U.S. federal government agencies generated 8.7% and 7.4% of our revenue for the three and nine months ended September 30, 2020, respectively. Additionally, 32.2% and 34.0% of our revenue during the three and nine months ended September 30, 2020, respectively, was generated from foreign customers.

Cash, Cash Equivalents, and Restricted Cash

We consider all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase, as well as overnight repurchase agreements, to be cash equivalents. Restricted cash consists of cash designated to settle an escrow liability stemming from a holdback agreement enacted pursuant to our acquisition of Lana Labs GmbH ("Lana Labs"). The restrictions on 25% of the restricted cash balance will lapse on the later of either two months following the establishment of Lana Labs' annual financial statements for the year ended December 31, 2021 or October 31, 2022. The restrictions on the remaining 75% of the balance will lapse on August 11, 2023.

The following table presents a reconciliation of cash, cash equivalents, and restricted cash as presented in the condensed consolidated statements of cash flows:

	As of September 30,	
	2021	2020
Cash and cash equivalents	$ 127,122	$ 251,088
Restricted cash, non-current	3,240	—
Total cash, cash equivalents, and restricted cash	$ 130,362	$ 251,088

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at realizable value, net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on our assessment of the collectability of accounts and incorporates an estimation of expected lifetime credit losses on our receivables. We regularly review the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, customer creditworthiness, and current economic trends. If the financial condition of our customers were to deteriorate, resulting in their inability to make required payments, additional provisions for doubtful accounts would be required and would increase bad debt expense. There was no increase in the allowance for doubtful accounts from December 31, 2020 to September 30, 2021.

Assets Recognized from the Costs to Obtain a Contract with a Customer

We capitalize costs of obtaining a contract with a customer, including sales commissions paid to our direct sales force, that are incremental costs to obtaining customer contracts. These costs are recorded as deferred commissions in the condensed consolidated balance sheets. Costs to obtain a contract for a new customer or upsell are amortized over an estimated economic life of five years as sales commissions on initial sales are not commensurate with sales commissions on contract renewals. We determine the estimated economic life based on both qualitative and quantitative factors such as expected renewals, product life cycles, contractual terms, and customer attrition. We periodically review the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the estimated economic life. Commissions paid relating to contract renewals are deferred and amortized over the related renewal period. We also capitalize the incremental fringe benefits associated with commission expenses paid to our direct sales force. Costs to obtain a contract for professional services arrangements are expensed as incurred as the contractual period of our professional services arrangements are one year or less.

Amortization associated with deferred commissions is recorded to sales and marketing costs in our condensed consolidated statements of operations. Commission expense was $8.2 million and $22.5 million for the three and nine months ended September 30, 2021, respectively. Commission expense was $5.6 million and $16.7 million for the three and nine months ended September 30, 2020, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Significant additions or improvements extending the useful life of an asset are capitalized, while repairs and maintenance costs which do not significantly improve the related assets or extend their useful lives are charged to expense as incurred.

The following table outlines the useful lives of our major asset categories:

Asset Category	Useful Life (in years)
Computer software	3
Computer hardware	3
Equipment	5
Office furniture and fixtures	10
Leasehold improvements	(a)

[a] Leasehold improvements have an estimated useful life of the shorter of the useful life of the assets or the lease term.

Business Combinations

We account for business combinations using the acquisition method of accounting as of the business combination date. Under this method, we allocate the fair value of purchase consideration to identifiable tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, non-contractual relationships, and expected future synergies. Determining the fair value of assets acquired and liabilities assumed requires us to use significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue, costs, and cash flows, and discount rates.

During the measurement period, which can be up to one year from the acquisition date, these estimates may be refined, as necessary, and we may record adjustments to the fair value of tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or the final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our condensed consolidated statements of operations. Acquisition related expenses and post-acquisition integration costs are recognized separately from the business combination and are expensed as incurred.

Acquired property and equipment is depreciated on a straight-line basis over the assets' respective estimated remaining useful lives.

Impairment of Goodwill and Long-Lived Assets

Long-lived assets and certain intangible assets are reviewed for impairment at least annually or more frequently whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable through undiscounted cash flows from the use of the assets. If such assets are considered to be impaired, the assets are written down to their estimated fair value.

With respect to goodwill, we have the option to qualitatively assess whether it is more likely than not the fair value of a reporting unit is less than its carrying value. If we elect to perform a qualitative assessment and conclude it is more likely than not the fair value of the reporting unit is equal to or greater than its carrying value, no further assessment of that reporting unit’s goodwill is necessary; otherwise, goodwill must be tested for impairment. Absent a specifically identified triggering event, we historically perform our annual assessment on the first day of the fourth quarter.

Because we operate under one reporting unit, the fair value of our reporting unit is based on our enterprise value. No indicators of impairment were identified for the three and nine months ended September 30, 2021 and 2020.

Investments and Fair Value of Financial Instruments

Refer to Note 15 for a detailed discussion on our policies specific to investments and determining fair value.

Stock-Based Compensation

We account for stock-based compensation expense related to stock-based awards based on the estimated fair value of the award on the grant date. We calculate the fair value of stock options containing only a service condition using the Black-Scholes option pricing model. The fair value of restricted stock units ("RSUs") is based on the closing market price of our common stock on the Nasdaq Global Market on the date of grant. For service-based awards such as RSUs, stock-based compensation expense is recognized on a straight-line basis over the requisite service period. For performance-based awards, stock-based compensation expense is recognized using the accelerated attribution method based on the probability of satisfying the performance condition. For awards that contain market conditions, compensation expense is measured using a Monte Carlo simulation and recognized using the accelerated attribution method over the derived service period based on the expected market performance as of the grant date. We account for forfeitures as they occur rather than estimating expected forfeitures.

Leases

Refer to Note 4 for a detailed discussion on our policies specific to leasing arrangements.

Recent Accounting Pronouncements

Adopted

In December 2019, the FASB issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which amends and aims to simplify accounting disclosure requirements regarding a number of topics including, but not limited to, intraperiod tax allocations, accounting for deferred taxes when there are changes in the consolidation of certain investments, tax basis step ups in an acquisition, and the application of effective rate changes during interim periods. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of the new guidance did not have a material impact on our condensed consolidated financial statements.

Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)*, which provides temporary optional expedients and exceptions to the GAAP guidance on contract modifications to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates such as the Secured Overnight Financing Rate ("SOFR"). This guidance is effective upon issuance and generally can be applied through the end of calendar year 2022. We are currently evaluating the impact and applicability of this new standard.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which aims to improve the accounting for acquired revenue contracts with customers in a business combination. The ASU requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The guidance is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted including in interim periods. We are currently evaluating the impact and applicability of this new standard.

3. Revenue

Revenue Recognition

We generate subscriptions revenue primarily through the sale of software as a service ("SaaS") subscriptions bundled with maintenance and support and hosting services as well as term license subscriptions bundled with maintenance and support. We generate professional services revenue from fees for our consulting services, including application development and deployment assistance as well as training related to our platform.

The following table summarizes revenue from contracts with customers for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
SaaS subscriptions	$ 46,699	$ 34,312	$ 128,238	$ 92,282
Term license subscriptions	15,114	11,830	44,290	37,002
Maintenance and support	5,427	4,618	15,424	13,330
Total subscriptions	67,240	50,760	187,952	142,614
Professional services	25,177	26,544	76,319	80,329
Total revenue	$ 92,417	$ 77,304	$ 264,271	$ 222,943

Performance Obligations and Timing of Revenue Recognition

We primarily sell products and services that fall into the categories discussed below. Each category contains one or more performance obligations that are either (1) capable of being distinct (i.e., the customer can benefit from the product or service on its own or together with readily available resources, including those purchased separately from us) and distinct within the context of the contract (i.e., separately identified from other promises in the contract) or (2) a series of distinct products or services that are substantially the same and have the same pattern of transfer to the customer. Our term license subscriptions are delivered at a point in time while our SaaS subscriptions, maintenance and support, and professional services are delivered over time.

Subscriptions Revenue

Subscriptions revenue is primarily related to (1) SaaS subscriptions bundled with maintenance and support and hosting services and (2) term license subscriptions bundled with maintenance and support. We generally charge subscription fees on a per-user basis or through non-user based single application licenses. We bill customers and collect payment for subscriptions to our platform in advance on an annual, quarterly, or monthly basis. In certain instances, our customers have paid their entire contract up front.

SaaS Subscriptions

We generate cloud-based subscriptions revenue primarily from the sales of subscriptions to access our cloud offering, together with related support services to our customers. We perform all required maintenance and support for our cloud offering. Revenue is recognized on a ratable basis over the contract term beginning on the date the service is made available to the customer. Our cloud-based subscription contracts generally have a term of one to three years in length. We bill customers and collect payment for subscriptions to our platform in advance, and they are non-cancellable.

Term License Subscriptions

Our term license subscriptions revenue is derived from customers with on-premises installations of our platform pursuant to contracts that were historically one to three years in length. The majority of recent contracts have been one year in length. Although term license subscriptions are sold with maintenance and support, the software is fully functional at the beginning of the subscription and is considered a distinct performance obligation. On rare occasions, a cloud-based subscription may include the right for the customer to take possession of the license and as such, the revenue is treated as a license. Revenue from term license subscriptions is recognized when control of the software license has transferred to the customer, which is the later of delivery or commencement of the contract term.

Maintenance and Support

Maintenance and support subscriptions include both technical support and when-and-if-available software upgrades, which are treated as a single performance obligation as they are considered a series of distinct services that are substantially the same and have the same duration and measure of progress. Revenue from maintenance and support is recognized ratably over the contract period, which is the period over which the customer has continuous access to maintenance and support.

Professional Services Revenue

Our professional services revenue is comprised of fees for consulting services, including application development and deployment assistance as well as training services related to our platform. Our professional services are considered distinct performance obligations when sold standalone or with other products.

Consulting Services

We sell consulting services to assist customers in planning and executing the deployment of our software. Customers are not required to use consulting services to fully benefit from the software. Consulting services are regularly sold on a standalone basis and either (1) under a fixed-fee arrangement or (2) on a time and materials basis. Consulting contracts are each considered separate performance obligations because they do not integrate with each other or with other products and services to deliver a combined output to the customer, do not modify or customize (or are not modified or customized by) each other or other products and services, and do not affect the customer's ability to use the other consulting offerings or other products and services. Revenue under consulting contracts is recognized over time as services are delivered. For time and materials-based consulting contracts, we have elected the practical expedient of recognizing revenue upon invoicing since the invoiced amount corresponds directly to the value of our service to date.

Training Services

We sell various training services to our customers. Training services are sold in the form of prepaid training credits that are redeemed based on a fixed rate per course. Training revenue is recognized when the associated training services are delivered.

Significant Judgments and Estimates

Determining the Transaction Price

The transaction price includes both fixed and variable consideration. Variable consideration is included in the transaction price to the extent it is probable a significant reversal will not occur. The amount of variable consideration excluded from the transaction price for the three and nine months ended September 30, 2021 and 2020 was insignificant. Our estimates of variable consideration are also subject to subsequent true-up adjustments and may result in changes to transaction prices; however, such true-up adjustments are not expected to be material.

Allocating the Transaction Price Based on Standalone Selling Prices ("SSP")

We allocate the transaction price to each performance obligation in a contract based on its relative SSP. The SSP is the observable price at which we sell the product or service separately. In the absence of observable pricing, we estimate SSP using the residual approach. We establish SSP as follows:

1. SaaS subscriptions - Given the highly variable selling price of our SaaS subscriptions, we establish the SSP of our SaaS subscriptions using a residual approach after first determining the SSP of consulting and training services. We have concluded the residual approach to estimating SSP of our SaaS subscriptions is an appropriate allocation of the transaction price.

2. Term license subscriptions - Given the highly variable selling price of our term license subscriptions, we have established SSP of term license subscriptions using a residual approach after first determining the SSP of maintenance and support. Maintenance and support is sold on a standalone basis in conjunction with renewals of our legacy perpetual software licenses and within a narrow range of the net license fee. Because an economic relationship exists between the license and maintenance and support, we have concluded the residual approach to estimating SSP of term license subscriptions is an appropriate allocation of the transaction price.

3. Maintenance and support - We establish the SSP of maintenance and support as a percentage of the stated net subscription fee based on observable pricing of maintenance and support renewals from our legacy perpetual software licenses.

4. Consulting and training services - The SSP of consulting and training services is established based on the observable pricing of standalone sales within each geographic region where the services are sold.

Contract Balances

Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to our contracts with customers. Contract assets primarily relate to unbilled amounts for contracts with customers for which the amount of revenue recognized exceeds the amount billed to the customer. Contract assets are transferred to accounts receivable when the right to invoice becomes unconditional. As of September 30, 2021 and December 31, 2020, contract assets of $13.4 million and $20.1 million, respectively, are included in the Prepaid expenses and other current assets and Other assets line items in our condensed consolidated balance sheets.

Contract liabilities consist of deferred revenue and include payments received in advance of the satisfaction of performance obligations. Deferred revenue is then recognized as the revenue recognition criteria are met. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current, and the remaining deferred revenue is recorded as non-current. For the nine months ended September 30, 2021, we recognized $103.5 million of revenue that was included in the deferred revenue balance as of December 31, 2020.

Transaction Price Allocated to the Remaining Performance Obligations

As of September 30, 2021, we had an aggregate transaction price of $246.7 million allocated to unsatisfied performance obligations. We expect to recognize $223.9 million of this balance as revenue over the next 24 months with the remaining amount recognized thereafter.

4. Leases

At the inception of an arrangement, we determine whether the arrangement is or contains a lease based on the unique facts and circumstances present and the classification of the lease. Operating leases with a term greater than one year are recognized on the balance sheet as right-of-use ("ROU") assets, lease liabilities, and, if applicable, long-term lease liabilities. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. We have elected not to recognize on our condensed consolidated balance sheets leases with a term of one year or less. For contracts with lease and non-lease components, we have elected not to allocate the contract consideration but rather to account for the lease and non-lease components as a single lease component.

Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The implicit rates within most of our leases are generally not determinable; therefore, we use the incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The determination of our incremental borrowing rate requires judgment and is estimated for each lease based on the rate we would have to pay for a collateralized loan with the same term and payments as the lease. We consider various factors, including our level of collateralization, estimated credit rating, and the currency in which the lease is denominated. Operating lease ROU assets also include any lease prepayments, offset by lease incentives. Certain of our leases include options to extend or terminate the lease. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain we will exercise that option while an option to terminate is considered unless it is reasonably certain we will not exercise the option. For certain equipment leases, we apply a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

Expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while the expense for finance leases is recognized as depreciation expense and interest expense. We have lease agreements which require payments for lease and non-lease components (i.e., common area maintenance) that are accounted for as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease, such as maintenance costs based on future obligations, are not included in ROU assets or lease liabilities but rather are expensed as incurred and recorded as variable lease expense.

As of September 30, 2021, we have operating leases for corporate offices. Our operating leases have remaining lease terms of roughly 2 years to 10 years, some of which include options to extend the leases for up to 10 years.

In April 2018, we entered into a lease agreement with respect to 176,222 square feet of office space in McLean, Virginia for a new corporate headquarters. The initial term of the lease was 150 months. We took initial possession of the first phase of the new headquarters in October 2018 and began to recognize rent expense as of that date. In February 2019, we took possession of an additional 28,805 square feet of adjacent office space.

In January 2020, we entered into an amendment which adjusted the original terms of the headquarters lease. Under this amendment, we exercised an option to expand occupancy, adding 34,158 square feet of office space. Occupancy of the added space commenced on October 14, 2020. Pursuant to the guidance of ASC 842, *Leases*, the amendment is considered a modification to the original lease and is accounted for as a separate contract because it represents a new ROU asset and the lease costs on the new space are charged at prevailing market rates. Effective July 1, 2020, we took possession of the space, began to recognize rent expense, and recorded a $7.9 million ROU asset and lease liability on our condensed consolidated balance sheets.

In October 2020, we paid the full $2.7 million principal balances outstanding under our finance leases pursuant to an option permitting us to pay such balances in full at any time. As of the date of the paydown, the titles to the assets were transferred to us, the associated lease liabilities were retired, the carrying values of the purchased assets were adjusted, and the assets were reclassified from finance leases to property and equipment, net on the condensed consolidated balance sheets.

The following table sets forth the components of lease expense for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost	$ 1,659	$ 1,695	$ 4,984	$ 4,971
Finance lease costs:				
Amortization of right-of-use assets	—	373	—	1,118
Interest on lease liabilities	—	41	—	138
Short-term lease cost	23	85	77	465
Variable lease cost	947	1	1,744	218
Total	$ 2,629	$ 2,195	$ 6,805	$ 6,910

Supplemental balance sheet information related to operating leases as of September 30, 2021 and December 31, 2020 was as follows (in thousands, except for lease term and discount rate):

	As of	
	September 30, 2021	December 31, 2020
Operating right-of-use assets	$ 29,218	$ 30,659
Operating lease liabilities, current	$ 6,606	$ 6,923
Operating lease liabilities, net of current portion	49,592	51,194
Total operating lease liabilities	$ 56,198	$ 58,117
Weighted average remaining lease term (in years)	9.8	10.6
Weighted average discount rate	9.6 %	9.6 %

For the three and nine months ended September 30, 2021, amortization of operating ROU assets totaled $0.7 million and $1.4 million, respectively. For the three and nine months ended September 30, 2020, amortization of operating ROU assets totaled $0.4 million and $1.3 million, respectively.

For the three and nine months ended September 30, 2021, interest expense on operating lease liabilities totaled $0.5 million and $1.4 million, respectively. For the three and nine months ended September 30, 2020, interest expense on operating lease liabilities totaled $0.7 million and $2.2 million, respectively.

Supplemental cash flow information related to leases for the nine months ended September 30, 2021 and 2020 was as follows (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows for operating leases	$ 5,295	$ 1,716
Operating cash outflows for finance leases	—	138
Financing cash outflows for finance leases	—	1,080

A summary of our future minimum lease commitments under non-cancellable leases as of September 30, 2021 is as follows (in thousands):

	Operating Leases
2021 (excluding the nine months ended September 30, 2021)	$ 626
2022	8,450
2023	8,311
2024	8,634
2025	9,330
2026	9,366
Thereafter	48,775
Total lease payments	93,492
Less: imputed interest	(37,294)
Total	$ 56,198

5. Acquisitions

In August 2021, we completed the acquisition of Lana Labs, a developer of process mining software, for approximately $30.7 million, net of cash acquired and debt. The acquisition was made due to the attractive nature of the product offerings of Lana Labs and in furtherance of our objective to enhance our automation platform. The transaction was financed through available cash on hand.

The allocation of the purchase price is preliminary pending the finalization of the fair value of the acquired net assets, liabilities assumed, deferred income taxes, and assumed income and non-income based tax liabilities. As of the acquisition date, the purchase price was assigned to the acquired assets and assumed liabilities as follows (in thousands):

Cash acquired	$ 256
Other current assets	86
Property and equipment	59
Developed technology	6,819
Customer relationships	750
Goodwill	23,443
Other non-current assets	27
Total assets acquired	31,440
Current liabilities	335
Non-current liabilities	120
Total liabilities assumed	455
Net assets acquired	$ 30,985

There were no changes to our reportable segments as a result of the acquisition. From the acquisition date to September 30, 2021, Lana Labs' revenue was immaterial and net loss before taxes was $1.2 million. Acquisition costs incurred in relation to the transaction were immaterial. We do not expect the purchase price allocated to goodwill and intangible assets to be deductible for tax purposes.

6. Property and Equipment, net

Property and equipment, net consisted of the following as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Leasehold improvements	$ 37,541	$ 36,263
Office furniture and fixtures	2,526	2,521
Computer hardware	5,583	4,535
Computer software	1,353	1,352
Equipment	109	49
Property and equipment, gross	47,112	44,720
Less: accumulated depreciation	(12,832)	(9,316)
Property and equipment, net	$ 34,280	$ 35,404

Depreciation expense totaled $1.2 million and $3.6 million for the three and nine months ended September 30, 2021, respectively. We retired $0.1 million of leasehold improvements during the three and nine months ended September 30, 2021 and similarly recorded $0.1 million in losses on disposal for the three and nine months ended September 30, 2021.

Depreciation expense totaled $1.4 million and $4.2 million for the three and nine months ended September 30, 2020. There were no disposals recorded during the three months ended September 30, 2020. During the nine months ended September 30, 2020, we retired $1.3 million of leasehold improvements, $0.1 million of computer hardware, and $0.1 million of office furniture and fixtures and equipment. Nominal losses on disposal were recorded for the nine months ended September 30, 2020.

7. Accrued Expenses

Accrued expenses consisted of the following as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Accrued hosting costs	$ 2,006	$ 1,229
Accrued legal costs	1,975	760
Accrued marketing and tradeshow expenses	1,868	596
Accrued third party license fees	957	570
Accrued contract labor costs	683	908
Accrued reimbursable employee expenses	481	231
Accrued audit and tax expenses	256	370
Accrued taxes payable	—	527
Other accrued expenses	2,052	630
Total	$ 10,278	$ 5,821

8. Debt

Line of Credit

In November 2017, we entered into a $20.0 million revolving line of credit with a lender. The facility matures in November 2022. We may elect whether amounts drawn on the revolving line of credit bear interest at a floating rate per annum equal to either LIBOR or the Prime rate plus an additional interest rate margin that is determined by the availability of the borrowings under the revolving line of credit. The additional interest rate margin will range from 2.00% to 2.50% in the case of LIBOR advances and from 1.00% to 1.50% in the case of Prime rate advances. The revolving line of credit contains an unused facility fee in an amount between 0.15% and 0.25% of the average unused portion of the revolving line of credit, which is payable quarterly. The agreement contains certain customary affirmative and negative covenants and requires us to maintain (i) an adjusted quick ratio of at least 1.35 to 1.00 and (ii) minimum adjusted EBITDA, in the amounts and for the periods set forth in the agreement. Any amounts borrowed under the credit facility are collateralized by substantially all of our assets. We were in compliance with all covenants as of September 30, 2021. As of September 30, 2021, we had no outstanding borrowings under this revolving line of credit, and we had outstanding letters of credit totaling $11.2 million in connection with securing our leased office space. We also continue to monitor the LIBOR to SOFR transition, which may result in modification or amendment of our existing revolving line of credit.

9. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income before tax plus the tax effect of any significant or unusual items, discrete events, or changes in tax law. Our operating subsidiaries are exposed to statutory effective tax rates ranging from zero to approximately 32%. Fluctuations in the distribution of pre-tax income among our operating subsidiaries can lead to fluctuations of the effective tax rate in the condensed consolidated financial statements. For the three and nine months ended September 30, 2021, the actual effective tax rates were (0.3)% and (0.7)%, respectively. For the three and nine months ended September 30, 2020, the actual effective tax rates were (7.6)% and (1.3)%, respectively.

We assess uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainties in Income Taxes*. As of September 30, 2021, our net unrecognized tax benefits totaled $2.3 million, which if recognized would result in no net effect on the effective tax rate due to a valuation allowance. The amount of reasonably possible unrecognized tax benefits that could decrease over the next 12 months due to the expiration of certain statutes of limitations or settlements of tax audits is not material to our condensed consolidated financial statements.

We file income tax returns in the United States federal jurisdiction and in many states and foreign jurisdictions. The tax years 2017 through 2020 remain open to examination by the major taxing jurisdictions to which we are subject. We are not currently under examination by the Internal Revenue Service for any open tax years.

10. Stock-Based Compensation

Equity Incentive Plans

In May 2017, our Board of Directors adopted, and our stockholders approved, the 2017 Equity Incentive Plan (the “2017 Plan”), which became effective as of the date of the final prospectus for our initial public offering. The 2017 Plan provides for the grant of incentive stock options to employees and for the grant of nonstatutory stock options, restricted stock awards, RSUs, stock appreciation rights, performance-based stock awards, and other forms of equity compensation to employees, including officers, non-employee directors, and consultants. We initially reserved 6,421,442 shares of Class A common stock for issuance under the 2017 Plan, which included 421,442 shares that remained available for issuance under our 2007 Stock Option Plan (the “2007 Plan”) at the time the 2017 Plan became effective. The number of shares reserved under the 2017 Plan increases for any shares subject to outstanding awards originally granted under the 2007 Plan that expire or are forfeited prior to exercise. As a result of the adoption of the 2017 Plan, no further grants may be made under the 2007 Plan. As of September 30, 2021, there were 7,177,909 shares of Class A common stock reserved for issuance under the 2017 Plan, of which 4,077,122 were available to be issued.

Stock Options

We estimate the fair value of stock options containing only a service condition using the Black-Scholes option pricing model, which requires the use of subjective assumptions, including the expected term of the option, the current price of the underlying stock, the expected stock price volatility, expected dividend yield, and the risk-free interest rate for the expected term of the option. The expected term represents the period of time the stock options are expected to be outstanding. Due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected term of the stock options, we use the simplified method to estimate the expected term for our stock options. Under the simplified method, the expected term of an option is presumed to be the mid-point between the vesting date and the end of the contractual term. Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected term of the stock options. We assume no dividend yield because dividends are not expected to be paid in the near future, which is consistent with our history of not paying dividends.

In May 2019, our Board of Directors granted a stock option to purchase 700,000 shares of our Class A common stock to our Chief Executive Officer (the "2019 CEO Grant") under the 2017 Plan with an exercise price of $33.98 per share. The 2019 CEO Grant is eligible to vest based on the achievement of a stock price appreciation target of our Class A common stock. Specifically, the 2019 CEO Grant vests when shares of our Class A common stock close at or above $84.63 per share for a period equal to or greater than 90 consecutive calendar days or upon the occurrence of a change in control in which the value of our Class A common stock is equal to or greater than $84.63 per share within five years of the grant date. The fair value of the 2019 CEO Grant was determined using a Monte Carlo simulation. The fair value of the award at the grant date was $9.5 million and is amortized over the derived service period of 2.6 years. Effective February 2021, the 2019 CEO Grant has satisfied all of the conditions required to be considered fully vested. As a result, we accelerated the recognition of approximately $3.3 million in stock-based compensation expense in the nine months ended September 30, 2021.

The following table summarizes stock option activity for the nine months ended September 30, 2021:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	3,399,240	$ 14.06	4.9	$ 503,174
Granted	—	—	—	—
Exercised	(346,880)	6.82	—	37,837
Expired	(1,080)	6.47	—	—
Forfeited	(11,420)	11.67	—	—
Outstanding at September 30, 2021	3,039,860	$ 14.90	4.2	$ 235,916
Exercisable at September 30, 2021	2,844,040	$ 15.12	4.1	$ 220,107

There were no stock options granted during the nine months ended September 30, 2021 and 2020. The total fair value of stock options that vested during the nine months ended September 30, 2021 and 2020 was $10.7 million and $1.4 million, respectively. As of September 30, 2021, the total compensation cost related to unvested stock options not yet recognized was $0.1 million, which will be recognized over a weighted average period of 0.6 years.

Restricted Stock Units

The following table summarizes RSU activity for the nine months ended September 30, 2021:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested and outstanding at January 1, 2021	1,165,003	$ 46.04
Granted	275,699	123.54
Vested	(137,498)	45.18
Forfeited	(67,324)	60.14
Non-vested and outstanding at September 30, 2021	1,235,880	62.67

As of September 30, 2021, total unrecognized compensation cost related to unvested RSUs was approximately $64.6 million, which will be recognized over a weighted average period of 2.2 years.

The following table summarizes the components of our stock-based compensation expense by instrument type for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
RSUs	$ 4,997	$ 2,494	$ 13,405	$ 7,268
Stock options	47	992	3,820	3,123
Common stock awards to Board of Directors	156	92	467	277
Total stock-based compensation expense	$ 5,200	$ 3,578	$ 17,692	$ 10,668

Stock-based compensation expense for RSUs, stock options, and issuances of common stock to the Board of Directors is included in the following line items in the accompanying condensed consolidated statements of operations for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue				
Subscriptions	$ 381	$ 236	$ 973	$ 678
Professional services	777	406	2,283	935
Operating expenses				
Sales and marketing	1,448	427	3,753	1,837
Research and development	1,263	669	3,347	1,841
General and administrative	1,331	1,840	7,336	5,377
Total stock-based compensation expense	$ 5,200	$ 3,578	$ 17,692	$ 10,668

11. Stockholders' Equity

As of September 30, 2021, we had authorized 500,000,000 shares of Class A common stock and 100,000,000 shares of Class B common stock, each with a par value of $0.0001 per share, of which 39,667,317 shares of Class A common stock and 31,499,516 shares of Class B common stock were issued and outstanding. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. The holders of Class A common stock are entitled to one vote per share, and the holders of Class B common stock are entitled to ten votes per share on all matters subject to stockholder vote. The holders of Class B common stock also have approval rights for certain corporate actions. Each share of Class B common stock may be converted into one share of Class A common stock at the option of its holder and will be automatically converted upon transfer thereof, subject to certain exceptions. In addition, upon the date on which the outstanding shares of Class B common stock represent less than 10% of the aggregate voting power of our capital stock, all outstanding shares of Class B common stock shall convert automatically into Class A common stock.

12. Basic and Diluted Loss per Common Share

The following outstanding securities, prior to the use of the treasury stock method or the if-converted method, have been excluded from the computation of diluted weighted-average shares outstanding for the respective periods below because they would have been antidilutive:

	Three and Nine Months Ended September 30,	
	2021	2020
Stock options	3,039,860	3,882,588
Non-vested restricted stock units	1,235,880	1,110,438

13. Commitments and Contingencies

Contractual Warranty and Indemnification Obligations

We provide limited product warranties. Historically, any payments made under these provisions have been immaterial. We also agree to standard indemnification provisions in the ordinary course of business. Pursuant to these provisions, we agree to indemnify, hold harmless, and reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally our customers, in connection with certain intellectual property infringement claims by any third party arising from the use of our products or services in accordance with the agreement. The term of our contractual indemnity provisions often survives termination or expiration of the applicable agreement. We carry insurance that covers certain third-party claims relating to our services and limits our exposure. We have never incurred costs to defend lawsuits or settle claims related to these indemnification provisions.

Minimum Purchase Commitments

In July 2021, we executed a non-cancellable cloud hosting arrangement with Amazon Web Services ("AWS") that contains provisions for minimum purchase commitments. Specifically, purchase commitments under the agreement total $131.0 million over five years, including $22.0 million in the first year, $25.0 million in the second year, and $28.0 million in each of the third, fourth, and fifth years. The timing of payments under the agreement may vary, and the total amount of payments may exceed the minimum depending on the volume of services utilized.

Exclusive of the AWS contract, we have other non-cancellable agreements for subscription software products that contain provisions stipulating minimum purchase commitments. However, the annual purchase commitments under these contracts are, individually and in the aggregate, immaterial to our condensed consolidated financial statements.

Letters of Credit

At each of September 30, 2021 and December 31, 2020, we had outstanding letters of credit totaling $11.2 million in connection with securing our leased office space. All letters of credit are secured by our borrowing arrangement as described in Note 8.

Legal

From time to time, we are subject to legal, regulatory, and other proceedings and claims that arise in the ordinary course of business. There are no issues or resolutions of any matters expected to have a material adverse impact on our condensed consolidated financial statements.

14. Segment and Geographic Information

We consider operating segments to be components of our business in which separate financial information is available and evaluated regularly by our Chief Operating Decision Maker ("CODM"). Our CODM, who is our Chief Executive Officer, reviews financial information on a consolidated basis when deciding how to allocate resources and assessing performance. Accordingly, we have determined we have a single reporting segment and operating unit structure.

The following table summarizes revenue by geography for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Domestic	$ 62,815	$ 52,424	$ 176,801	$ 147,070
International	29,602	24,880	87,470	75,873
Total	$ 92,417	$ 77,304	$ 264,271	$ 222,943

With respect to geographic information, revenue is attributed to respective geographies based on the contracting address of the customer. There were no individual foreign countries from which more than 10% of our total revenue was attributable for the three and nine months ended September 30, 2021. Revenue from customers attributed to the United Kingdom was 13.6% and 12.8% of our total revenue for the three and nine months ended September 30, 2020, respectively. There were no other individual foreign countries from which more than 10% of our total revenue was attributable for the three and nine months ended September 30, 2020. Substantially all of our long-lived assets were held in the United States as of September 30, 2021 and December 31, 2020.

15. Investments and Fair Value Measurements

Fair Value Measurements

We use a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires us to use observable inputs when available and to minimize the use of unobservable inputs when determining fair value. The three tiers are defined as follows:

- **Level 1.** Observable inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;

- **Level 2.** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

- **Level 3.** Unobservable inputs for which there is little or no market data, which require us to develop our own assumptions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There were no instruments measured at fair value on a recurring basis using significant unobservable inputs as of September 30, 2021 and December 31, 2020.

The valuation techniques that may be used to measure fair value are as follows:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts;
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (i.e., replacement cost).

The carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value as of September 30, 2021 and December 31, 2020 because of the relatively short duration of these instruments.

Investments

Our investment portfolio consists largely of debt investments classified as available-for-sale. Changes in the fair value of available-for-sale securities, excluding other-than-temporary impairments, are recorded in other comprehensive income (loss). The components of our investments as of September 30, 2021 are as follows (in thousands):

	As of September 30, 2021						
	Fair Value Measurement				Balance Sheet Classification		
	Fair Value Level	Cost Basis	Unrealized Gains (Losses)	Market Value	Cash and Cash Equivalents	Short-Term Investments and Marketable Securities	Long-Term Investments
Money market fund	Level 1	$ 59,394	$ —	$ 59,394	$ 59,394	$ —	$ —
U.S. Treasury bonds	Level 1	16,364	2	16,366	—	16,366	—
Commercial paper	Level 2	10,976	—	10,976	—	10,976	—
Corporate bonds	Level 2	12,779	2	12,781	—	12,781	—
Asset-backed securities	Level 2	21,256	5	21,261	—	21,261	—
Total investments		$ 120,769	$ 9	$ 120,778	$ 59,394	$ 61,384	$ —

At December 31, 2020, our investments consisted of the following (in thousands):

	As of December 31, 2020						
	Fair Value Measurement				Balance Sheet Classification		
	Fair Value Level	Cost Basis	Unrealized Gains (Losses)	Market Value	Cash and Cash Equivalents	Short-Term Investments and Marketable Securities	Long-Term Investments
Money market fund	Level 1	$ 27,150	$ —	$ 27,150	$ 27,150	$ —	$ —
U.S. Treasury bonds	Level 1	24,445	(3)	24,442	—	16,273	8,169
Commercial paper	Level 2	76,905	—	76,905	16,493	60,412	—
Corporate bonds	Level 2	34,738	(11)	34,727	—	27,542	7,185
Asset-backed securities	Level 2	26,373	(8)	26,365	—	5,599	20,766
Total investments		$ 189,611	$ (22)	$ 189,589	$ 43,643	$ 109,826	$ 36,120

There were no Level 3 assets held at any point during the three and nine months ended September 30, 2021. Additionally, there were no transfers between Levels 1 and 2 during the three and nine months ended September 30, 2021.

The amortized cost basis and fair value of debt securities as of September 30, 2021, by contractual maturity, are as follows (in thousands):

	As of September 30, 2021	
	Cost Basis	Fair Value
Due in one year or less	$ 120,769	$ 120,778

Actual maturities may differ from the contractual maturities in the table above because borrowers have the right to call or prepay certain obligations.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with (1) our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and (2) the audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2020 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission, or SEC, on February 18, 2021.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would," or the negative or plural of these words or similar expressions or variations, including statements regarding our future financial and operating performance, anticipated expansion of the usage of partners to perform professional services, the increase of our subscriptions revenue as a percentage of total revenue, the fluctuation of gross margin in the short term and improvement of gross margin over time, our future capital requirements, and uncertain negative impacts the COVID-19 pandemic, including the emergence of new variant strains of COVID-19, may have on our business, financial condition, results of operations, and changes in overall level of spending and volatility in the global economy. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions, and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein and those discussed in the section titled "Risk Factors," set forth in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 18, 2021 and in our other filings with the SEC. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We help organizations build applications and workflows rapidly, with a low-code automation platform. Combining people, technologies, and data in a single workflow, Appian can help companies maximize their resources and improve business results. Many of the world's largest organizations use Appian applications to improve customer experience, achieve operational excellence, and simplify global risk management and compliance.

With our platform, organizations can rapidly and easily design, build, and implement powerful, enterprise-grade custom applications through our intuitive, visual interface with little or no coding required. Our customers have used applications built on our platform to launch new business lines, automate vital employee workflows, manage complex trading platforms, accelerate drug development, and build global procurement systems. With our platform, decision makers can reimagine their products, services, processes, and customer interactions by removing much of the complexity and many of the challenges associated with traditional approaches to software development.

We have generated the majority of our revenue from sales of subscriptions, which include (1) SaaS subscriptions bundled with maintenance and support and hosting services and (2) term license subscriptions bundled with maintenance and support. Our subscription fees are based primarily on the number of users who access and utilize the applications built on our platform or, alternatively, non-user based single application licenses. Our customer contract terms generally vary from one to three years with most providing for payment in advance on an annual, quarterly, or monthly basis. Due to the variability of our billing terms and the episodic nature of our customers purchasing additional subscriptions, we do not believe changes in our deferred revenue in a given period are directly correlated with our revenue growth.

Since inception, we have invested in our Customer Success organization to help ensure customers are able to build and deploy applications on our platform. We have several strategic partnerships, including with KPMG, PwC, Accenture, and Deloitte, for them to refer customers to us in order to purchase subscriptions and then to provide professional services directly to the customers using our platform. We intend to further grow our base of strategic partners to provide broader customer coverage and solution delivery capabilities. In addition, over time we expect professional services revenue as a percentage of total revenue to decline as we increasingly rely on strategic partners to help our customers deploy our software. We believe our investment in professional services, including strategic partners building their practices around Appian, will drive increased adoption of our platform.

Our customers include financial services, government, life sciences, insurance, media, manufacturing, energy, healthcare, telecommunications, and transportation organizations. Generally, our sales force targets its efforts to organizations with over 2,000 employees and $2 billion in annual revenue. Revenue from government agencies represented 19.2% and 20.0% of our total revenue in the three and nine months ended September 30, 2021, respectively, as compared to 19.9% and 17.9% of our total revenue in the three and nine months ended September 30, 2020, respectively. No single end-customer accounted for more than 10% of our total revenue in the three and nine months ended September 30, 2021 or September 30, 2020.

Our platform supports multiple languages to facilitate collaboration and address challenges in multinational organizations. We offer our platform globally. In the three and nine months ended September 30, 2021, 32.0% and 33.1%, respectively, of our total revenue was generated from customers outside of the United States as compared to 32.2% and 34.0% in the three and nine months ended September 30, 2020, respectively. As of September 30, 2021, we operated in 13 countries. We believe we have a significant opportunity to grow our international footprint. We are investing in new geographies, including through investment in direct and indirect sales channels, professional services, and customer support and implementation partners.

Recent Developments

COVID-19

Beginning in late 2019 and continuing into 2021, the outbreak of the novel coronavirus disease, or COVID-19, has resulted in the declaration of a global pandemic and adversely affected economic activity across virtually all sectors and industries on a local, national, and global scale. The impact of COVID-19, including the emergence of new variant strains of COVID-19, on the economy and our business continues to be a fluid situation.

Operationally, we remain focused on supporting our customers, employees, and communities during this time. At the outset of the pandemic, we responded quickly to adopt a virtual corporate strategy consisting of enabling most of our employees to work productively from home while continuing to guard the health and safety of our teams, support our customers, and mitigate risk. In the third quarter of 2021, we announced an option allowing for our employees to return to offices in select jurisdictions if they elect to do so. We remain focused on ensuring continuity for our customers, and we continue to conduct business as usual, with necessary or advisable modifications to employee travel, employee work locations, and marketing events.

Additionally, in the third quarter of 2021, the United States government announced a mandate requiring individuals and contractors who conduct business with the federal government become vaccinated against COVID-19. While the requirements of the mandate continue to evolve, as of September 30, 2021 we do not anticipate the mandate will have a material impact on our operations.

Through September 30, 2021, we have not seen a meaningful adverse impact to our financial position, results of operations, and cash flows and liquidity as a result of COVID-19. While the verticals from which we have historically generated the majority of our revenue have been less impacted by COVID-19 to date, there may be impacts to our financial condition and results of operations in 2021 and beyond as a result of reduced demand for our products and services and longer sales cycles. The ultimate impact of COVID-19 and any variant strains thereof on our business is not estimable at this time and will be largely dependent upon a number of factors outside of our control including the extent and duration of the outbreak as well as any mitigating actions which may be undertaken by global governments and the general public.

Our Business Model

Our business model focuses on maximizing the lifetime value of customer relationships, which is a function of the duration of a customer’s deployment of our platform as well as the price and number of subscriptions of our platform that a customer purchases. We incur significant customer acquisition costs, including expenses associated with hiring new sales representatives, who can take up to one year to become productive given the length of our sales cycle, and marketing costs, all of which, with the exception of sales commissions, are expensed as incurred.

Key Factors Affecting Our Performance

The following are several key factors that affect our performance:

- **Market Adoption of Our Platform.** Our ability to grow our customer base and drive market adoption of our platform is affected by the pace at which organizations digitally transform. We expect our revenue growth will be primarily driven by the pace of adoption and penetration of our platform. We offer a leading custom software automation platform and intend to continue to invest to expand our customer base. The degree to which prospective customers recognize the need for low-code software that enables organizations to digitally transform, and subsequently allocate budget dollars to purchase our software, will drive our ability to acquire new customers and increase sales to existing customers, which, in turn, will affect our future financial performance.

- **Growth of Our Customer Base.** We believe we have a substantial opportunity to grow our customer base. We define a customer as an entity with an active subscription or maintenance and support contract related to a perpetual software license as of the specified measurement date. Furthermore, we define a new customer as an entity that has entered into its first active subscription or maintenance and support contract within one calendar year of the specified measurement date while existing customers are defined as entities that have maintained an active subscription or maintenance and support contract for at least one calendar year from the specified measurement date. To the extent we contract with one or more entities under common control, we count those entities as separate customers. We have aggressively invested, and intend to continue to invest in, our sales force in order to drive sales to new customers. We continue to make investments to enhance the expertise of our sales and marketing organization within our key industry verticals of financial services, government, and life sciences. In addition, we have established relationships with strategic partners who work with organizations undergoing digital transformations. Our ability to continue to grow our customer base is dependent, in part, upon our ability to differentiate ourselves within the increasingly competitive markets in which we participate.

- **Further Penetration of Existing Customers.** Our sales force seeks to generate additional revenue from existing customers by adding new users to our platform. Many of our customers begin by building a single application and then grow to build dozens of applications on our platform. Generally, the development of new applications on our platform results in the expansion of our user base within an organization and a corresponding increase in revenue to us because we charge subscription fees on a per-user basis or through non-user based single application licenses. As a result of this “land and expand” strategy, we have generated significant additional revenue from our customer base. Our ability to increase sales to existing customers will depend on a number of factors, including the size of our sales force and professional services teams, customers’ level of satisfaction with our platform and professional services, pricing, economic conditions, and our customers’ overall spending levels. We have also re-focused some of our professional services personnel to become customer success managers. Their role is to ensure the customer realizes value from our platform and support the “land and expand” strategy versus delivering billable hours.

- **Mix of Subscriptions and Professional Services Revenue.** We believe our professional services have driven customer success and facilitated the adoption of our platform by customers. During the initial period of deployment by a customer, we generally provide a greater amount of support in building applications and training than later in the deployment, with a typical engagement extending from two to six months. At the same time, many of our customers have historically purchased subscriptions only for a limited set of their total potential end users. As a result of these factors, the proportion of total revenue for a customer associated with professional services is relatively high during the initial deployment period. Over time, as the need for professional services associated with user deployments decreases and the number of end users increases, we expect subscriptions revenue as a percentage of total revenue to increase. In addition, we continue to grow our base of strategic partners to provide broader customer coverage and solution delivery capabilities. These partners perform professional services with respect to any new service contracts they sign. As the usage of partners expands, we expect the proportion of our total revenue from subscriptions to increase over time relative to professional services. For the three and nine months ended September 30, 2021, 72.8% and 71.1% of our revenue, respectively, was derived from sales of subscriptions while the remaining 27.2% and 28.9%, respectively, was derived from the sale of professional services. For the three and nine months ended September 30, 2020, 65.7% and 64.0% of our revenue, respectively, was derived from sales of subscriptions while the remaining 34.3% and 36.0%, respectively, was derived from the sale of professional services.

- **Investments in Growth.** We have made, and plan to continue to make, investments for long-term growth, including investment in our platform and infrastructure to continuously maximize the power and simplicity of the platform to meet the evolving needs of our customers and to take advantage of our market opportunity. In addition, we continue to pursue strategic acquisitions that enhance our product offerings. We also intend to continue to invest in sales and marketing as we further expand our sales teams, increase our marketing activities, and grow our international operations.

Key Metrics

We monitor the following metrics to help us measure and evaluate the effectiveness of our operations. All dollar amounts are presented in thousands.

Cloud Subscription Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cloud subscription revenue	$ 46,699	$ 34,312	$ 128,238	$ 92,282

Cloud subscription revenue includes SaaS subscriptions bundled with maintenance and support and hosting services. We generally sell our SaaS subscriptions on a per-user basis or through non-user based single application licenses. As such, our cloud subscription revenue for any customer is primarily determined by the number of users who access and utilize the applications built on our platform or by the number of application licenses purchased, as well as the price paid. We believe increasing cloud subscription revenue is an indicator of the demand for our platform, the pace at which the market for our solutions is growing, the productivity of our sales force and strategic relationships in growing our customer base, and our ability to further penetrate our existing customer base.

Cloud Subscription Revenue Retention Rate

	As of September 30,	
	2021	2020
Cloud subscription revenue retention rate	117 %	115 %

A key factor to our success is the renewal and expansion of subscription agreements with our existing customers. We calculate this metric over a set of customers who have been with us for at least one full year. To calculate our cloud subscription revenue retention rate for a particular trailing 12-month period, we first establish the recurring cloud subscription revenue for the previous trailing 12-month period. This effectively represents recurring dollars we should expect in the current trailing 12-month period from the cohort of customers from the previous trailing 12-month period without any expansion or contraction. We subsequently measure the recurring cloud subscription revenue in the current trailing 12-month period from the cohort of customers from the previous trailing 12-month period. Cloud subscription revenue retention rate is then calculated by dividing the aggregate recurring cloud subscription revenue in the current trailing 12-month period by the previous trailing 12-month period. This calculation includes the impact on our revenue from customer non-renewals, pricing changes, and growth in the number of users on our platform. Our cloud subscription revenue retention rate can fluctuate from period to period due to large customer contracts in any given period. Cloud subscription revenue retention rate increased year over year due to improved upsell rates in the first nine months of 2021 as compared to the first nine months of 2020.

Key Components of Results of Operations

Revenue

We generate revenue primarily through sales of subscriptions to our platform as well as professional services. We generally sell our software on a per-user basis or through non-user based single application licenses. We generally bill customers and collect payment for subscriptions to our platform in advance on an annual, quarterly, or monthly basis. In certain instances, we have had customers pay their entire contract value up front.

Our revenue is comprised of the following:

Subscriptions

Subscriptions revenue is primarily derived from:

- SaaS subscriptions bundled with maintenance and support and hosting services; and

- On-premises term license subscriptions bundled with maintenance and support.

Our maintenance and support agreements provide customers with the right to unspecified software upgrades, maintenance releases and patches released during the term of the maintenance and support agreement on a when-and-if-available basis, and rights to technical support. On-premises term license subscriptions are offered when the customer prefers to self-manage the deployment of our platform within their own infrastructure. When our platform is delivered as a SaaS subscription, we manage their operational needs in third-party hosted data centers.

Professional Services

Our professional services revenue is comprised of fees for consulting services, including application development, deployment assistance, and training related to our platform. Over time, as the need for professional services associated with user deployments decreases and the number of end users increases, we expect professional services revenue as a percentage of total revenue to decrease. Additionally, professional services revenue may be negatively impacted if there is a decline in our procurement of new customers as a result of the COVID-19 pandemic.

We have several strategic partnerships, including with KPMG, PwC, Accenture, and Deloitte. Our agreements with our strategic partners have indefinite terms and may be terminated for convenience by either party. We intend to further grow our base of strategic partners to provide broader customer coverage and solution delivery capabilities. These partners refer software subscription customers to us and generally perform professional services with respect to any new service contracts they originate, increasing our subscriptions revenue without any change to our professional services revenue. As we expand the network of strategic partners, we expect professional services revenue to decline as a percentage of total revenue over time since our strategic partners may perform professional services associated with software subscriptions we sell. Professional services revenue may also decline in absolute dollars if we increasingly rely on our network to procure new customers.

Cost of Revenue

Subscriptions

Cost of subscriptions revenue consists primarily of fees paid to our third-party managed hosting providers and other third-party service providers, personnel costs, including payroll and benefits for our technology operations and customer support teams, and allocated facility costs and overhead. We expect cost of revenue to continue to increase in absolute dollars for the foreseeable future as our customer base grows.

Professional Services

Cost of professional services revenue includes all direct and indirect costs to deliver our professional services and training, including employee compensation for our global professional services and training personnel, third-party contractor costs, allocated facility costs and overhead, and the costs of billable expenses such as travel and lodging. The unpredictability of the timing of entering into significant professional services agreements sold on a standalone basis may cause significant fluctuations in our cost of professional services which, in turn, may impact our quarterly financial results and allocated facility costs and overhead.

Gross Margin

Gross profit and gross margin, or gross profit as a percentage of total revenue, have been, and will continue to be, affected by various factors, including the mix of SaaS subscriptions and on-premises term license subscriptions, the mix of total subscriptions revenue and professional services revenue, subscription pricing, the costs associated with third-party hosting facilities, and the extent to which we expand our professional services to support future growth. Our gross margin may fluctuate from period to period based on the above factors.

Subscriptions Gross Margin

Subscriptions gross margin is primarily affected by the growth in our subscriptions revenue as compared to the growth in, and timing of, costs to support such revenue. We expect to continue to invest in customer support and SaaS operations to support growth in our business, and the timing of those investments is expected to cause subscriptions gross margin to fluctuate in the short term but improve over time.

Professional Services Gross Margin

Professional services gross margin is affected by the growth in our professional services revenue as compared to the growth in, and timing of, the cost of our Customer Success organization as we continue to invest in the growth of our business. Professional services gross margin is also impacted by the amount of services performed by subcontractors and partners as opposed to internal resources. In 2020, we lowered our usage of subcontractors, and the COVID-19 pandemic resulted in fewer in-person professional services engagements and deployments, both of which reduced certain classes of expenses and improved professional services margins. In 2021, these margins have begun to normalize but remain subject to fluctuation based on the factors discussed above and uncertainties related to the COVID-19 pandemic outside of our control.

Operating Expenses

Operating expenses consist of sales and marketing, research and development, and general and administrative expenses. Salaries, bonuses, and other personnel-related costs are the most significant components of each of these expense categories. In general, our operating expenses are expected to continue to increase as we invest resources in growing our various teams.

Sales and Marketing Expense

Sales and marketing expense primarily includes personnel costs, including salaries, bonuses, commissions, stock-based compensation, and other personnel costs related to sales teams. Additional expenses in this category include travel and entertainment, marketing activities and promotional events, subcontracting fees, and allocated facility costs and overhead.

In order to continue to grow our business, geographical footprint, and brand awareness, we expect to continue investing resources in sales and marketing by increasing the number of sales and account management teams. As a result, we expect sales and marketing expense to increase in absolute dollars as we continue to invest to acquire new customers and further expand usage of our platform within our existing customer base.

Research and Development Expense

Research and development expense consists primarily of personnel costs for our employees who develop and enhance our platform, including salaries, bonuses, stock-based compensation, and other personnel costs. Also included are non-personnel costs such as subcontracting, consulting and professional fees to third party development resources, allocated facility costs, and overhead.

Our research and development efforts are focused on enhancing the speed and power of our software platform. We expect research and development expenses to continue to increase as they are critical to maintain and improve the quality of applications and our competitive position.

General and Administrative Expense

General and administrative expense consists primarily of personnel costs, including salaries, bonuses, stock-based compensation, and other personnel costs for our administrative, legal, information technology, human resources, finance, and accounting employees as well as our executives. Additional expenses included in this category are non-personnel costs such as travel-related expenses, contracting and professional fees, audit fees, tax service and legal fees, insurance and other corporate expenses, allocated facility costs and overhead, bad debt expenses, and depreciation and amortization costs.

We expect our general and administrative expense to increase in absolute dollars as we continue to support our growth.

Other (Income) Expense

Other (Income) Expense, Net

Other (income) expense, net consists primarily of unrealized and realized gains and losses related to changes in foreign currency exchange rates, interest income on our cash and cash equivalents and investments, gains or losses on the disposal of property and equipment, and other sources of income or expense not related to our core business operations.

Interest Expense

Interest expense consists primarily of interest on our debt, unused credit facility fees, and commitment fees on our letters of credit.

Results of Operations

The following table sets forth our condensed consolidated statements of operations data (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Subscriptions	$ 67,240	$ 50,760	$ 187,952	$ 142,614
Professional services	25,177	26,544	76,319	80,329
Total revenue	92,417	77,304	264,271	222,943
Cost of revenue[1]				
Subscriptions	7,092	5,101	19,806	15,185
Professional services	19,415	16,450	56,065	51,641
Total cost of revenue	26,507	21,551	75,871	66,826
Gross profit	65,910	55,753	188,400	156,117
Operating expenses[1]				
Sales and marketing	42,071	31,633	118,575	94,891
Research and development	26,510	18,150	71,062	51,366
General and administrative	20,226	13,485	56,726	38,076
Total operating expenses	88,807	63,268	246,363	184,333
Operating loss	(22,897)	(7,515)	(57,963)	(28,216)
Other expense (income)				
Other expense (income), net	2,329	(4,277)	4,141	(1,845)
Interest expense	72	119	233	390
Total other expense (income)	2,401	(4,158)	4,374	(1,455)
Loss before income taxes	(25,298)	(3,357)	(62,337)	(26,761)
Income tax expense	86	255	459	335
Net loss	$ (25,384)	$ (3,612)	$ (62,796)	$ (27,096)

[1] Stock-based compensation as a component of these line items is as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
Cost of revenue								
Subscriptions	$	381	$	236	$	973	$	678
Professional services		777		406		2,283		935
Operating expenses								
Sales and marketing		1,448		427		3,753		1,837
Research and development		1,263		669		3,347		1,841
General and administrative		1,331		1,840		7,336		5,377
Total stock-based compensation expense	$	5,200	$	3,578	$	17,692	$	10,668

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenue				
Subscriptions	72.8 %	65.7 %	71.1 %	64.0 %
Professional services	27.2	34.3	28.9	36.0
Total revenue	100.0	100.0	100.0	100.0
Cost of revenue				
Subscriptions	7.7	6.6	7.5	6.8
Professional services	21.0	21.3	21.2	23.2
Total cost of revenue	28.7	27.9	28.7	30.0
Gross profit	71.3	72.1	71.3	70.0
Operating expenses				
Sales and marketing	45.5	40.9	44.9	42.6
Research and development	28.7	23.5	26.9	23.0
General and administrative	21.9	17.4	21.5	17.1
Total operating expenses	96.1	81.8	93.2	82.7
Operating loss	(24.8)	(9.7)	(21.9)	(12.7)
Other expense (income)				
Other expense (income), net	2.5	(5.5)	1.6	(0.8)
Interest expense	0.1	0.2	0.1	0.2
Total other expense (income)	2.6	(5.4)	1.7	(0.7)
Loss before income taxes	(27.4)	(4.3)	(23.6)	(12.0)
Income tax expense	0.1	0.3	0.2	0.2
Net loss	(27.5)%	(4.7)%	(23.8)%	(12.2)%

Comparison of the Three Months Ended September 30, 2021 and 2020

Revenue

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Revenue			
Subscriptions	$ 67,240	$ 50,760	32.5 %
Professional services	25,177	26,544	(5.1) %
Total revenue	$ 92,417	$ 77,304	19.6 %

Total revenue increased $15.1 million, or 19.6%, in the three months ended September 30, 2021 compared to the same period in 2020 due to an increase in our subscriptions revenue of $16.5 million, which was partially offset by a decrease in our professional services revenue of $1.4 million. The increase in subscriptions revenue was driven largely by a $12.4 million increase in cloud subscription revenue and a $3.3 million increase in on-premises subscription revenue. With respect to new versus existing customers, there was a $10.9 million increase in subscriptions revenue stemming from expanded deployments and corresponding sales of additional subscriptions to existing customers while the remaining increase of $5.6 million was the result of sales of subscriptions to new customers. The decrease in professional services revenue was due primarily to an $8.6 million decrease in revenue from existing customers which was substantially offset by a $7.2 million increase in sales to new customers. Professional services revenue was impacted by our increased usage of partners to perform professional services in the three months ended September 30, 2021 as compared to the same period in 2020, which has resulted in increases to our subscriptions revenue without any change to our professional services revenue.

Cost of Revenue

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Cost of revenue			
Subscriptions	$ 7,092	$ 5,101	39.0 %
Professional services	19,415	16,450	18.0 %
Total cost of revenue	$ 26,507	$ 21,551	23.0 %
Subscriptions gross margin	89.5 %	90.0 %	
Professional services gross margin	22.9 %	38.0 %	
Total gross margin	71.3 %	72.1 %	

Cost of revenue increased $5.0 million, or 23.0%, in the three months ended September 30, 2021 compared to the same period in 2020, primarily due to a $3.8 million increase in professional services and product support personnel costs, a $1.2 million increase in other cost of revenue, and a $0.7 million increase in facility and overhead costs. These increases were partially offset by a $0.9 million decrease in contractor costs. Personnel costs increased due to an increase in professional services and product support personnel headcount of 19.0% from September 30, 2020 to September 30, 2021, coupled with a $0.5 million increase in stock-based compensation. The increase in other cost of revenue was due to increased hosting costs as sales of our cloud offering increased in the three months ended September 30, 2021. The increase in facility and overhead costs was due largely to an increase in certain allocated costs tied directly to our growth such as spending for offices, human resources costs, and information technology infrastructure. Contractor costs decreased in the three months ended September 30, 2021 compared to the same period in 2020 due to a decrease in the usage of subcontractors for professional services engagements.

Subscriptions gross margin was 89.5% for the three months ended September 30, 2021 compared to 90.0% in the same period in 2020. The decline was driven by increased hosting costs as sales of our cloud offering increased as well as increases in personnel costs, offset by an increase in subscriptions revenue during the three months ended September 30, 2021 as compared to the three months ended September 30, 2020. Professional services gross margin was 22.9% for the three months ended September 30, 2021 compared to 38.0% in the same period in 2020 due largely to higher personnel and human resources costs in the comparable periods coupled with a decline in professional services revenue. Furthermore, fewer in-person professional services engagements and deployments during the three months ended September 30, 2020 led to temporarily improved margins in the prior year. These impacts were partially offset by a decrease in the usage of subcontractors for professional services engagements. Due largely to the increase in professional services cost of revenue coupled with lower professional services revenue, gross margin fell slightly to 71.3% in the three months ended September 30, 2021 as compared to 72.1% in the same period in 2020.

Sales and Marketing Expense

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Sales and marketing	$ 42,071	$ 31,633	33.0 %
% of revenue	45.5 %	40.9 %	

Sales and marketing expense increased $10.4 million, or 33.0%, in the three months ended September 30, 2021 compared to the same period in 2020, primarily due to a $7.4 million increase in sales and marketing personnel costs, a $1.6 million increase in facility and overhead costs, a $1.0 million increase in marketing costs, and a $0.5 million increase in professional fees. Personnel costs increased due to an increase in sales and marketing personnel headcount of 21.2% from September 30, 2020 to September 30, 2021, increased sales commissions driven by our subscriptions revenue growth, and a $1.0 million increase in stock-based compensation expense. Facility and overhead costs increased due to higher information technology spending to support our growth coupled with higher human resource costs and increased travel and entertainment expenses. Marketing costs increased due to an increase in the number of marketing events held during the three months ended September 30, 2021 as compared to the three months ended September 30, 2020 as well as increased spending on marketing materials. Professional fees increased due to an increase in the use of third-party marketing consultants.

Research and Development Expense

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Research and development	$ 26,510	$ 18,150	46.1 %
% of revenue	28.7 %	23.5 %	

Research and development expense increased $8.4 million, or 46.1%, in the three months ended September 30, 2021 compared to the same period in 2020, primarily due to a $6.8 million increase in research and development personnel costs, a $1.2 million increase in facility and overhead costs, and a $0.4 million increase in professional fees. Personnel costs increased due to an increase in research and development personnel headcount of 33.3% from September 30, 2020 to September 30, 2021 as well as a $0.6 million increase in stock-based compensation expense. Facility and overhead costs increased due to higher information technology spending and increased human resources costs to support our growth. Professional fees increased due to an increase in consulting fees.

General and Administrative Expense

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
General and administrative expense	$ 20,226	$ 13,485	50.0 %
% of revenue	21.9 %	17.4 %	

General and administrative expense increased $6.7 million, or 50.0%, in the three months ended September 30, 2021 compared to the same period in 2020, primarily due to a $4.2 million increase in professional fees, a $2.1 million increase in general and administrative personnel costs, and a $0.3 million increase in facility and overhead costs. Professional fees increased due largely to higher legal fees incurred in connection with two separate lawsuits, one involving reciprocal false advertising and related claims with a competitor and one involving an effort to enforce our intellectual property. Personnel costs increased due to an increase in general and administrative personnel headcount of 12.2% from September 30, 2020 to September 30, 2021, partially offset by a $0.5 million decrease in stock-based compensation expense. Facility and overhead costs increased primarily due to an increase in certain allocated costs tied to our growth such as information technology spending, human resources costs, and office-related expenses. In addition, amortization expense increased $0.2 million as a result of an increase in intangible assets stemming from our acquisition of Lana Labs.

Other Expense (Income), Net

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Other expense (income), net	$ 2,329	$ (4,277)	***
% of revenue	2.5 %	(5.5)%	

*** - Indicates a percentage that is not meaningful

Other expense was $2.3 million in the three months ended September 30, 2021 compared to other income of $4.3 million in the three months ended September 30, 2020. This change was primarily due to $2.3 million in foreign exchange losses in the three months ended September 30, 2021 as compared to $3.3 million in foreign exchange gains in the three months ended September 30, 2020. Additionally, we recognized $1.0 million in other income during the three months ended September 30, 2020 due to a payment received from a state government as a result of our achievement of certain job creation and capital investment goals. The increase in foreign exchange losses was primarily due to currency fluctuations of the Euro and Swiss franc versus the U.S. dollar during the three months ended September 30, 2021 compared to the same period in 2020.

Interest Expense

	Three Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Interest expense	$ 72	$ 119	(39.5)%
% of revenue	0.1 %	0.2 %	

Interest expense decreased by a nominal amount in the three months ended September 30, 2021 compared to the same period in 2020, primarily due to lower commitment fees on the letter of credit outstanding.

Comparison of the Nine Months Ended September 30, 2021 and 2020

Revenue

	Nine Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Revenue			
Subscriptions	$ 187,952	$ 142,614	31.8 %
Professional services	76,319	80,329	(5.0)%
Total revenue	$ 264,271	$ 222,943	18.5 %

Total revenue increased $41.3 million, or 18.5%, in the nine months ended September 30, 2021 compared to the same period in 2020 due to an increase in our subscriptions revenue of $45.3 million, partially offset by a decrease in our professional services revenue of $4.0 million. The increase in subscriptions revenue was driven largely by a $36.0 million increase in cloud subscription revenue and a $7.3 million increase in on-premises subscription revenue. With respect to new versus existing customers, there was a $33.0 million increase in subscriptions revenue stemming from expanded deployments and corresponding sales of additional subscriptions to existing customers while the remaining increase of $12.4 million was the result of sales of subscriptions to new customers. The decrease in professional services revenue was due primarily to a $23.8 million decrease in revenue from existing customers which was substantially offset by a $19.8 million increase in sales to new customers. Further contributing to the decrease in professional services revenue was our increased usage of partners to perform professional services in the nine months ended September 30, 2021 as compared to the same period in 2020, which has resulted in increases to our subscriptions revenue without any change to our professional services revenue.

Cost of Revenue

	Nine Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Cost of revenue			
Subscriptions	$ 19,806	$ 15,185	30.4 %
Professional services	56,065	51,641	8.6 %
Total cost of revenue	$ 75,871	$ 66,826	13.5 %
Subscriptions gross margin	89.5 %	89.4 %	
Professional services gross margin	26.5 %	35.7 %	
Total gross margin	71.3 %	70.0 %	

Cost of revenue increased $9.0 million, or 13.5%, in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to a $10.0 million increase in professional services and product support personnel costs, coupled with a $3.6 million increase in other cost of revenue and a $0.9 million increase in facility and overhead costs. These increases were partially offset by a $4.3 million decrease in contractor costs and a $1.1 million decrease in billable expenses. Personnel costs increased due to an increase in professional services and product support personnel headcount of 19.0% from September 30, 2020 to September 30, 2021, coupled with a $1.6 million increase in stock-based compensation. The increase in other cost of revenue was due to increased hosting costs as sales of our cloud offering grew in the nine months ended September 30, 2021, while the increase in facility and overhead costs was due largely to an increase in certain allocated costs tied to our growth such as spending for offices, human resources costs, and information technology expenses. Contractor costs decreased in the nine months ended September 30, 2021 compared to the same period in 2020 due to a decrease in the usage of subcontractors for professional services engagements. Billable expenses decreased primarily as a result of lower travel and entertainment expenses pursuant to a shift to remote work that began in the second quarter of 2020.

Subscriptions gross margin slightly increased to 89.5% for the nine months ended September 30, 2021 compared to 89.4% in the same period in 2020 due to an increase in subscriptions revenue during the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020, which was offset by increased hosting costs as sales of our cloud offering increased and became a larger proportion of our overall subscriptions revenue. Professional services gross margin decreased to 26.5% for the nine months ended September 30, 2021 compared to 35.7% in the same period in 2020 due to higher personnel costs during the nine months ended September 30, 2021 as well as a decrease in professional services revenue. Additionally, fewer in-person professional services engagements and deployments during the nine months ended September 30, 2020 led to temporarily improved margins in the prior year. These impacts were partially offset by a decrease in the usage of subcontractors for professional services engagements. Given the higher percentage of subscriptions revenue for the comparable periods and the aforementioned decline in professional services revenue, gross margin rose to 71.3% in the nine months ended September 30, 2021 as compared to 70.0% in the same period in 2020.

Sales and Marketing Expense

	Nine Months Ended September 30,		% Change
	2021	2020	
	(dollars in thousands)		
Sales and marketing	$ 118,575	$ 94,891	25.0 %
% of revenue	44.9 %	42.6 %	

Sales and marketing expense increased $23.7 million, or 25.0%, in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to a $19.0 million increase in sales and marketing personnel costs, a $3.8 million increase in marketing costs, a $0.6 million increase in professional fees, and a $0.3 million increase in facility and overhead costs. Personnel costs increased due to an increase in sales and marketing personnel headcount of 21.2% from September 30, 2020 to September 30, 2021, increased sales commissions driven by our subscriptions revenue growth, and a $1.9 million increase in stock-based compensation expense. Marketing costs increased due to an increase in the number of marketing events held during the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 as well as increased spending on marketing materials. Professional fees increased due to an increase in the use of third-party marketing consultants. Facility and overhead costs increased due to higher information technology spending and human resources costs to support our growth. The increases in these costs were partially offset by decreased travel and entertainment expenses pursuant to a shift to remote work that began in the second quarter of 2020.

Research and Development Expense

	Nine Months Ended September 30,		% Change
	2021	2020	
	(dollars in thousands)		
Research and development	$ 71,062	$ 51,366	38.3 %
% of revenue	26.9 %	23.0 %	

Research and development expense increased $19.7 million, or 38.3%, in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to a $16.2 million increase in research and development personnel costs, a $2.7 million increase in facility and overhead costs, and a $0.8 million increase in professional fees. Personnel costs increased due to an increase in research and development personnel headcount of 33.3% from September 30, 2020 to September 30, 2021 as well as a $1.5 million increase in stock-based compensation expense. Facility and overhead costs increased due largely to higher information technology spending to support our growth. Professional fees increased due to an increase in consulting fees.

General and Administrative Expense

	Nine Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
General and administrative expense	$ 56,726	$ 38,076	49.0 %
% of revenue	21.5 %	17.1 %	

General and administrative expense increased $18.7 million, or 49.0%, in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to a $9.3 million increase in general and administrative personnel costs, an $8.2 million increase in professional fees, and a $1.0 million increase in facility and overhead costs. Personnel costs increased due to the acceleration of $3.3 million in stock-based compensation expense stemming from the vesting of the 2019 CEO grant, coupled with an increase in general and administrative personnel headcount of 12.2% from September 30, 2020 to September 30, 2021. Professional fees increased due largely to higher legal fees incurred in connection with two separate lawsuits, one involving reciprocal false advertising and related claims with a competitor and one involving an effort to enforce our intellectual property. Facility and overhead costs increased primarily due to higher information technology spending to support our growth during the nine months ended September 30, 2021, along with higher human resources costs.

Other Expense (Income), Net

	Nine Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Other expense (income), net	$ 4,141	$ (1,845)	***
% of revenue	1.6 %	(0.8)%	

*** - Indicates a percentage that is not meaningful

Other expense was $4.1 million in the nine months ended September 30, 2021 compared to other income of $1.8 million in the nine months ended September 30, 2020. This change was primarily due to $4.3 million in foreign exchange losses in the nine months ended September 30, 2021 compared to $0.4 million in foreign exchange gains in the nine months ended September 30, 2020, coupled with a $0.3 million decrease in interest income. Additionally, we recognized $1.0 million in other income during the nine months ended September 30, 2020 due to a payment received from a state government as a result of our achievement of certain job creation and capital investment goals. The increase in foreign exchange losses was primarily due to currency fluctuations of the Euro and Swiss franc versus the U.S. dollar during the nine months ended September 30, 2021 compared to the same period in 2020.

Interest Expense

	Nine Months Ended September 30,		
	2021	2020	% Change
	(dollars in thousands)		
Interest expense	$ 233	$ 390	(40.3)%
% of revenue	0.1 %	0.2 %	

Interest expense decreased by $0.2 million in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to lower commitment fees on the letter of credit outstanding.

Liquidity and Capital Resources

The following table presents selected financial information and statistics as of September 30, 2021 and December 31, 2020 as well as for the nine months ended September 30, 2021 and 2020 (in thousands):

	As of	
	September 30, 2021	December 31, 2020
Cash and cash equivalents	$ 127,122	$ 112,462
Short-term investments and marketable securities	61,384	109,826
Property and equipment, net	34,280	35,404
Long-term investments	—	36,120
Working capital	168,149	209,532

	Nine Months Ended September 30,	
	2021	2020
Net cash used in operating activities	$ (34,498)	$ (13,453)
Net cash provided by (used in) investing activities	51,390	(7,174)
Net cash provided by financing activities	2,375	110,337

As of September 30, 2021, we had $127.1 million of cash and cash equivalents and $61.4 million of short-term investments and marketable securities. We believe our existing cash and cash equivalents and short-term investments and marketable securities, together with any positive cash flows from operations and available borrowings under our line of credit, will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the expansion of sales and marketing activities, particularly internationally, the introduction of new and enhanced products and functions as well as platform enhancements and professional services offerings, the level of market acceptance of our applications, spending we may incur on expansion of our headquarters, and the global economic uncertainty and financial market conditions caused by the COVID-19 pandemic and its impact on our business.

In the event additional financing is required from outside sources, we may be unable to raise the funds on acceptable terms, if at all. To the extent existing cash and cash equivalents and investments and cash from operations are not sufficient to fund future activities, we may need to raise additional funds. We may seek to raise additional funds through equity, equity-linked, or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness may have rights that are senior to holders of our equity securities and could contain covenants that restrict operations. Any additional equity financing may be dilutive to our existing stockholders.

In August 2021, we completed the acquisition of Lana Labs GmbH, or Lana Labs, a developer of process mining software, for approximately $30.7 million, net of cash acquired and debt. We financed the transaction with available cash on hand. In the future, we may enter into investments in or acquisitions of similarly complementary businesses, products, or technologies, which could also require us to seek additional equity financing, incur indebtedness, or use cash resources. If we are unable to raise additional capital when desired, our business, operating results, and financial condition could be adversely affected.

Sources of Funds

We have financed our operations in large part with equity and debt financing arrangements, including net proceeds of $77.8 million from our initial public offering in May 2017, net proceeds of $57.8 million from our underwritten public offering in August 2018, net proceeds of $101.3 million from our underwritten public offering in September 2019, and net proceeds of $107.9 million from our underwritten public offering in June 2020. In addition, we have financed our operations through sales of subscriptions and professional services and borrowings under our credit facilities.

We also have the ability to draw upon a $20.0 million revolving line of credit which we entered into in November 2017. The facility matures in November 2022. We may elect whether amounts drawn on the revolving line of credit bear interest at a floating rate per annum equal to either the LIBOR or the Prime rate plus an additional interest rate margin that is determined by the availability of borrowings under the revolving line of credit. The additional interest rate margin will range from 2.00% to 2.50% in the case of LIBOR advances and from 1.00% to 1.50% in the case of Prime rate advances. The revolving line of credit contains an unused facility fee in an amount between 0.15% and 0.25% of the average unused portion of the revolving line of credit, which is payable quarterly. The agreement contains certain customary affirmative and negative covenants and requires us to maintain (i) an adjusted quick ratio of at least 1.35 and (ii) minimum adjusted EBITDA in the amounts and for the periods set forth in the agreement. Any amounts borrowed under the credit facility are collateralized by substantially all of our assets. We were in compliance with all covenants as of September 30, 2021. As of September 30, 2021, we had not made any borrowings under this revolving line of credit, and we had outstanding letters of credit totaling $11.2 million in connection with securing our leased office space.

Uses of Funds

Our current principal uses of cash are funding operations and other working capital requirements. Historically, we have also utilized cash to pay for acquisitions of entities we believe to be complementary to our business, and we may pursue similar opportunities in the future. Over the past several years, revenue has increased significantly from year to year and, as a result, cash flows from customer collections have increased. However, operating expenses have also increased as we have invested in growing our business. Our uses of cash in 2021 to date have included the acquisition of Lana Labs, capital expenditures, and modest leasehold improvements related to the expansion of our headquarters. Cash uses in the prior year through September 30, 2020 consisted primarily of the acquisition of Novayre.

Furthermore, in 2021 we executed a non-cancellable cloud hosting arrangement with Amazon Web Services that contains provisions for minimum purchase commitments. Purchase commitments under the agreement total $131.0 million over five years, including $22.0 million in the first year, $25.0 million in the second year, and $28.0 million in each of the third, fourth, and fifth years. The timing of payments under the agreement may vary, and the total amount of payments may exceed the minimum depending on the volume of services utilized.

Historical Cash Flows

Operating Activities

For the nine months ended September 30, 2021, net cash used in operating activities of $34.5 million consisted of a net loss of $62.8 million, offset by $21.3 million in adjustments for non-cash items and $6.9 million of cash provided by changes in working capital. Adjustments for non-cash items consisted primarily of stock-based compensation of $17.7 million, depreciation and amortization expense of $4.1 million, losses on the disposal of property and equipment of $0.1 million, and bad debt expense of $0.1 million. These adjustments were partially offset by deferred income tax adjustments of $0.5 million. The increase in cash, cash equivalents, and restricted cash resulting from changes in working capital primarily consisted of a $10.8 million increase in accounts payable and accrued expenses primarily due to the timing of payments, a $6.8 million net increase in deferred revenue as a result of increased subscription sales, a $5.8 million increase in accrued compensation and related benefits as a result of higher employee benefit accruals for such costs as commissions and bonuses, a $2.9 million increase in other current and non-current liabilities due to the establishment of the escrow liability stemming from the holdback agreement enacted pursuant to our acquisition of Lana Labs, and a $2.7 million decrease in prepaid expenses and other assets primarily due to the timing of payments. These increases to working capital were partially offset by an $11.6 million increase in deferred commissions due to increased sales activity, a $10.0 million increase in accounts receivable stemming from the timing of billings and collections in the third quarter, and a $0.5 million decrease in operating lease liabilities.

For the nine months ended September 30, 2020, net cash used in operating activities of $13.5 million consisted of a net loss of $27.1 million and $2.1 million of cash used in changes in working capital, offset by $15.8 million in adjustments for non-cash items. Adjustments for non-cash items consisted of stock-based compensation of $10.7 million, depreciation and amortization expense of $4.5 million, and bad debt expense of $0.8 million. The decrease in cash, cash equivalents, and restricted cash resulting from changes in working capital primarily consisted of a $22.6 million increase in accounts receivable stemming from increased sales as well as the timing of billings and collections, a $4.3 million increase in deferred commissions due to increased sales activity, and a $2.5 million decrease in accounts payable and accrued expenses primarily due to the timing of payments. These increases to working capital were partially offset by a $10.5 million increase in deferred revenue as a result of increased subscription sales, a $5.8 million increase in accrued compensation and related benefits as a result of higher employee benefit accruals such as vacation and bonuses, a $4.5 million decrease in prepaid expenses and other assets primarily due to the timing of payments, a $3.4 million increase in operating lease liabilities as a result of recognizing a new right-of-use liability related to the expanded occupancy of our headquarters building, and a $3.0 million increase in other liabilities due to the deferral of social security tax payments pursuant to the provisions of the CARES Act.

Investing Activities

For the nine months ended September 30, 2021, net cash provided by investing activities was $51.4 million, consisting of $84.6 million in proceeds from the sale of investments, partially offset by $30.7 million in payments, net of cash acquired, related to the acquisition of Lana Labs and $2.5 million in purchases of property and equipment.

For the nine months ended September 30, 2020, net cash used in investing activities was $7.2 million which was primarily the result of $6.1 million in payments, net of cash acquired, related to the acquisition of Novayre. In addition, there were approximately $1.0 million in purchases of property and equipment.

Financing Activities

For the nine months ended September 30, 2021, net cash provided by financing activities was $2.4 million, consisting entirely of proceeds received from stock option exercises.

For the nine months ended September 30, 2020, net cash provided by financing activities was $110.3 million, consisting of $108.2 million in proceeds from our underwritten public offering in June 2020, net of underwriting discounts and commissions and the payment of offering expenses, and $3.2 million in proceeds received from stock option exercises, partially offset by $1.1 million in principal payments on finance leases.

Off-Balance Sheet Arrangements

As of September 30, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts. As a result, we believe we are not materially exposed to any financing, liquidity, market, or credit risks that could arise if we had engaged in these relationships.

Critical Accounting Estimates

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the amounts reported in our financial statements and accompanying notes. Although we believe the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates. Significant estimates and judgments embedded in the condensed consolidated financial statements for the periods presented include revenue recognition, income taxes and the related valuation allowance, stock-based compensation, the valuation of goodwill and intangible assets, valuation of financial instruments, leases, and costs to obtain a contract with a customer.

There have been no material changes in our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 18, 2021. Furthermore, while we continue to monitor the developments surrounding the COVID-19 pandemic, including the emergence of new variant strains of COVID-19, we are not aware of any specific events or circumstances that would require us to update our estimates, assumptions, and judgments.

Recent Accounting Pronouncements

See Note 2 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates. The uncertainty that exists with respect to the economic impact of the global COVID-19 pandemic has also introduced significant volatility in the financial markets.

Interest Rate Risk

We had total cash, cash equivalents, and restricted cash of $130.4 million as of September 30, 2021, which consisted of $59.4 million invested in a money market fund, cash in readily available checking accounts, and overnight repurchase investments. These securities, which are not dependent on interest rate fluctuations that may cause principal amounts to fluctuate, are held for reinvestment and working capital purchases.

In addition, as of September 30, 2021, we held $61.4 million of fixed income securities such as U.S. treasury bonds, commercial paper, corporate bonds, and asset-backed securities. These securities are subject to market risk due to fluctuations in interest rates, which may affect our interest income and the fair value of our investments. We classify investments as available-for-sale, including those with stated maturities beyond twelve months. As such, no gains or losses due to changes in interest rates are recognized in our condensed consolidated statements of operations unless such securities are sold prior to maturity or due to expected credit losses. A hypothetical 100 basis point change in interest rates would not have had a material effect on the fair market value of our investment portfolio as of September 30, 2021. To date, fluctuations in interest income have also not been significant. Our investments are made for the purpose of preserving capital, fulfilling liquidity needs, and maximizing total return. We do not enter into investments for trading or speculative purposes.

At September 30, 2021, we had no outstanding borrowings.

Inflation Risk

We do not believe inflation has had a material effect on our business, financial condition, or results of operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar. Due to our international operations, we have foreign currency risks related to revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Australian dollar, Swedish krona, Swiss franc, British pound sterling, Euro, and Singapore dollar. Our sales contracts are primarily denominated in the local currency of the customer making the purchase. In addition, a portion of operating expenses are incurred outside the United States and are denominated in foreign currencies. Decreases in the relative value of the U.S. dollar to other currencies may negatively affect revenue and other operating results as expressed in U.S. dollars. We do not believe an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.

We have experienced and will continue to experience fluctuations in net loss as a result of transaction gains or losses related to remeasuring certain current asset and current liability balances denominated in currencies other than the functional currency of the entities in which they are recorded. We have not engaged in the hedging of foreign currency transactions to date although we may choose to do so in the future.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure information required to be disclosed by a company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure information required to be disclosed by a company in the reports it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021. Based on the evaluation of our disclosure controls and procedures as of September 30, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance the objectives of the control system are met. Further, the design of a control system must reflect the fact 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 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 also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance 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.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, 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. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. RISK FACTORS

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors described in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 18, 2021. There have been no material changes to the risk factors described in that report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

a. Recent Sales of Unregistered Equity Securities

Not applicable.

b. Use of Proceeds

Not applicable.

c. Issuer Purchases of Equity Securities

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

Exhibit No.	Description	Reference
10.1#	Agreement on the Sale and Transfer of Shares dated as of August 4, 2021, by and among Appian Europe Ltd. (the "Purchaser"), and each of the Sellers and Managers identified therein.	Attached.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Attached.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Attached.
32.1*	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Attached.
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	Attached.
101.SCH	XBRL Taxonomy Extension Schema Document	Attached.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Attached.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Attached.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Attached.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Attached.
104	Cover page formatted as Inline XBRL and contained in Exhibit 101	Attached.

Pursuant to Item 601(a)(5) of Regulation S-K promulgated by the SEC, certain exhibits and schedules to this agreement have been omitted. The company hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted exhibits or schedules.

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent the company specifically incorporates it by reference.

SIGNATURES

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

APPIAN CORPORATION

November 4, 2021	By:	/s/ Matthew Calkins	/s/ Mark Lynch
		Name: Matthew Calkins	Name: Mark Lynch
		Title: Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

Agreement on the Sale and Transfer of Shares
relating to
Lana Labs GmbH

Parties

1. Karibu Capital UG (haftungsbeschränkt), a limited liability company under the laws of Germany, with registered office in Berlin, registered with the commercial register at the local court of Charlottenburg under HRB 176244 B,

- hereinafter "Seller 1" -

2. Thobai UG (haftungsbeschränkt), a limited liability company under the laws of Germany, with registered office in Berlin, registered with the commercial register at the local court of Charlottenburg under HRB 176259 B,

- hereinafter "Seller 2" -

3. Ramox UG (haftungsbeschränkt), a limited liability company under the laws of Germany, with registered office in Berlin, registered with the commercial register at the local court of Charlottenburg under HRB 176188 B,

- hereinafter "Seller 3" -

4. HPI Seed Fund GmbH, a limited liability company under the laws of Germany, with registered office in Potsdam, registered with the commercial register at the local court of Potsdam under HRB 28361 P,

- hereinafter "Seller 4" -

5. Capnamic Ventures Fund II GmbH & Co. KG, a limited liability company under the laws of Germany, with registered office in Cologne, registered with the commercial register at the local court of Cologne under HRA 32092,

- hereinafter "Seller 5" -

6. West Tech Ventures GmbH, a limited liability company under the laws of Germany, with registered office in Berlin, registered with the commercial register at the local court of Charlottenburg under HRB 149874 B,

- hereinafter "Seller 6" -

7. Kölpin Venture GmbH, a limited liability company under the laws of Germany, with registered office in Berlin, registered with the commercial register at the local court of Charlottenburg under HRB 142541 B,

- hereinafter "Seller 7" -

8. Main Incubator GmbH, a limited liability company under the laws of Germany, with registered office in Frankfurt a.M., registered with the commercial register at the local court of Frankfurt a.M. under HRB 97682,

- hereinafter "Seller 8" -

9. Bornschein & keine Töchter GmbH, a limited liability company under the laws of Germany, with registered office in Berlin, registered with the commercial register at the local court of Charlottenburg under HRB 168872 B,

- hereinafter “Seller 9” -

10. Wayra Deutschland GmbH, a limited liability company under the laws of Germany, with registered office in Munich, registered with the commercial register at the local court of Munich under HRB 199982,

- hereinafter “Seller 10” -

11. NEXTBLUE1-go Toshijigyo Yugen Sekinin Kumiai, incorporated under the laws of Japan, with its seat in Tokyo, registered in the commercial register of the legal affairs bureau Tokyo Minato branch under no. 1014-5.018606

- hereinafter “Seller 11” -

12. Dr. Thomas Lutterbeck (née Baier),

- hereinafter “Manager 1” -

13. Karina Buschsieweke,

- hereinafter “Manager 2” -

14. Dr. Rami-Habib Eid-Sabbagh,

- hereinafter “Manager 3” -

15. Dan Wucherpfennig,

- hereinafter “Manager 4” -

16. Appian Europe Ltd., a limited liability company under the laws of United Kingdom, with business address at 16 Great Queen Street, Covent Garden, London, WC2B 5AH England, registered with the UK Companies House under 5866355,

- hereinafter the “Purchaser” –

17. Appian Corporation, a corporation established under the laws of Delaware, with business address at 7950 Jones Branch Dr. McLean, VA 22102, United States

- hereinafter the “Purchaser’s Guarantor” –

- Seller 1 through Seller 11 hereinafter

individually a “Seller” and, collectively, the “Sellers” -

- Manager 1 through Manager 4 hereinafter

individually a “Manager” and, collectively, the “Manager(s)” -

- the Purchaser, the Purchaser’s Guarantor, the Sellers and the Managers hereinafter individually a “Party” and, collectively, the “Parties” -

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Preliminary Remarks

1 Facts

1.1 Sellers hold all shares (*Geschäftsanteile*) in Lana Labs GmbH, a limited liability company incorporated and established under the laws of Germany with registered seat in Berlin, Germany, registered with the commercial register at the local court of Charlottenburg, Germany, under HRB 177930 B ("Target"), as shown in the shareholders' list (*Gesellschafterliste*) of Target filed with the commercial register dated 28 July 2021, a copy of which is attached hereto as Annex 1.1, ("Shareholders' List").

1.2 The nominal share capital (*Stammkapital*) of Target amounts to EUR 50,598.00 (in words: Euro fifty-thousand five-hundred ninety-eight) and is divided into 50,598 (in words: fifty-thousand five-hundred ninety-eight)) shares as set forth in the Shareholders' List ("Shares").

1.3 Target is active in the development, operation and distribution of software related to Process Mining ("Business"). "Process Mining" shall mean the visualisation and analysis of business processes based on event logs using algorithms and mathematical methods. A copy of Target's business plan for the fiscal years 2021 et seqq. is attached hereto as Annex 1.3.

1.4 Purchaser is a limited liability company under the laws of United Kingdom, registered with the UK Companies House and a subsidiary of the Purchaser´s Guarantor.

1.5 Purchaser's Guarantor is a corporation established under the laws of Delaware and registered with the State of Delaware.

1.6 Sellers intend to sell and transfer their respective Shares to Purchaser and Purchaser intends to purchase and accept the transfers of such Shares ("Transaction"), in each case on and subject to the terms of this agreement ("Agreement").

NOW, THEREFORE, the Parties agree as follows:

2 **Interpretations, Definitions**

2.1 Any English language terms to which a German translation has been added in parentheses shall be interpreted throughout the Agreement within the meaning transferred to the English language terms by the German translation.

2.2 References to "costs" and/or "expenses" incurred by a Party shall not include any amount in respect of value added tax ("VAT"), provided that the Party or, if relevant, any other member of the VAT group to which the Party belongs is entitled to claim input tax (*Vorsteuerabzug*) for such VAT either as a Tax credit or Tax refund.

2.3 In this Agreement, except where the context requires a different interpretation, the words and expressions set out below have the following meanings:

Affiliate	shall mean any related (*verbundene*) person within the meaning of §§ 15 et seq. German Stock Corporation Code (*Aktiengesetz*, "AktG").
Applicable Law	shall mean any laws (*Gesetze im materiellen Sinne*) within the meaning of Article 2 of the Introductory Law to the German Civil Code (*Einführungsgesetz zum Bürgerlichen Gesetzbuch*) or the comparable concept of the relevant foreign jurisdiction.
Business Day	shall mean a day on which banks are open for business in Berlin, Germany.
Employee(s)	shall mean any employee (*Mitarbeiter*), including apprentices (*Auszubildende*).
Governmental Authority	shall mean any domestic or foreign court (*Gericht*), arbitration tribunal (*Schiedsgericht*) or public authority (*Behörde*), including any public bodies (*Körperschaften des öffentlichen Rechts*).
Key Employees	shall mean all non-student employees of the Target.
Key Employees Equity Consideration	shall mean a number of Appian Standard RSUs equal to a gross amount of USD 1,600,000.00 (in words: US dollars one million six hundred thousand), equal to EUR 1,344,537.82 based on an agreed exchange rate of USD 1.19 = EUR 1.00, to be issued to persons who are Key Employees at the time of issuance, subject to the conclusion of an RSU Agreement that shall also contain an indemnification provision pursuant to which each Key Employee shall indemnify and hold harmless the Purchaser or, at the discretion of the Purchaser, the Company from and against any withholding Taxes (e.g. wage taxes or social security contributions) arising in conjunction with or due to the fulfilment of the Key Employees Equity Consideration.

Related Party	shall mean any direct or indirect shareholder, any Affiliate, any related person (*nahe stehende Person*) within the meaning of § 1 (2) of the German Foreign Tax Code (*Außensteuergesetz*) or § 138 of the German Insolvency Code (*Insolvenzordnung*) and any relative (*Angehöriger*) within the meaning of § 15 of the German Tax Code (*Abgabenordnung*).
Sold Shares	shall mean the Shares being sold and transferred under this Agreement.

3 **Sale and Transfer of Shares, Sellers' Representative**

3.1 Sale and Transfer of Shares

3.1.1 Upon the terms and subject to the conditions of this Agreement and with economic effect (*mit wirtschaftlicher Wirkung*) as of the Effective Date, each Seller hereby sells (*verkauft*) its respective Shares as set forth in the Shareholders' List, in any event all Shares held by the respective Seller, to Purchaser and Purchaser hereby accepts all such sales.

3.1.2 Each Seller hereby transfers (*tritt ab*) its Shares as set out under Section 3.1.1, subject to the condition precedent of the (i) payment of the Estimated Cash Purchase Price in accordance with section 6.1.1 and (ii) approval the issuance of the Managers' Equity Consideration in accordance with section 6.1.2 its respective Shares to Purchaser and Purchaser hereby accepts such transfers.

3.2 Effective Date

The Shares which are sold by the Sellers hereunder are in each case sold to the Purchaser with economic effect as of the Closing, 0:00 CET (such date "Effective Date"), with all rights and obligations pertaining thereto as of the Effective Date, including the right to receive dividends and other profit distributions for the current fiscal year and for former fiscal years, in each case to the extent not distributed prior to or on the Effective Date.

3.3 Waivers and Consents

The Sellers hereby waive all mutual rights they may have under the articles of association (*Satzung*) of Target or under any shareholders' agreement with respect to the sale and transfer of the Shares as set out in this Agreement and unanimously consent to the Transaction in a shareholders' resolution as attached hereto as Annex 3.3-(1). The Target has waived any such rights by waiver declaration attached as Annex 3.3-(2).

3.4 Sellers' Representative / Paying Agent / Sellers' Agreement

3.4.1 Sellers hereby jointly authorize and instruct Seller 8 (Main Incubator GmbH) to act as fully authorized representative of all Sellers under and in connection with this Agreement ("Sellers' Representative"). The Sellers shall be obliged to maintain such authorization subject to the terms and conditions of the Sellers' Agreement until at least sixty (60) months after the Closing Date. Sellers' Representative shall be entitled and obliged to receive any declaration on behalf of any and all Sellers (*Empfangsbevollmächtigter*) under this Agreement and shall notify the Sellers of any notification it receives from the Purchaser under this Agreement to the address listed in Annex 3.4 (or such other address as notified to Sellers' Representative).

The Sellers' Representative will act for each Seller appointing the Sellers' Representative on all of the matters set forth in this Agreement and in the course of this Transaction upon the instruction and in the best interest of the relevant Seller(s). The Purchaser can fully rely on the authorization of Sellers' Representatives without any obligation to investigate. The Parties acknowledge and agree, that the Sellers' Representative shall not be liable for any act or omission of a Seller or group of Sellers under this Agreement. The Sellers' Representative shall be entitled to disclose any information and documents received or to be received under this Agreement to each Seller.

3.4.2 Sellers hereby jointly authorize and instruct Seller 1 (Karibu Capital UG (haftungsbeschränkt)) to act as fully authorized paying agent of all Sellers under and in connection with this Agreement ("Paying Agent"). Paying Agent shall be entitled and obliged to receive any payments on behalf of any and all Sellers (*Empfangsbevollmächtigter*) under this Agreement and shall notify the Sellers of any payments it receives from the Purchaser under this Agreement to the address listed in Annex 3.4 (or such other address as notified to Paying Agent).

3.4.3 The relationship among Sellers, Sellers' Representative and Paying Agent, including the rights and obligations of the Sellers' Representative and the Paying Agent respectively, shall be governed by a sellers' agreement in the form attached hereto as Annex 3.4.3 ("Sellers' Agreement"). The Sellers' Agreement shall form an integral part of this Agreement and the Managers shall procure that the Target shall also enter into the Sellers' Agreement together with all Sellers, the Sellers' Agent and the Paying Agent immediately following the signing of this Agreement. All Sellers, by waiving all legal requirements for the calling and holding of a shareholders' meeting in Target hereby unanimously resolve to authorize Manager 4 by express exemption from the restrictions set forth in Sec. 181 German Civil Code and by granting him sole power of representation for this task, to sign the Sellers' Agreement on behalf of the Company.

4 **Purchase Price, Debt, Cash, Working Capital Definitions**

4.1 The purchase price (including Manager Equity Consideration, Key Employees Equity Consideration and VESOP-Compensation) for all Shares shall be the aggregate amount of EUR 29,075,630.25 (in words: Euro twenty-nine million seventy-five thousand six-hundred thirty and Cent twenty-five),

4.1.1 minus Debt;

4.1.2 plus Cash;

4.1.3 minus or plus the amount by which the Working Capital falls short of or exceeds the Target Working Capital ("Working Capital Deviation"; "Target Working Capital" shall mean an amount of minus EUR 478,019 (in words: Euro four-hundred seventy-eight thousand nineteen);

in each case of Section 4.1.1 to 4.1.3 of Target; and

4.1.4 minus the aggregate amount all VESOP-Beneficiaries are entitled to receive as set forth in Annex 4.1.4("VESOP-Compensation");

(the amount as calculated according to Sections 4.1, 4.1.1, 4.1.2, 4.1.3 and 4.1.4 the "Purchase Price").

4.2 Debt, Cash and Working Capital shall be defined as follows, in each case with the amounts as determined in the Closing Date Financial Statements:

a) “Debt” shall mean:

aa) all interest-bearing liabilities of Target, in particular owed by Target to

- banks or other financial institutions; or
- a Seller or Affiliates of a Seller,

in each case including loans, overdrafts, bonds and promissory notes, together with any accrued interest thereon as well as prepayment penalties and similar obligations;

bb) leasing liabilities which must be included in the Closing Date Financial Statements as a liability of Target in the amount of the cash value thereof;

cc) provisions for pensions and similar liabilities of Target;

dd) provisions for personnel expenses and any settlement payments owed to any former Employees, in particular the settlement payment owed to Nicole Becker;

ee) overdue salaries and bonuses associated with performance prior to the Closing, wage tax payments and social security contributions of Target;

ff) overdue trade payables and deferred commissions for sales of Target's Intellectual Property Rights; and

b) “Cash” shall mean cash on hand, balances on accounts with banks and checks.

c) “Working Capital” shall mean:

aa) the aggregate amount of

- inventories;
- trade receivables;
- receivables due from Sellers and Affiliates of Sellers;
- other receivables but except for the receivables resulting from the envisaged shareholder resolution as provided for under Section 7.3.1b); and
- deferred expenses and accrued income;

minus

bb) the aggregate amount of

- liabilities and provisions for Taxes;
- other accruals;

- prepayments received;

- trade payables;

- other liabilities; and

- deferred income and accrued expenses.

d) It is agreed that no item shall be accounted for more than once within Cash, Debt and Working Capital. Debt, Cash, Working Capital and Working Capital Deviation shall be calculated and determined according to Section 9 as of the Effective Date.

It is agreed that the payment into the Target's capital reserves and the respective resolution as per Section 7.3.1b) as well as the fee split regarding the W&I Insurance as per Section 12.8.2 shall not affect the (calculation of the) (Estimated) Purchase Price.

4.3 The estimated amount of the Purchase Price as of the Closing Date ("Estimated Purchase Price") is an amount of EUR 27,934,179.21 (in words: Euro twenty-seven million nine-hundred thirty-four thousand one-hundred seventy-nine and twenty-one Euro cents). A sample calculation of the Estimated Purchase Price, including the estimated amount of Cash, Debt, Working Capital is attached as Annex 4.3.

5 **Managers' Equity Consideration**

5.1 Out of the Purchase Price, each Manager shall be entitled to a variable and deferred gross payment of USD 500,000.00 (in words: US dollars five hundred thousand), equal to EUR 420,168.07 based on the agreed exchange rate of USD 1.19 = EUR 1.00 (each a "Manager Equity Consideration ").

5.2 Each Manager Equity Consideration shall be fulfilled through the issuance and transfer of Appian Standard RSUs subject to the conclusion of a standard restricted stock agreement as Annex 5.2 ("RSU Agreement"). Each Manager shall indemnify and hold harmless the Purchaser or, at the discretion of the Purchaser, the Company from and against any withholding Taxes (e.g. wage taxes or social security contributions) arising in conjunction with or due to the fulfilment of the Manager Equity Consideration.

5.3 Each Manager's Appian Standard RSU shall be subject to a linear vesting over 48 months starting August 05, 2021 ("Vesting Term") and shall be calculated on an annual basis (i.e. 25% shall be vested on August 05, 2022, further 25% on August 05, 2023, further 25% on August 05, 2024 and the remaining 25% on August 05, 2025) as more specifically set forth in the RSU Agreement.

5.4 In case the Appian Standard RSU will not be issued to the Managers at the Closing Date but at a later stage, the Managers shall still receive a four-year vesting, start date as of August 5, 2021 for the Appian Standard RSU's. Further, when the RSU shall be issued to the Managers they shall be deemed to have the economic value or strike price respectively as they would have had if they had been issued at the Signing Date.

6 **Closing Date Payments, Holdback**

6.1 On the Closing Date, Purchaser shall

6.1.1 pay the Estimated Purchase Price less (i) the Key Employees Equity Consideration and (ii) the Manager Equity Consideration (the "Estimated Cash Purchase Price") to Sellers as allocated in Annex 6.1.1-1, while (aa) 10

% (in words: ten percent) of the Estimated Purchase Price, which is allocated to and to be paid to Sellers 1 through Seller 3, shall be held back (“Holdback”), in accordance with the terms and conditions of the holdback agreement (“Holdback Agreement”) as attached hereto as Annex 6.1.1-2 and (bb) an amount of EUR 63,025.21 in accordance with the cost split of the W&I insurance in accordance with section 12.8.2 shall be deducted;

6.1.2 approve the issuance of the Managers’ Equity Consideration to each of the Managers as set forth in Section 5 as a gross amount, whereas in each case the issuance shall be net of any withholding Taxes in accordance with the RSU Agreement;

6.1.3 make – on behalf and for the account of the Seller 1, Seller 2 and Seller 3 – the Pre-Closing Contribution Payment into the Target’s capital reserves as resolved upon by the Sellers under Section 7.3.1b).

6.2 Unless otherwise notified in due course by the Party receiving a payment, payments under the Agreement shall be made to the following bank accounts:

6.2.1 Payments to Sellers:

Account holder: Paying Agent

Bank: [intentionally omitted]

IBAN:

BIC:

(“Sellers’ Account”), while any payment by Purchaser to Sellers’ Account shall be full performance of Purchaser’s payment obligation in relation to all Sellers, and shall have discharging effect (*schuldbefreiende Wirkung*) for Purchaser towards all Sellers.

6.2.2 Payments to Purchaser:

Account holder: Appian Europe Ltd.

Bank: [intentionally omitted]

IBAN:

BIC:

6.3 Except for payments which will be fulfilled through the issuance and transfer of Appian Standard RSUs, all payments owed by either Party under the Agreement shall be made in EUR currency by irrevocable wire transfer in immediately available funds. Immediately upon irrevocable receipt of any payment, the receiving Party shall confirm such receipt to the paying Party. The Purchaser shall have the right to deduct and withhold Taxes from any payments to be made hereunder if and to the extent required by Applicable Law and such withheld amounts shall be treated as being paid to the respective payee.

6.4 The Parties assume that the Transaction is either not subject to VAT (*nicht umsatzsteuerbar*) or exempt from VAT (*umsatzsteuerfrei*). Sellers shall not waive any VAT exemption in relation to the Transaction (it being understood that, in case a Seller waives any VAT exemption, the respective VAT shall be borne by the respective Seller solely). If the competent fiscal authorities either for Purchaser or Sellers determine that – contrary to the assumption of the Parties and despite the fact that none of the Sellers has waived any VAT exemption – the

Transaction is either entirely or partly taxable for VAT purposes, and impose VAT on the Sellers and the VAT assessment notice becomes incontestable, each Party shall inform the respective other Party thereof without undue delay. In such case, Sellers shall procure that Purchaser is furnished with an invoice in accordance with the relevant provisions of the German VAT Act (*Umsatzsteuergesetz* "UStG") within ten (10) Business Days following the month of receipt of the binding assessment note and Purchaser shall pay to Sellers within ten (10) Business Days after receipt of such invoice the respective VAT amount if and to the extent Purchaser can deduct such VAT amount as input VAT (*Vorsteuer*). Sellers agrees to support Buyer with any reasonable information and documentation necessary to realize any VAT refund. The Purchaser is not obliged to pay any VAT on the Transaction to the Sellers if and to the extent (i) any of the Sellers has waived any VAT exemption or (ii) the respective VAT is owed by the Purchaser under the reverse charge regime (*Steuerschuldnerschaft des Leistungsempfängers*).

6.5 Use and Release of Holdback

6.5.1 The Holdback shall serve as a collateral for any claims of Purchaser against Seller 1 through Seller 3 under the Agreement in the amount allocated to Seller 1 through Seller 3 as more specifically set forth in Annex 6.5.1.

6.5.2 The Holdback shall be released via the Paying Agent to Seller 1 through Seller 3 as follows:

a) an amount equal to 25% of the Holdback shall be released within two months following the establishment of the Target's annual financial statements for the fiscal year 2021, however on October 31, 2022 the latest; and

b) the remaining amount of the Holdback, i.e. 75%, shall be released on the second anniversary of the Closing Date

each of lit. a) and lit. b) in accordance with the terms and conditions of the Holdback Agreement.

7 **Closing, Right to Withdraw**

7.1 Closing Conditions

7.1.1 The obligation of the Parties to take the Closing Actions and, thus, to complete the Transaction("Closing"), shall be subject to the satisfaction of the following conditions precedent ("Closing Conditions"):

a) All Managers have resigned from their office as managing directors of the Target effective as of the *registration* of such resignation with the competent commercial register by resignation declaration, a sample draft of which is attached hereto as Annex 7.1.1a);

b) All Managers have terminated their current service agreements with Target and signed new employment agreements on behalf of the Target as well as on their own behalf, subject to the restrictions of Section 181 of the German Civil Code (*Bürgerliches Gesetzbuch*, "BGB" which shall include non-competition and non-solicitation clauses, in form and substance substantially satisfactory to Purchaser, drafts of which are attached hereto as Annex 7.1.1b)-1, and all Sellers have passed a shareholders' resolution in which they (i) unanimously consented to the termination of the current service agreements and (ii) expressly granted authorization to an individual to execute the termination, a sample draft of which is attached hereto as Annex 7.1.1b)-2;

c) All members of Target's advisory board (*Beiratsmitglieder*), including observers, have signed resignation letters and releases in favour of Target, its successors, subsidiaries, directors, officers and Employees, each with effect as of Closing, a sample draft of which is attached hereto as Annex 7.1.1c); and

d) Seller 11 has delivered to Purchaser a copy of an extract from the relevant register of commerce in respect of such Seller; Seller 10 (Wayra Deutschland GmbH) has waived its additional participation right under Section 6 of the convertible note dated October 7, 2020 (Deed-Roll no. 2338/2020 of the notary Dr. Michael Bohrer); Seller 11 (NEXTBLUE1-go Toshijigyo Yugen Sekinin Kumiai) has waived its pro rata right under the side letter to the convertible note dated November 30, 2020. Seller 10 and Seller 11 have delivered to the acting notary the originals of the powers of attorney on the basis of which this Agreement is signed.

7.1.2 Each Party shall use its best efforts to ensure the satisfaction of the Closing Conditions. As soon as a Party becomes aware that a Closing Condition has been satisfied or that any circumstances are reasonably expected to hinder the satisfaction of any Closing Condition, such Party shall immediately notify all other Parties thereof, while notification by Purchaser of the Sellers' Representative shall be deemed as notification by Purchaser of all Sellers.

7.1.3 Purchaser may in its sole discretion waive the Closing Conditions set forth in Section 7.1.1a) through Section 7.1.1d) by written declaration to Sellers' Representative. Sellers and Managers, as the case may be, hereby irrevocably accept any such waiver (if any).

7.2 Closing Date

The Closing, i.e. the actual date and time at which the transfer of Shares becomes effective, shall take place virtually or upon the joint request of Purchaser and Sellers' Representative at the offices of Osborne Clarke in Berlin, Schinkelplatz 5, 10117 Berlin, Germany at 10:00 hours in Berlin, Germany, on August 11, 2021, however, at the earliest on the Business Day after the day on which all Closing Conditions have been fulfilled or waived, or at such other date, time and place Sellers' Representative and Purchaser may mutually agree upon in writing or via email ("Closing Date").

7.3 Closing Actions

7.3.1 On the Closing Date, Sellers' Representative and Purchaser shall take the following actions simultaneously (*Zug um Zug*) ("Closing Actions"), whereby each Closing Action shall only be deemed to have been carried out and become effective between the Parties once all Closing Actions have been carried out or waived (as the case may be):

a) Purchaser shall make the payments and declarations set forth in Section 6.1.1 through 6.1.2;

b) Sellers' Representative shall provide the Purchaser with a duly passed shareholders' resolution on the payment of a capital contribution in the amount of EUR 800,000.00 (in words: Euros eight hundred thousand) into the Target's capital reserves to be made by the Seller 1, Seller 2 and Seller 3 prior to the Closing Date, a draft of which is attached as Annex 7.3.1b) ("Pre-Closing Contribution Payment""):

c) Purchaser shall make the payments and declarations set forth in Section 6.1.3;

d) Sellers' Representative shall deliver to Purchaser settlement agreements to be entered into by the Target and each of the beneficiaries listed in Annex 7.3.1d)-1 ("VESOP-Beneficiaries", with a full and final release in favour of Target and Purchaser subject to the receipt of the VESOP-Compensation by each VESOP-Beneficiary, in form attached as a draft as Annex 7.3.1d)-2 ("VESOP-Settlement Agreement"); Purchaser shall accept, and Sellers' Representative shall be entitled to deliver, VESOP-Settlement Agreements executed via Docusign and/or otherwise signed electronically, which shall be deemed full performance of this Closing Action;

e) Sellers' Representative shall deliver to Purchaser an agreement entered into among Sellers and the Target regarding the waiver of rights and termination of the current shareholders' agreement dated December 20, 2017 (deed no. S 1491/2017 of the notary Dr. Andreas Schwennicke, Berlin) as amended by the amendment agreement dated January 15, 2019 (deed no. S 38/2019 of the notary Dr. Andreas Schwennicke, Berlin) and all other shareholders' agreements in respect of Target substantially in the form attached hereto as Annex 7.3.1e);

f) Sellers' Representative shall deliver to Purchaser executed powers of attorney of each Seller substantially in the form attached hereto as Annex 7.3.1f) ("Sellers' PoA"), such Seller's PoA to grant to Purchaser the unrestricted and irrevocable power of attorney, with exemption from the restrictions of Section 181 BGB) – to the extent legally permitted – and with the right to grant sub-power of attorney, to exercise all shareholder rights in full and without restriction, in particular to adopt shareholder resolutions, including amendments to the articles of association of Target effective as from the Closing Date. It is acknowledged and agreed among the Parties, that Seller 10 is not permitted to grant exemption from the restrictions of Section 181 BGB, and the Closing Action of this Section 7.3.1f) shall be deemed properly fulfilled, if the Sellers' Representative provides the Sellers' PoA issued by Seller 10 without such exemption. Each Seller's PoA shall expire upon the entry of the updated list of shareholders, which shows Purchaser as shareholder of the Sold Shares in the commercial register of Target;

g) Sellers and Purchaser shall execute the Holdback Agreement;

h) Sellers' Representative shall provide evidence satisfactory to Purchaser that Diana Halliday and Annie Murphy have been provided with all powers of attorney for the Target's bank accounts that allow the operation of such bank accounts by Purchaser;

i) Sellers 1 through, and including, Sellers and all Managers shall deliver to Purchaser the bring down certificate regarding Business Warranties signed by Seller 1 through, and including, Sellers as requested by W&I Insurance ("Bring Down Business").

7.3.2 Purchaser may in its sole discretion waive the Closing Actions set forth in Section 7.3.1b) through Section 7.3.1j) by written declaration to the Sellers' Representative. Sellers hereby irrevocably accept such waiver (if any). It is clarified, that the Sellers' Representative shall not be responsible and liable for any omission or failure of any other Seller or the Target to provide or execute a Closing Action item as required under Section 7.3.1 above.

7.4 Closing Memorandum

Immediately after performance or waiver, as the case may be, of the Closing Actions, the Parties shall execute a closing memorandum ("Closing Memorandum") substantially in the form as attached hereto as Annex 7.4 to confirm that (a) the Closing Conditions have been satisfied or waived (as the case may be), (b) the Closing Actions have been carried out or waived (as the case may be) and (c) the Closing has occurred, whereas such closing memorandum shall be limited to serve as evidence only that all Closing Conditions have been satisfied or waived (as the case may be), the Closing Actions were taken or waived (as the case may be) and that Closing has occurred (specifying date and time of Closing), but shall not limit or prejudice in any manner the rights of a Party arising under the Agreement. Upon execution of the Closing Memorandum, all Closing Conditions shall be deemed to have been fulfilled and the assignment in rem of the Sold Shares shall be deemed to have been completed.

7.5 Right to Withdraw

7.5.1 In case that

a) the Closing has not occurred within a time period of 3 (in words: three) months from the date hereof or on such other date the Parties have otherwise mutually agreed upon in writing;

b) the Closing Conditions set forth in Section 7.1.1a) through Section 7.1.1d) can finally not be fulfilled;

c) any of the Closing Actions set forth in Section 7.3.1b) through Section 7.3.1i) have not been fulfilled within 5 (in words: five) Business Days after the Closing Date, if such Closing Actions have not been waived prior to, on or around the Closing Date; or

d) a Material Adverse Change has occurred prior to Closing (irrespective of whether such Material Adverse Change constitutes or gives rise to a Breach of any of the Sellers' Warranties),

Purchaser is entitled to withdraw (*zurücktreten*) from the Agreement with immediate effect and without prior notice (*ohne Androhung und ohne Einhaltung einer Frist*). The right to withdraw can only be exercised by Purchaser by sending a notice of withdrawal to Sellers’ Representative with a courtesy copy to the notary.

7.5.2 In case that the Closing Actions set forth in Section 7.3.1a) have not been fulfilled within 5 (in words: five) Business Days after the Closing Date, if such Closing Actions have not been waived prior to, on or around the Closing Date, Sellers and Managers are entitled to withdraw (*zurücktreten*) from the Agreement with immediate effect and without prior notice (*ohne Androhung und ohne Einhaltung einer Frist*). The right to withdraw can only be exercised jointly by all Sellers and Managers (upon mutual internal decision) by sending a notice of withdrawal to Purchaser’s Representative with a courtesy copy to the notary.

7.5.3 “Material Adverse Change” shall be any event which has a material and adverse effect on the turnover, profitability, financial, trading position or the Intellectual Property Rights of Target with an economic impact of no less than EUR 100,000.00 (in words: Euro one hundred thousand) for the current business year of Target, such effect to be sustainable (*nachhaltig*), i.e. it could be reasonably be expected to last until and/or similarly occur in the following business years, and which is not

a) any change in general economic or business conditions (including general developments of capital and financial markets) or industry-wide financial conditions, in each case provided, however, that the impact on Target is not significantly greater than on competitors of Target;

b) acts of war, other armed hostilities or terrorism in any country in which Target has a registered seat or is engaged in business (including a terrorist attack upon any of their respective territories, possessions or diplomatic or consular offices, military installations, equipment or personnel) or any change in the long term public safety or security in any country in which Target has a registered seat or is engaged in business; or

c) any change in Applicable Laws or interpretations thereof, in each case provided, however, that the impact on Target is not significantly greater than on competitors of Target and it does not materially affect or limit the ability to complete this Transaction in accordance with the terms hereof.

7.6 Consequences of Withdrawal

7.6.1 In case of a withdrawal from the Agreement according to Section 7.5, only the provisions of this Section 7.6, Section 18 through Section 23 shall continue to be effective. All other provisions of the Agreement shall cease to have effect, provided, however, that any liability of any Party for damages shall not be affected.

7.6.2 Any failure of Purchaser or Sellers, as the case may be, to exercise the right to withdraw from the Agreement according to Section 7.5 shall under no circumstances be deemed to constitute a waiver of any other right of Purchaser and/or Sellers, as the case may be, under or in connection with the Agreement.

8 **Pre-Closing Covenants**

8.1 Ordinary Course of Business

8.1.1 From the date of the signing of the Agreement (“Signing Date”) until, and including, the Closing Date, the Managers shall conduct (and the other Sellers, to the extent legally permissible under Applicable Law, cause Target to conduct) the Business of Target in the Ordinary Course of Business. “Ordinary Course of Business” shall mean transactions, customs and practices which are undertaken with the standard of care of a prudent business person (*ordentlicher Geschäftsmann*), consistent with past practice of Target and in compliance with Applicable Law.

8.1.2 Managers and Sellers shall procure that, to the extent legally permitted under Applicable Law, Target will not carry out any of the following measures or, respectively will not carry out any of the following measures with respect to Target, without the prior written consent of Purchaser from the Signing Date until, and including, the Closing Date:

a) any change in the human resource policies or practices, in particular any increase in compensation or other benefit for any managing director (*Geschäftsführer*) or Employee of Target, any hiring of a managing director or Employee or any termination, cancellation, or dismissal of a managing director or Employee, other than a dismissal for cause (*aus wichtigem Grund*);

b) any change in the management policies or administrative practices or business with respect to the levels of accounts receivable, accounts payable and inventories, capital expenditures, promotions or discounts;

c) change the level of Debt, Cash and/or Working Capital with the sole purpose to artificially impact the Purchase Price;

d) any distribution of profits or dividends;

e) any change of accounting practices;

f) any divestments or sale of any fixed assets exceeding an amount of EUR 10,000.00 (in words: Euro ten thousand);

g) any undertaking of obligations not at arm's length or that individually (or in aggregate related to the same transaction) exceeds an amount of EUR 10,000.00 (in words: Euro ten thousand);

h) the termination or amendment of, or entering into, any Material Agreement;

i) any conclusion, termination or amendment of any agreements with financial institutions;

j) any creation of financial indebtedness;

k) any concession of any guaranties or counter-guaranties in favour of any person other than in the Ordinary Course of Business;

l) entering into or amending any transaction or agreement with any Seller or any Related Party of any Seller;

m) any donation, assignment, transfer, waiver and/or any release, free of charge, of any assets or rights to any person, except for any furniture, equipment and other assets that were discarded due to obsolescence, provided such assets have been fully replaced with new assets;

n) any damage, destruction, loss or abandonment of material assets, licenses or rights of the Target affecting the Ordinary Course of Business or the implementation of the Transaction;

o) any merger, spin-off, participation, incorporation or dissolution involving the Target;

p) any amendment to the articles of association;

q) any issuance, sale, encumbrance or other disposal of any Shares or other equity instruments;

r) any acquisition or sale of any business entity in any manner, any type of consortium or joint venture or any other M&A transaction; or

s) the incorporation of any subsidiary or the acquisition of any shares, interests or securities in any entity or person as well as the creation of any branch or other types of permanent establishment.

9 **Closing Date Financial Statements, Purchase Price Adjustment**

9.1 Purchaser shall instruct the new management of Target, and procure respectively that Target will prepare within 60 (in words: sixty) Business Days after the Closing Date

9.1.1 the unaudited financial statements of Target as of the Effective Date consisting of a balance sheet (*Bilanz*) and a profit and loss statement (*Gewinn- und Verlustrechnung*) ("Closing Date Financial Statements"); and

9.1.2 on the basis of the Closing Date Financial Statements, a statement setting out the Debt, the Cash, the Working Capital Deviation, the Purchase Price, and the Excess Amount or, as the case may be, the Shortfall Amount ("Closing Date Statement").

9.2 The Closing Date Financial Statements and the Closing Date Statement shall be determined by applying Section 4.2 and the accounting principles, policies, procedures, practices, methods, and valuations techniques compliant with Applicable Law, in particular with German Commercial Code (*Handelsgesetzbuch* "HGB") and, in particular, without limitation, the same accounting and valuation principles, methods and rules shall be maintained, and all options to capitalize or to include items on the liabilities side shall be consistently exercised as applied in setting up and calculating the Estimated Purchase Price.

9.3 Purchaser shall instruct the new management of Target, and procure respectively, that Target will deliver the Closing Date Financial Statements and the Closing Date Statement to Sellers' Representative within 90 (in words: ninety) Business Days after the Closing Date.

9.4 To the extent that Sellers' Representative agrees in writing with or does not raise objections to the Closing Date Financial Statements and the Closing Date Statement within 20 (in words: twenty) Business Days after the receipt by Sellers' Representative of the Closing Date Financial Statements and the Closing Date Statement by providing Purchaser with written objections setting forth in reasonable detail the grounds for the objections ("Objections"), the Closing Date Financial Statements and the Closing Date Statement as delivered by Target to Sellers' Representative shall be final and binding on the Parties ("Binding Closing Date Financial Statements" and "Binding Closing Date Statement"). The Sellers and their auditors shall have full access to, and Purchaser shall procure that Target grants such access respectively, to grant unlimited access to the Sellers and their auditors and/or advisors with respect to any working papers and any related documentation (whether in electronic form or otherwise) as is reasonably necessary to review the Closing Date Financial Statements and the Closing Date Statement.

9.5 In the event that the Sellers' Representative notifies any Objections on the Closing Date Financial Statements and/or the Closing Date Statement, the Parties shall then attempt to reach an agreement on the treatment of such Objections. Any amendments to balance sheet assessments or valuations unanimously agreed upon by the Parties shall be incorporated into the Closing Date Financial Statements and the Closing Date Statement affected by such Objections. Any Objections on the Closing Date Financial Statements and the Closing Date Statement to which Sellers' Representative and Purchaser cannot reach agreement within 20 (in words: twenty) Business Days after Purchaser received the Objections, on written request of either Sellers' Representative or Purchaser, Sellers' Representative and Purchaser shall mutually select an auditor from an auditing firm with good reputation and international experience to act as independent expert within the meaning of § 317 BGB (*Schiedsgutachter*), and not as arbitrator, ("Expert") who shall decide on the Objections. If the Sellers' Representative and the Purchaser do not agree on an Expert within 10 (in words: ten) Business Days following such request, or the agreed Expert does not accept its appointment within 10 (in words: ten) Business Days after its appointment, another Expert shall, at the request of either Sellers' Representative or Purchaser, be appointed by the chairman of the management board of the Institute of Auditors in Germany (*Geschäftsführender Vorstand des Instituts der Wirtschaftsprüfer in Deutschland e.V.*) in Duesseldorf.

9.6 The Expert shall give Sellers' Representative and Purchaser adequate opportunity to present their views in writing and at a hearing to be held in the presence of Sellers' Representative and Purchaser. Sellers' Representative and Purchaser shall cooperate with the Expert and shall promptly respond to any information requests or other requests for assistance by the Expert. The Expert shall decide on the Objections in writing ("Expert Decision"). The Expert Decision shall be rendered in accordance with the principles set out in Section 9.2. In respect of the issues in dispute between Sellers' Representative and Purchaser, the Expert Decision shall remain within the positions taken by Sellers' Representative and Purchaser on the issues which are in dispute between Sellers' Representative and Purchaser. The Expert shall be instructed to render the Expert Decision within 30 (in words: thirty) Business Days after the appointment of the Expert. The Expert Decision shall be final and binding on all Parties according to § 319 BGB, except for cases of fraud or manifest error. The Closing Date Financial Statements and the Closing Date Statement as amended by the Expert Decision shall be the Binding Closing Date Financial Statements and the Binding Closing Date Statement.

9.7 The Expert shall be retained jointly by the Parties on reasonable terms and conditions. The fees and expenses of the Expert shall be borne by Sellers on the one hand and Purchaser on the other hand according to §§ 91 et seqq. German Civil Procedure Code (*Zivilprozessordnung*, "ZPO"). The Expert shall also determine the allocation of the costs of the Expert in the Expert Decision. Each Party shall bear its own costs and the costs of its advisers.

9.8 If the Purchase Price as determined on the basis of the Binding Closing Date Financial Statements and the Binding Closing Date Statement exceeds the Estimated Purchase Price, Purchaser shall pay to Sellers an amount equal to such excess amount plus interest of 2 % p.a. thereon according to Section 6.2.1 and Section 6.3 ("Excess Amount").

9.9 If the Purchase Price as determined on the basis of the Binding Closing Date Financial Statements and the Binding Closing Date Statement falls short of the Estimated Purchase Price, Sellers shall repay to Purchaser an amount equal to such shortfall amount plus interest of 2 % p.a. thereon according to Section 6.2.2 and Section 6.3 ("Shortfall Amount").

9.10 The Excess Amount or, as the case may be, the Shortfall Amount shall be paid within 10 (in words: ten) Business Days after the Closing Date Financial Statements and the Closing Date Statement have become the Binding Closing Date Financial Statements and the Binding Closing Date Statement. In the event of a Shortfall Amount, the Shortfall Amount may be released to the Purchaser from the Holdback account; in the event of release from the Holdback account, the Sellers, other than Seller 1, Seller 2, and Seller 3 shall be obliged to reimburse

Seller 1, Seller 2, and Seller 3 pro rata to the Sold Shares of the Sellers being obliged for reimbursement and pay such amount to Seller 1, Seller 2 and Seller 3 as mutually agreed upon by the Sellers. To the extent the Shortfall Amount exceeds the Holdback Amount or in case the Purchaser is not willing to reduce the Holdback Amount for such purpose, such (exceeding) amount shall be paid from the individual Sellers to the Purchaser pro rata to the Sold Shares.

10 **Sellers' Guarantees**

Each Seller as individual and separate debtor (*als Einzelschuldner*) hereby guarantees to Purchaser by way of an independent promise of undertaking in the meaning of § 311 (1) BGB, irrespective of fault, that all statements made in Section 10.1 through, and including, Section 10.2 ("Title Warranties"), in each case only in relation to the Shares sold by it, its own situation and its own conditions, and Seller 1 through (and including) Seller 3 and all Managers ("Business Guarantors") jointly (*als Gesamtschuldner*) hereby guarantee to Purchaser by way of an independent promise of undertaking in the meaning of § 311 (1) BGB, irrespective of fault, that all statements in Section 10.3 through, and including, Section 10.24 ("Business Warranties"), including all statements made in Sections 10.8.4, 10.8.5, 10.9.9c), 10.9.14, 10.9.21, 10.9.22, 10.10.2, 10.10.5, 10.10.6, 10.11.14, 10.11.16, 10.11.17, 10.16.4 through 10.16.9, 10.16.11, 10.16.12, 10.22.4 through 10.22.10 and 10.24 ("Uninsured Warranties", together with the Title Warranties and the Business Warranties, the "Warranties" or individually a "Warranty"), are true, complete and correct as of the Signing Date and will be so at the Closing Date. This Section 10 shall not constitute a warranty of the condition within the meaning of §§ 443 et seq. BGB (*Beschaffenheitsgarantie*) and § 444 BGB does not apply to the Title Warranties and/or Business Warranties contained in this Section 10.

"Best Knowledge" means the actual knowledge (*positive Kenntnis*) of the Business Guarantors as of the Signing Date and such additional positive knowledge such persons could have had if they had carried out a due inquiry with respect to the relevant matter with the standard of care of a prudent businessman pursuant to § 43 of the German Code on Limited Liability Companies (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*).

10.1 Sellers and the Agreement

10.1.1 Each of Seller 1 through, and including, Seller 11

a) is duly incorporated and established and validly existing under the Applicable Law;

b) has the corporate power and capacity to enter into the Agreement and to take, perform and execute all proceedings, acts and instruments necessary to consummate the sale and transfer of its respective Shares and to fulfil its obligations under the Agreement; and

c) has taken all necessary corporate or other actions to authorize the Agreement, the transactions contemplated herein and, where applicable, the execution and delivery of the contracts, agreements and instruments required under the Agreement and the performance of its obligations arising therefrom other than any authorization, consent or approval of, or filing with or notice to, any governmental authority required solely due to special conditions existing at the Purchaser.

10.1.2 No insolvency or similar proceedings have ever been opened, applied for or threatened regarding the assets of any Seller, and there are no circumstances which would require the opening of or application for such proceedings by the respective Seller. None of the Sellers is illiquid (*zahlungsunfähig*) or over-indebted (*überschuldet*).

10.1.3 The Agreement has been duly executed and delivered by each Seller and (assuming due execution and delivery by the other parties) is a legal, valid and binding obligation of each Seller enforceable against them in accordance with its terms. Each of the contracts, agreements and instruments required by the Agreement to be delivered by the Sellers has been duly executed and delivered by each Seller, and (assuming due execution and delivery by the other parties thereto) are enforceable against each Seller, as the case may be, in accordance with its terms.

10.2 Shares

10.2.1 The statements made in Section 1.1 and Section 1.2 are correct. The Shares are fully paid-in, non-assessable (*unterliegen keiner Nachschusspflicht*) and no repayments, also no hidden repayments, have been made.

10.2.2 Each Seller is entitled to freely dispose of its Shares without any limitations or restrictions. The Shares validly exist and are not encumbered (*unbelastet*) and free and clear of any claims and rights of third parties, except for as provided in the current articles of association and the current shareholders' agreement.

10.2.3 There are no (i) options, pre-emptive rights or other rights to acquire any Shares; or (ii) trust agreements (*Treuhandschaft*) or sub participations with respect to the Shares, except for as provided in the current articles of association and the current shareholders' agreement.

10.2.4 The Shares represent all equity shares (*Stammkapital*) in the Target.

10.3 Target

10.3.1 There are no options, option warrants, other convertible securities or similar rights (including conversion and pre-emptive rights) in the Target other than under the VESOP which entitle any person to any equity interests in Target. All convertible loan agreements entered into have been either fully repaid or converted into shares, no payments of interest or other claims thereunder, as the case may be, are outstanding.

10.3.2 Target does not own any shares or other equity interest or voting right in any other entity, either directly or indirectly. Target has not, and has never had, any branches or divisions outside of its registered seat.

10.3.3 Except for the VESOP, there have never been any share options (including virtual share option) schemes or other incentive schemes with respect to any equity instruments for Target. As of the Closing Date, the VESOP will be completely settled and Target will not be subject to any payment or compensation obligations resulting therefrom.

10.3.4 No insolvency or similar proceedings have ever been opened, applied for by Target or threatened to Target regarding the assets of Target. No insolvency proceedings concerning the Company are pending (*rechtshängig*), and, to the Best Knowledge, there are no circumstances which would require the opening of or application for such proceedings by the Target. Target is neither illiquid (*zahlungsunfähig*) nor over-indebted (*überschuldet*) in the meaning of Section 17 and 19 of the German Insolvency Act (*Insolvenzordnung*).

10.3.5 As of the Closing Date, Target will not be a party to any enterprise agreement pursuant to §§ 291 et seq. AktG, silent partnership agreements (*stille Gesellschaften*) or similar agreements which would entitle any person to participate in the profits or revenues of or to exercise control over Target.

10.3.6 All approvals of any corporate bodies of Target (including its advisory board) required for the execution and consummation of the Agreement and the Transaction have been duly obtained.

10.3.7 With regard to Target, no shareholders' resolutions have been taken, and no other circumstances have occurred, which still require registration with the competent commercial register(s).

10.4 Real Property

10.4.1 Target has never owned any real property or any rights in any real property (*Eigentum oder sonstige dingliche Rechte an Grundstücken*).

10.4.2 Target does not rent any real property other than the offices rented by Target located at Muskauer Str. 43, 10997 Berlin, Germany.

10.5 Financial Statements

10.5.1 Annex 10.5.1 contains complete and correct copies of the unaudtited financial statements of Target for the financial years ending December 31st, 2018, December 31st, 2019 and December 31st, 2020 ("Financial Statements"). The Financial Statements have been prepared in accordance with German GAAP (HGB). The accounting policies adopted in the preparation of the Financial Statements have been consistently applied since incorporation. The Financial Statements are true, complete and correct in all respects and have been derived from the accounting books and records of Target.

10.5.2 The Financial Statements give a true and fair view of the result of the net asset position, results of operations and financial position (*unter Beachtung der Grundsätze ordnungsmäßiger Buchführung oder sonstiger maßgeblicher Rechnungslegungsgrundsätze ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz-, Verbindlichkeiten- und Ertragslage*) of Target as at the respective record dates thereof in all material aspects.

10.5.3 The Parties agree and confirm that the representations and warranties given in Section 10.5.2 are not hard objective annual accounts warranties (*harte objektive Jahresabschlussgarantien*) within the meaning found to be agreed by the court ruling of the Higher Regional Court of Frankfurt am Main dated May 7, 2015 (Az.: 26 U 35/12). Instead, Section 10.5.2 shall be interpreted by reference to Section 264 (2) German Commercial Code (HGB) and the principle of so-called Wertaufhellung as per the record date when the respective financial statements were adopted.

10.6 Financial Liabilities, Bank Accounts

10.6.1 Target has not taken out or granted any loans (including shareholder loans) or any similar financial instruments, which are still outstanding, nor is Target a party to any financial lease agreements. There is no off-balance sheet financing of Target. Target has not granted any guarantee (*Garantie*), suretyship (*Bürgschaft*), letter of comfort (*Patronatserklärung*) or other collateral to any person. Target has no actual or contingent liabilities beyond the Ordinary Course of Business, unless such liabilities are disclosed in the Financial Statements.

10.6.2 Annex 10.6.2 contains a complete and correct list of all bank accounts of any kind of Target.

10.7 Ordinary Course of Business

The Business of Target has been run in the Ordinary Course of Business since incorporation, except for any extraordinary business activities which have been reflected in the Financial Statements.

10.8 Assets, Inventory, Reserves

10.8.1 Except for any assets sold in the Ordinary Course of Business after December 31st, 2020, all assets (*Vermögensgegenstände*) reflected in the Financial Statements and all assets acquired by Target since December 31st, 2020 ("Assets") are legally and beneficially owned by Target and, to the Best Knowledge, are free of any third party rights, except for any retention of title rights (*Eigentumsvorbehalt*) or liens (*Pfandrechte*) of lessors or other third parties which may exist by virtue of Applicable Law or contractual agreement with regard to the liabilities of the Company and security interests granted in the Ordinary Course of Business.

10.8.2 Target has, to the Best Knowledge, the valid right to use (*Nutzungsrecht*) all other assets necessary for conducting its Business which are not owned but which are being used by Target.

10.8.3 All Assets have been properly maintained and are in good working order under all material aspects, regular wear and tear excepted. There are no encumbrances over any Assets securing an obligation of a third party except for any statutory security interest of any kind and for the above retentions of title and liens. The execution and consummation of the Agreement does, to the Best Knowledge, not cause any of the Assets to be reassessed or revalued.

10.8.4 All accounts receivable of Target shown in the Financial Statements are, to the Best Knowledge, valid receivables that have arisen from bona fide transactions in the Ordinary Course of Business. The Business Guarantors are not aware of any facts indicating that any such accounts receivable (subject to no set-offs or counterclaims) at the aggregate recorded amounts thereof, net of any applicable reserves for doubtful accounts reflected in the Financial Statements, may not be recovered. Target has good and marketable title to its accounts receivable, free and clear of all liens. Since January 1st, 2018 there have not been any write-offs as uncollectible of any notes or accounts receivable of Target of in total more than EUR 25,000.00 (in words: Euro twenty-five thousand).

10.8.5 All accounts payable of Target, whether reflected in the Financial Statements or subsequently created, are valid payables that have arisen from bona fide transactions in the Ordinary Course of Business. Since incorporation, Target has paid its valid accounts payable in the Ordinary Course of Business.

10.8.6 All inventory of Target shown in the Financial Statements is of a quality and quantity saleable in the Ordinary Course of Business. All such inventory is valued at the lower of cost or market value, taking into account sufficient adjustments for aged, bad, obsolete or otherwise non-marketable inventory. Adequate reserves for aged, bad, obsolete or otherwise non-marketable inventory are reflected in the Financial Statements. The inventory shown in the Financial Statements is sufficient to permit Target to supply its customers in the Ordinary Course of Business. Target does not hold any inventory in consignment.

10.9 Intellectual Property Rights

10.9.1 All intellectual property rights, including grant of use of copyrights (*Urheberrechte*), patents (*Patente*), registered and unregistered trademarks (*Marken*), trade names and commercial designations (*geschäftliche Bezeichnungen*), utility models (*Gebrauchsmuster*), design rights (*Geschmacksmuster*), domain names, and all rights and licenses related to pending applications, which are necessary to conduct the Business by Target as currently conducted in the Ordinary Course of Business ("Intellectual Property Rights") are owned, licensed or otherwise rightfully used by Target with unlimited rights in respect of place, time or content. To the extent not owned by Target, the aforementioned sufficient rights to use Intellectual Property Rights are in force for a period of at least one (1) year following the Signing Date except as disclosed in Annex 10.10.2 below. Annex 10.9.1 contains a complete and correct list of all material Intellectual Property Rights indicating, wherever applicable, the respective description, filing number, owner and territorial scope of the Intellectual Property Rights.

10.9.2 Annex 10.9.2 sets out a complete and accurate list of all domain names owned by Target, including when the domain names were first registered and the date of the next annual payment. Each of Target's websites contain legal disclaimers and privacy policies that, in accordance with industry practice, are customarily contained on websites similar to any of Target's websites.

10.9.3 Target does not license to any third party any Intellectual Property Rights (except for non-exclusive, limited licenses granted in the Ordinary Course of Business to Target's customers to use the Target's products as intended by the Target), and no contract to which Target is a party, obliges Target to assign any Intellectual Property Rights. To the extent Target licensed from any third party any right to use any Intellectual Property Rights, such license agreement is in full effect, Target has at all times complied and continues to comply with the terms of such license, such license has not been terminated, and there are no circumstances that would entitle any such licensor to terminate any such license other than for convenience pursuant to an express provision to that effect contained in the respective license agreement.

10.9.4 Target is not party to or bound by any agreement that limits or impairs their ability to use, sell, transfer or assign any of the Intellectual Property Rights owned by it. Target has no obligation to pay any royalties, license fees or other compensation in the future or on a continuous basis to any person in respect of its ownership, use or license of any Intellectual Property Rights except as disclosed in Annex 10.9.4.

10.9.5 The Intellectual Property Rights constitute all intellectual property rights deemed to be reasonably necessary to conduct the Business of Target as currently conducted.

10.9.6 No claims have been asserted to the Target in text form by any person alleging that the conduct of the Business, including the use of Intellectual Property Rights by Target, infringes upon or misappropriates any Intellectual Property Rights.

10.9.7 No Intellectual Property Right

a) is subject to any pending (*rechtshängig*) Legal Proceedings, and no such Legal Proceedings have been threatened to the Target in text form; to the Best Knowledge, there are no valid grounds for any person to claim or allege infringement or misappropriation by Target of such person's intellectual property rights;

b) has been contested or challenged in text form;

c) to the Best Knowledge, may be cancelled, declared null and void or otherwise challenged;

10.9.8 The conduct of the Business and the use of the Intellectual Property Rights by Target do not infringe upon the rights of any third party; and except as it relates to the identity of the Purchaser or actions taken or omissions of Target after Closing, immediately following Closing, Target will be entitled to continue to use all of the Intellectual Property Rights owned by Target to the same extent and in the same manner as used by Target prior to Closing without additional financial obligation to any person (other than those financial obligations arising under any contracts disclosed hereunder).

10.9.9 To the Best Knowledge,

a) no person is currently infringing or misappropriating any of the Intellectual Property Rights owned by Target;

b) no person has claimed that Target violates an intellectual property right of such person or is in breach of a license agreement with such person with respect to the use of any Intellectual Property Right; and

c) the Intellectual Property Rights enjoy right of priority (with respect to all underlying claims) in all countries in which Target conducts its Business.

10.9.10 There are no encumbrances on any Intellectual Property Rights. Target is free to dispose of any Intellectual Property Rights.

10.9.11 All filing, examination, issuance, post-registration and maintenance fees, annuities associated or required with respect to any of the Intellectual Property Rights owned by Target have, to the extent applicable, been timely paid, and all notices required for the maintenance of Intellectual Property Rights owned by Target have been timely made.

10.9.12 Following the Closing, none of Sellers will retain or use any of the Intellectual Property Rights owned by, licensed to or used by Target in connection with the Business other than use in connection with their continued employment or consulting contract with Target or Purchaser, as the case may be, after Closing.

10.9.13 All current and former Employees, contractors and consultants of Target who are or were involved in, or who contributed to, or contribute to the creation, development or invention of Intellectual Property Rights for Target have entered into enforceable written agreements containing appropriate confidentiality, proprietary information and intellectual property assignment and moral right waiver in favour of Target to ensure Target's ownership of developed Intellectual Property Rights and protection of Target's confidential information and business interests. Target has provided Purchaser with complete and accurate copies of all such assignment and waiver contracts. No such current or former Employee, contractor or consultant has ever asserted a claim of ownership over any of Target's owned Intellectual Property Rights vis-à-vis Target in text form.

10.9.14 Target has the unrestricted and exclusive rights to all inventions, developments and other work products made by any of its current or former managing directors, Employees, service providers, contractors and other third parties providing services to Target arising from any activity for the Business of Target except as disclosed in Annex 10.9.14.

10.9.15 Target has exercised, in due time, all rights under Applicable Law with respect to Employee inventions, including under the German Act on Employee Inventions (*Arbeitnehmererfindungsgesetz*), and has fulfilled all material obligations under such Applicable Law and under all related agreements with the relevant inventors; and

10.9.16 No current or former managing director or Employee of Target has claimed in writing or orally, or to the Best Knowledge is entitled to, any compensation or claim of ownership in respect to any Intellectual Property Rights. Target paid equitable remuneration fees for granting of rights of use and permission to use copyrighted works by employees, freelancers or any other contractual partner.

10.9.17 Target has taken reasonable steps to maintain and protect its Intellectual Property Rights.

10.9.18 No loss or expiration of Intellectual Property Rights is threatened, pending or reasonably foreseeable (other than the expiration of patents or registered Intellectual Property Rights at the end of their maximum statutory term).

10.9.19 Target has taken reasonable steps to maintain and protect the confidentiality of the trade secrets and confidential information included in its Intellectual Property Rights, including by requiring all persons having access thereto to execute written non-disclosure contracts and by implementing reasonable security measures.

10.9.20 No unauthorized disclosure of any such trade secrets or confidential information has occurred.

10.9.21 Target has not disclosed or delivered to any person any of the Target's source code for any software, except for any disclosures of only a part of such source code (i) to a managing director, Employee (including former employees), freelancer or contractor of Target to the extent that persons needed it to perform their duties to the Target and subject to a reasonable non-disclosure obligations; (ii) under such circumstances that the disclosure otherewise cannot materially affect the Business of Target; or (iii) as part of the deployment of Target's product(s) at the customer's site as disclosed in Annex 10.9.21.

10.9.22 No other person has the right, contingent or otherwise, to obtain access to or use any such source code, except for a Manager, current Employee or contractor of Target pursuant to appropriate confidentiality obligations and unless such right does not materially affect the Business of Target.

10.10 Information Technology

10.10.1 Target owns or holds valid licenses to all computer hardware, software, networks, telecommunication devises and other information technology which is currently used by the Business of Target (collectively "Information Technology").

10.10.2 To the extent such licenses and other rights are material for the Business of Target, they are effective for and cannot be terminated by the respective other party within a 12 (in words: twelve) months period after the Closing Date except as disclosed in Annex 10.10.2.

10.10.3 Within a 3 (in words: three) year period preceding the Signing Date, there have not been any material interruptions, data losses or similar incidences attributable to the Information Technology owned or used by Target.

10.10.4 The Information Technology owned or used by Target has the capacity and performance necessary to fulfil the requirements of the business operations of Target within the Ordinary Course of Business and is, to the Best Knowledge, free from any material defect. To the extent the Information Technology is owned by the Target, the Target is the sole and unrestricted owner and in possession of the Information Technology and there are no third party rights that limit the Target's use of the Information Technology.

10.10.5 Target holds valid rights to use (i) all applications supported by software; (ii) the software supporting such applications; (iii) the customizations and modifications of such supporting software; and (iv) the other software, data, databases and other Information Technology, in each case as currently used by Target.

10.10.6 If, and to the extent that, Target incorporates into its products any software that contains or is derived from software that is distributed as free software, open source software (e.g. Linux) or similar licensing or distribution models (collectively "Open Source Software"), such incorporation of Open Source Software did not and does not, except as disclosed in Annex 10.10.6,

a) make the proprietary software products of Target subject to any "open source" or "copyleft" obligations; or

b) require Target to publicly disclose or to make generally available the proprietary source code either used, acquired for use or developed by Target.

10.10.7 The incorporation of Open Source Software does not make the license rights in the Open Source Software subject to termination or automatic cancellation.

10.10.8 Annex 10.10.8 sets out any and all hosting providers currently used by Target.

10.10.9 Target is in material compliance with payment processing and security requirements set forth in its contracts with its payment processing solution suppliers. Material compliance means that there is no breach that would entitle the other side to terminate the respective contract for breach before the end of its term.

10.10.10 Target has not suffered in the past 3 (in words: three) years prior to the Signing Date, any data breach or security intrusion, including any blackmail or ransomware attack, nor have Business Guarantors, and to the Best

Knowledge, any other Sellers, received any threat related thereto, and, to the Best Knowledge, the Business Guarantors are not aware of a current potential data breach or security intrusion.

10.10.11 Target has arranged for data back-up services appropriate in terms of the size and Business of the Target. Target has put in place, and maintains, processes that protect against unauthorized access, use, copying, modification, theft and destruction of its programs and data appropriate in terms of the size and Business of the Target.

10.11 Employment Matters

10.11.1 Annex 10.11.1 contains complete and correct copies of all current service contracts of Target's managing directors, officers and holders of a registered commercial power of representation (*Prokuristen*), all the additional agreements or amendments concluded with or offered to them. Annex 10.11.1-2 contains a list of all special rights or other benefits owed, paid or offered to them by Target, including bonuses, option rights, premiums or profit-orientated bonus payments. No payments or other benefits have been made or are owed to any managing directors, officers or holders of a registered commercial power of representation beyond what has been agreed upon in writing in the documents contained in Annex 11.13(a).

10.11.2 Annex 10.11.2 contains a complete and correct list of all managing directors, Employees and freelancers of Target, such list indicating the correct classification as managing director, Employee' and freelancer, position/function, place of work, local operation to which the individual belongs, birth date, existence and nature of all ancillary agreements, side letters, waivers and similar documents, entry date, monthly salary, variable remuneration, which pension scheme applies, whether any change of control clauses or non-compete clauses apply, which of the collective employment agreements apply to the Employee and whether, to the Best Knowledge, the employment is dormant. Annex 10.11.2 further indicates the number of Employees which, to the Best Knowledge, are in a special situation (e.g. probationary, part-time, fixed term, maternity/paternity, handicap, works council) or have any special protection against dismissal.

10.11.3 Except as disclosed in Annex 10.11.3, for the last 5 (in words: five) years preceding the Signing Date, Target has not employed any temporary agency workers (*Leiharbeitnehmer*), freelancers, consultants, commercial agents or other third-party personnel (*Fremdpersonal*). None of the individuals disclosed in Annex 10.11.3 is or was (i) entitled to an employment with the Company or (ii) as a matter of fact, an employee of the Company (i.e., not to be considered as dependent contractor (*Scheinselbstständiger*) within the meaning of German and/or applicable foreign employment, social security and tax law, but to be considered as contractor (*Unternehmer*) within the meaning of the Value Added Tax Act or applicable foreign legislation.

10.11.4 To the Best Knowledge, no managing director or Employee of Target, nor any dependent or independent contractor or consultant of Target, is in violation of any material term of any employment contract, proprietary information agreement or other agreement relating to the right of any such individual to be employed by, or to contract with, Target, and to the Best Knowledge, the continued employment by Target of its present Employees, and the performance of any Target's contracts with its dependent and independent contractors, will not result in such violation. Target has not received any notice in writing alleging that any such violation has occurred.

10.11.5 Target has satisfied all of its obligations and liabilities to its present and former managing directors, Employees and dependent and independent contractors arising out of their employment or relationship with Target under applicable laws dealing with employment, including without limitation those dealing with labour standards, benefits, pay equity and termination and workplace health and safety except as disclosed in Annex 10.11.5.

10.11.6 Target is not subject to or liable for any material arrears of wages. To date, no levies, penalties, fines, orders to pay, charges or damages for failure to comply with any employment-related Applicable Laws have been established against the Target, and to the Best Knowledge, no such establishment is pending and/or has been threatened in writing. There are no outstanding orders or settlements that place any obligation on Target to do or refrain from doing any act.

10.11.7 Except for statutory social security contributions and except as disclosed in Annex 10.11.7, Target has no benefit plans for bonuses, commissions, deferred compensation, severance pay, retention bonuses, healthcare, dental, accident or disability insurance, life insurance, company cars and other fringe benefits.

10.11.8 Except as disclosed in Annex 10.11.8, Target has not entered into post-contractual non-compete obligations with its managing directors, officers or Employees.

10.11.9 All liabilities of Target arising from service and employment relationships that are due by the Closing Date have been or will be duly and fully fulfilled.

10.11.10 Target is not obliged to employ or to rehire any person that is not listed in Annex 10.11.1 or Annex 10.11.2 above and Target has no liabilities towards former managing directors, officers or Employees.

10.11.11 Target is not a member of any employers' association (*Arbeitgeberverband*) and is not subject to any collective bargaining agreement (*Tarifvertrag*), including collective bargaining agreements declared to be generally binding.

10.11.12 Annex 10.11.12 contains a complete and correct description of all works customs (*betriebliche Übungen*) and general promises (*Gesamtzusagen*) in the excess of EUR 1,000.00 (in words: Euro one thousand) per Employee per year. There are no guidelines (*Richtlinien*) applicable to Target.

10.11.13 No works council (*Betriebsrat*) exists or has been announced to be established at Target. The election of a works council is, to the Best Knowledge, neither pending nor has been threatened. There are no shop agreements (*Betriebsvereinbarungen*) or work rules (*Betriebsordnungen*) that are applicable to Target's Employees and there are no agreements, promises or other obligations of Target to be fulfilled for past, current or future restructurings or other operational changes.

10.11.14 Except as disclosed in Annex 10.11.14, the execution or consummation of the Agreement does not trigger any rights of any current or former managing director, officer, employee, consultant or service provider of Target.

10.11.15 No written powers of attorney to represent Target have been issued to any other person than tax advisers, legal advisers or those registered in the respective commercial registers.

10.11.16 All accruals for unpaid vacation pay, premiums for employment and maternity and parental insurance, health premiums, pension plan premiums, accrued wages, salaries and commissions, accumulated overtime, hours or back-time, voluntary retirement savings plan and employee plan payments have been reflected in the books and records of Target.

10.11.17 All costs, charges, experience rating assessments or other assessments or other liabilities, contingent or otherwise, under workers' compensation legislation or other legislation relating to industrial accidents and/or occupational diseases claims applicable to Target have been paid or have been reflected in the books and records of Target and accrued, and there has not been any special or penalty charge or assessment under those legislation against Target that has not been paid or reflected in the books and records of Target. During the past 3 (in words: three) years prior to the Signing Date, there have been no reassessments against Target pursuant to Applicable Laws dealing with employee safety, industrial accidents and/or occupational diseases.

10.12 Pensions

10.12.1 Except as disclosed in Annex 10.12.1 there are no pension or retirement schemes of any kind (*betriebliche Altersversorgung*), whether of a collective or individual nature and including any commitments based on works customs, under which Target has any obligations *vis-à-vis* any of its current or former managing directors, officers or Employees, whether directly or via an external funding vehicle, ("Retirement Benefit Arrangements"). No other Retirement Benefit Arrangements have been promised to any person by Target. There are no rights or benefits under any Retirement Benefit Arrangements for any individuals other than for any current or former managing directors, officers or Employees of Target. No Retirement Benefit Arrangements has been closed in the past.

10.12.2 Target does not have any obligations towards any external funding vehicles or external pension providers (*mittelbare Versorgungsträger*) for Retirement Benefit Arrangements.

10.13 Material Agreements

10.13.1 Unless disclosed in Annex 10.13.1, there are no agreements to which Target is a party and the principle obligations (*Hauptleistungspflichten*) of which have not yet been completely fulfilled (*nicht beidseitig vollständig erfüllte Verträge*) ("Material Agreements") of the following type:

a) agreements entitling the relevant beneficiary to acquire, sell or encumber, any participation in Target (other than the VESOP);

b) intra-group agreements;

c) agreements for joint ventures, strategic alliances, joint research or development and corporation agreements;

d) loan agreements of any sort or any other agreement with a bank or other financial institution;

e) agreements on hedges, swaps, futures or other financial derivatives;

f) agreements underlying any liabilities within the meaning of § 251 HGB (*Haftungsverhältnisse*) of Target;

g) agreements which provide for an obligation of Target under any "most favored nation", "most favored customer" or other similar provision;

h) agreements for the sale or other disposal or encumbrance of any Assets;

i) agreements on the sale and lease-back of Assets;

j) lease agreements (whether as lessor or lessee), except for leases of cars and copying machines;

k) consulting or independent contractor agreements that are not terminable at will;

l) agreements binding Target to any exclusivity obligation;

m) agreements imposing any restriction on Target to compete with any third party;

n) with the exception of any utility contracts or maintenance contracts, continuing obligations (*Dauerschuldverhältnisse*) which provide for an annual obligation of Target in excess of EUR [50,000.00] (in words: Euro [fifty thousand]) in the individual case or in a series of related cases or which have an outstanding minimum term (i.e., without a regular termination right) of more than 1 (in words: one) year after the Signing Date, except for lease agreements (*Mietverträge*) and employment or similar service agreements (*Arbeits- und Dienstverhältnisse*);

o) agreements providing for a contractual indemnification obligation by Target other than in the Ordinary Course of Business;

p) agreements with any Governmental Authority; and

q) agreements containing a clause that gives one or more parties to such agreement any rights or obligations to terminate the agreement or to change the consideration owed under the agreement (or that provides for an automatic amendment or termination of the agreement) upon the change of the shareholders of Target, irrespective of whether such clause is triggered upon the change of some or all shareholders or refers to the direct or indirect shareholders of Target, except for those agreements which will be amended or terminated as agreed in writing between the Parties in the course of the Transaction.

10.13.2 Target has performed all material obligations under all Material Agreements, no party to any Material Agreement has given notice of a material breach of contract by another party to such Material Agreement, no Material Agreement has been terminated or materially modified by any party to it nor, to Best Knowledge, has any party indicated its intention to do so in writing.

10.14 Suppliers and Customers

10.14.1 Annex 10.14.1 sets forth a list of the 10 (in words: ten) largest suppliers and the 10 (in words: ten) largest customers of Target in terms of the aggregate amounts paid to or by Target during the 12 (in words: twelve) month period preceding the Signing Date, any contract which involves the payment to or by Target in excess of EUR 25,000.00 (in words: Euro twenty-five thousand) per year and any customer contracts which involves a payment to Target in excess of EUR 25,000.00 (in words: Euro twenty-five thousand) per year and, in each case, specifies the amount of Target's services or goods purchased or sold, as the case may be, accounted for by each such supplier or customer during such period. As of the Singing Date, none of such suppliers and customers has cancelled, substantially amended or otherwise terminated or threatened to cancel, substantially amend or otherwise terminate its relationship with Target or, to the Best Knowledge, to materially decrease or limit the volume of business it conducts with Target.

10.14.2 Except as disclosed in Annex 10.14.2, no agreements with any suppliers or customers are subject to the respective other party’s right to terminate or any other material adverse right of the other party or material obligation for Target triggered in the event of a change of control.

10.15 Related Party Transactions

10.15.1 Annex 10.15.1 contains a complete and correct list of all legal relationships (*Rechtsverhältnisse*), whether or not entered into or created in the Ordinary Course of Business, to which

a) Target, any branch, any managing director, officer or Employee of Target on the one hand; and

b) any Seller or any Related Party of a Seller on the other hand,

is a party (collectively “Related Party Transactions”). Each Related Party Transaction has been concluded at arm's length.

10.15.2 Except as disclosed in Annex 10.15.2, no Seller or Related Party of a Seller owns, directly or indirectly and whether on an individual or joint basis, any interest in any asset used by Target or in any supplier, customer or competitor of Target.

10.16 Privacy

10.16.1 “Personal Information” means, in addition to any definition provided by Privacy Laws or by any of Target for any similar term (e.g., “personal data”, “personally identifiable information” or “PII”) in any Target’s privacy policy, privacy notice, or other public facing statements, all information (alone or in combination with other information) regarding or capable of being associated with an individual person or device, including (i) information that identifies, could be used to identify (alone or in combination with other information) or is otherwise identifiable with an individual, including name, physical address, telephone number, email address, financial account number or government-issued identifier (including social security number or social insurance number and driver’s license number), medical, health or insurance information, gender, date of birth, educational or employment information, religious or political views or affiliations, marital or other status, and any other data used or intended to be used to identify, contact or precisely locate an individual (e.g., geolocation data), (ii) behavioural characteristics used for identification of an individual, (iii) information that is created, maintained, or accessed by an individual (e.g., videos, audio or individual contact information), (iv) any data regarding an individual’s activities online or on a mobile device or other application (e.g., searches conducted, web pages or content visited or viewed), (v) internet protocol addresses, unique device identifiers or other persistent identifiers, and (f) customer content. Personal Information may relate to any individual, including a current, prospective or former customer or Employee of any person. Personal Information includes information in any form, including paper, electronic and other forms.

10.16.2 “Privacy Laws” means all laws governing the receipt, collection, compilation, use, storage, processing, sharing, safeguarding, security, retention, deletion, disposal, destruction, disclosure or transfer of Personal Information, including the (i) Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data and all related Laws; (ii) Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (“GDPR”) and all related Applicable Laws.

10.16.3 Target has provided or made available to Purchaser complete and accurate copies of its privacy policies, its records of processing activities, the data processing agreements and joint controllership agreements to which it is party, if any, as well as its privacy practices.

10.16.4 Target has complied in all material respects with all Privacy Laws governing the receipt, collection, use, storage, processing, retention, sharing, security disposal, disclosure, deletion or transfer of personal information that is collected or possessed by or otherwise subject to the control of Target and all of Target’s policies regarding privacy, Personal Information and data security, including all privacy policies, privacy notices and similar disclosures published on any of Target’s websites or otherwise communicated or made available to customers or other third parties according to Section 10.16.3 except as disclosed in Annex 10.16.4. Target has implemented and maintained commercially reasonable measures to provide reasonable assurance that Target comply with such Privacy Laws except as disclosed in Annex 10.16.4. Target has not been notified in writing by any competent data protection authority under Applicable Laws and/or Privacy Laws or provider of Personal Information that it acquires, secures, shares or uses such Personal Information in a manner inconsistent with (i) such Privacy Laws, (ii) any notice to or consent from the provider of Personal Information, (iii) any policy adopted by Target, (iv) any contractual commitment made by Target that is applicable to such Personal Information, and (v) any privacy policy, privacy notice or privacy statement from time to time published or otherwise made available by Target to the persons to whom the Personal Information relates.

10.16.5 Target’s data processing activities and recordkeeping practices for such activities are lawful in all material aspects except as otherwise disclosed in Annex 10.16.4 above, including but not limited to the importation of Personal Information in any jurisdiction in which Target engages its Business or is engaging third party providers, including but not limited to data processors according to Art. 28 GDPR, and any transfer or disclosure of Personal Information to third parties, and, specifically with respect to data subjects located in the European Union, that such processing is based on one of the legal bases set forth at Article 6 of GDPR.

10.16.6 With respect to all Personal Information collected by Target or otherwise its possession or control, Target has taken steps required and reasonably necessary to safeguard and protect such Personal Information against loss and against unauthorized access, use, modification, disclosure, copying, deletion, disposal or other misuse, including implementing and monitoring compliance with reasonable measures with respect to technical, physical and administrative security of such Personal Information.

10.16.7 The disclosure or transfer of Personal Information in connection with the transactions contemplated by the Agreement do not violate any applicable Privacy Laws under material aspects, including but not limited to the restrictions to transfers included in the GDPR and any contractual obligation entered into in accordance with Article 26 and Article 28 of GDPR or any of Target's privacy policies as they currently exist or as they existed at any time during which any of the Personal Information was collected or obtained. Target is not subject to any contractual requirements or other legal obligations that, following the Closing, would prohibit or restrict Target from receiving, using, processing, disclosing or transferring Personal Information in the manner in which Target receives, uses, processes, discloses or transfers such Personal Information prior to Closing.

10.16.8 In connection with each third party servicing, outsourcing or similar arrangement involving Personal Information controlled by, or processed by or on behalf of, Target, or otherwise pertaining to Target's activities, the transfer of Personal Information in connection with the transactions contemplated by the Agreement, Target has entered into data processing agreements (*Auftragsdatenverarbeitungsverträge*) or other needed agreements according to the Privacy Laws and as listed in Annex 10.16.8. Those data agreements do not violate the Privacy Laws. With respect to each agreement listed in Annex 10.16.8 entered into with Target in relation to each such arrangement, each service provider or processor is contractually obliged to comply with the Privacy Laws applicable with respect to Personal Information.

10.16.9 Except for disclosures of information required by Privacy Laws, duly authorized by the provider of Personal Information or provided for in Target's privacy policies and privacy notices, Target has not knowingly disclosed, transferred, sold, rented or otherwise made available, and does not disclose, transfer, sell, rent or otherwise make available, to third parties any Personal Information.

10.16.10 Target has not received any written or oral notice of any claims or investigations of any alleged violations of Privacy Laws with respect to Personal Information collected or possessed by or otherwise subject to the control of Target and to the Best Knowledge there are no facts or circumstances which reasonable could give rise to any such complain or investigation or could form the reasonable basis for any such alleged violations.

10.16.11 To the Best Knowledge, there have been no data breaches or security incident involving any Personal Information that would reasonably be expected to be material.

10.16.12 The Personal Information that has been or will be disclosed by Target to Purchaser: (i) is, to the Best Knowledge, true, accurate and complete; and (ii) is not the subject of any Legal Proceeding or any order or finding of non-compliance with the requirements of any Applicable Law (including any Privacy Laws).

10.16.13 Target has provided Purchaser with true, accurate and complete copies of all privacy policies and privacy procedures currently in effect.

10.16.14 Target has not received any complaint, inquiry, or notice of complaint, investigation or enforcement action with respect to any of Target's compliance with anti-spam laws, or has been subject to any legal proceeding or has been assessed any administrative monetary penalty, or entered into any undertaking or other form of voluntary settlement, arising from, connected with or relating to any actual or alleged violation or contravention of anti-spam laws, and to the Best Knowledge there is no such threatened, ongoing or commenced inquiry, complaint, investigation, enforcement action or legal proceeding.

10.17 Legal Proceedings

10.17.1 There are no pending (*rechtshängig*) judicial, arbitral or administrative litigation, similar court proceeding or administrative enquiry or investigation, including any litigation (*Rechtsstreit*), action (*Klage*), application (*Antrag*), Judgment, disciplinary action, grievance or similar procedure (collectively "Legal Proceedings") to which Target is a party.

10.17.2 To the Best Knowledge, there are no facts or circumstances which might reasonably be expected to provide a basis of any such Legal Proceedings. There is no Legal Proceeding pending (*rechtshängig*) or threatened in writing or in text form against any Business Guarantor, or Target, or to the Best Knowledge, any other Seller, that to the Best Knowledge would have a material adverse effect on the ability of Sellers or Target to execute or consummate the Agreement.

10.17.3 Target is not in default with respect to its obligations under any domestic or foreign judgment (*Urteil*), decree (*Beschluss*), order (*Verfügung*), decision (*Entscheidung*), or injunction (einstweilige Verfügung), in each case served by (*zugestellt*) any court or arbitration tribunal or any settlement agreement approved by a court or an arbitration tribunal (*gerichtlicher oder schiedsgerichtlicher Vergleich*) or declared executable by a court or a notary public pursuant to § 796b or § 796c ZPO (each "Judgment"). There is no unsatisfied Judgment against Target.

10.18 Insurance Coverage

Annex 10.18 contains a complete and correct list of all insurance policies of Target relating to the Assets, Business or operations of Target. All such policies are, to the Best Knowledge, in full force and effect and there are no material claims by Target pending under any of such policies as to which coverage has been questioned, denied or disputed by the insurer. Target has been in the past and currently is appropriately insured against all risks, against and for such amounts for which a prudent businessman in the area of business of Target would usually be insured, including business interruption and product liability insurance.

10.19 Subsidies

Within the 5 (in words: five) years preceding the Signing Date, Target has not applied for or received any public subsidies within the meaning of Art. 107 et seq. of the Treaty on the Functioning of the European Union (*Vertrag über die Arbeitsweise der europäischen Union*). All public subsidies granted to the Target in the past have been used in compliance under all material aspects with the provision applicable to such public subsidies.

10.20 Compliance

Since incorporation, to the Best Knowledge, Target has at all times been in compliance with all Applicable Law under all material aspects, including with respect to, product safety, occupational health and safety, export and import controls, sanctions lists, bribery, anti-money laundering, as amended from time to time. Target is not specifically prohibited or restricted from doing business with or providing services to any governmental entity. None of the Business Guarantors, in its capacity as representative of Target has made or received, in violation of Applicable Laws, any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to or from any person (i) to obtain favourable treatment in securing business, (ii) to pay for favourable treatment in business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Target.

10.21 Permits

10.21.1 Target

a) possesses all licenses, concessions, accreditations, permits and other authorizations of any kind, from all competent Governmental Authorities required to conduct its Business as currently conducted in Germany, and to the Best Knowledge, outside of Germany (“Permits”);

b) made all regulatory filings required by the Permits and the lack of which would have an adverse impact on the Business of Target;

c) paid all fees and assessments required by or relating to the Permits; and

d) to the Best Knowledge, operated its Business in accordance with the Permits, including all ancillary provisions thereto (*Nebenbestimmungen*) in all material respects.

10.21.2 The Permits are, to the Best Knowledge, in full force and effect (*bestandskräftig*) and have not been challenged (*angefochten*) in writing or in text form by the competent Governmental Authority that has issued such Permit, or, to the Best Knowledge, any third party. No proceedings regarding a revocation (*Widerruf*) or withdrawal (*Rücknahme*) of any Permit are pending (*rechtshängig*), to the Best Knowledge have been initiated, or threatened in writing.

10.22 Tax

10.22.1 All material Tax returns required to be filed by the Target up to the Signing Date with any Taxing Authority have been filed on a timely basis and taking into account any permitted extension of the Tax return filing period (*Steuererklärungsfrist*).

10.22.2 Target has (taking into account any permitted extension) timely paid and/or withheld all Taxes, including Tax instalments (*Steuervorauszahlungen*), shown as payable on any Tax assessment notice issued by any Taxing Authority or on any Tax return filed by them other than Taxes for which a suspension of enforcement of Tax payment obligation (*Aussetzung der Vollziehung*) has been granted.

10.22.3 There is no pending or ongoing complaint, action, suit, proceeding, arbitration, hearing, audit, investigation or claim of any kind pending or, to the Best Knowledge, threatened against or with respect to the Target in respect of any Tax (including in jurisdictions where the Target has not filed Tax returns), nor is there to the Best Knowledge any (i) written notice indicating an intent to initiate such compliant, action, suit, proceeding, arbitration, hearing, audit or investigation, (ii) request for information related to any material Tax, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any Taxing Authority against the Target.

10.22.4 Target has not received tax rulings or entered into any written and legally binding agreements or are currently under negotiations to enter into any such agreement with any Taxing Authority.

10.22.5 Target has not taken any measures or entered into any transaction which may be regarded as resulting in a constructive dividend (*verdeckte Gewinnausschüttung*) (or comparable instrument in any jurisdiction other than Germany) by a Taxing Authority, or which could result in adjustments pursuant to § 1 Foreign Tax Act (*Außensteuergesetz*).

10.22.6 Target has its registered office and place of effective management in the jurisdiction of incorporation, and does not have any permanent establishments (*Betriebstätten*) outside such jurisdiction.

10.22.7 No extensions or waivers of statutes of limitations have been given or requested with respect to any material Taxes, Tax election, or Tax return of the Target.

10.22.8 All material Taxes which the Target is obliged to withhold from amounts owing to any employee, independent contractor, creditor, stockholder or third party have been properly withheld, paid and/or accrued.

10.22.9 Target has not been involved in any reorganization or transaction which has resulted in blocking periods (*Halte- oder Sperrfristen*) that are still running or valid after the Closing Date.

10.22.10 All books, records and documentation of Target relating to Taxes have been properly maintained.

10.23 No Brokerage

Target has not been, is not and will not be under any obligation to pay, has not paid and will not pay, and no current or former managing director, officer or Employee of Target has received or is or will be entitled to receive, any brokerage fee, finder's fee, commission, advisor's fee, bonus, extra compensation, severance payment or other incentive as a result of the execution or consummation of the Agreement except as listed in Annex 10.23.

10.24 Fair Disclosure

To the Best Knowledge, there are no facts or events which are not disclosed to Purchaser in this Agreement which are material for the purpose of assessing the value of the Target, the Business or the risks which are associated therewith or with the entering of this Agreement. To the Best Knowledge, the information made available to Purchaser, including those in the Data Room, has been Fairly Disclosed prior to the Signing Date. “Fairly Disclosed” shall mean a disclosure which, in view of the form, extent and manner of the disclosure, appears objectively suitable to provide the Purchaser in a reasonable manner with a complete and clear picture of the relevant facts of life and limb, so that, on the basis of customary market due diligence standards, a reasonably purchaser is objectively in a position to recognize from such disclosure the incorrectness of the corresponding warranty.

To the Best Knowledge, Target has provided Purchaser with all information and documents in its possession with respect to the due diligence requests made by Purchaser, except where Target has indicated that it has no such information and/or Sellers have not provided Target with such information.

The Sellers have provided Purchaser with an electronic copy of the virtual data room (cut-off date August 2, 2021) hosted by https://drive.google.com which has been made available to Purchaser from May 18th 2021 until August 2nd 2021 which the Sellers have circulated to Purchaser as zip-archives prior to the date hereof (“Data Room”). The hash value of the zip files provided to Purchaser as determined by appliying the MD5 (Message Digest Algorithm 5) with a 128-bit digest is set forth in Annex 10.24.

11 **Remedies in Case of Breach**

11.1 Sellers' Liability in case of Breach

11.1.1 If, and to the extent that, a statement under Section 10 is not true, incomplete or incorrect (“Breach”), the Purchaser shall notify, without undue delay (*unverzüglic*h) upon the Purchaser becoming aware of a potential Breach, the respective Seller(s) by notification of the Sellers’ Representative, and/or Managers, as the case may be, with a notice by registered letter (*Einschreiben*), describing, to the extent reasonably possible its claim (“Claim”) and the details of the Warranty, or Warranties as the case may be, allegedly breached (“Claim Notice”). In the Claim Notice, the Purchaser shall, to the extent feasible, provide for the underlying facts, the nature of the Claim and estimated monetary value of the Claim.

11.1.2 The Sellers (i.e. in case of a Breach of a Title Warranty, the respective individual Seller and in case of a Breach of a Business Warranty, the Business Guarantors only) shall first attempt to cure the Breach and shall be entitled to put Purchaser or, at Purchaser's discretion, Target, in such position as Purchaser or Target would have been in, had the respective statement been complete and correct (restitution in kind - *Naturalrestitution*) within an appropriate period of time (which in any event shall not be less than 2 (in words: two) months) after the receipt by Seller(s) of a respective Claim Notice.

11.1.3 In case Seller(s) in Breach elect(s) not to, or is/are not able to, cure the respective Breach, or the Breach is not capable of being cured with reasonable efforts by way of restitution in kind within the period set forth in the preceding sentence, the respective Seller(s) shall compensate the Purchaser in cash for all Damages within the meaning of §§ 249 et seq. BGB suffered by the Purchaser as a result of such Breach (*Schadenersatz in Geld*). For the purpose of determining the compensation of the Purchaser or the Target in cash in accordance with this Section 11 only (but not for compensation in any other cases), the Purchaser's evaluation of the Target and its respective business including the underlying evaluation methods applied by the Purchaser shall not be taken into account when determining the amount of the actual losses and the Purchaser shall not be entitled to claim damages by applying any multiples (e.g. an EBIT multiple applied by the Purchaser in connection with its calculation of the Purchase Price) and the Sellers shall for purposes of this compensation in cash in accordance with this Section 11 not be liable for any internal administration or overhead costs (*Ersatz vergeblicher Aufwendungen*), loss of profits (*entgangener Gewinn*), lost business opportunities and any value reduction (due to, for example, lost earnings or decreased cash flow). The amount of the actual losses and damages so determined shall be referred to as "Damages").

11.2 Any payment made to Purchaser under Section 11.1 shall be considered an adjustment of the Purchase Price.

12 **Limitations of Sellers' Liability, W&I Insurance**

12.1 Purchaser shall not be entitled to bring any Claims for Breach, and the Sellers shall not be liable respectively, if, and to the extent that, the Damages cause by such Claim or claim

12.1.1 are caused, partially caused or participated in causing (*mitverursacht*) by Purchaser (including persons attributable to it within the meaning of Section 278 BGB or, after Closing, Target (including persons attributable to it within the meaning of Section 278 BGB) within the meaning of Section 254 (1) BGB acting culpably or has failed to comply with its duty to mitigate damages resulting therefrom pursuant to Section 254 (2) BGB; or

12.1.2 are covered by an enforceable claim of Purchaser or Target or has been recovered (i) applying the care of a prudent business man (*mit der Sorgfalt eines ordentlichen Kaufmanns*) from a third party or (ii) under an insurance policy of Target or Purchaser (for the avoidance of doubt, other than the W&I Insurance); or

12.1.3 have been taken into account as (i) Debt or (ii) any provision (*Rückstellung*), or depreciation (*Abschreibung*), or exceptional depreciation (*außerplanmäßige Abschreibung*) or liability in the Financial Statements provided such provision, depreciation, exceptional depreciation or liabilities specifically and individually reflects the matter and will be fully and finally released upon realization of the respective loss; or

12.1.4 result from or are increased by the passing of, or any change in, after the Closing Date, any law, statute or regulation including any increase in the rates of any taxes or any imposition of any taxes or any withdrawal or relief from any taxes enacted after the Closing Date; or

12.1.5 are compensated by any present benefits or advantages of Target or Purchaser (*Vorteilsanrechnung*); or

12.1.6 its underlying facts were actually known (*positive Kenntnis*) by Purchaser or could have been known by it as a result of Fair Disclosure.

12.2 Irrespective of any language used in this Section 12 to the contrary, the Seller shall have the burden of demonstration and proof for the matters addressed in Section 12.1 to the extent that these matters exist in, or in case of Section 12.1.4 to the extent they affect, its sphere and the respective Purchaser shall have the burden of demonstration and proof for the matters addressed in this Section 12 to the extent that these matter exist in, or in case of Section 12.1.4 to the extent they affect, the sphere of the Purchaser.

12.3 Caps

12.3.1 The aggregate liability of all Sellers for all claims for Breach and for claims under Section 14 (Tax Indemnity) (but, unless otherwise provided for in the Agreement, not for any other claims under this Agreement) shall be limited to an aggregate maximum amount of EUR 1.00 (in words: Euro one) ("Cap"), provided, however, that

a) the Cap shall not apply to Breaches of Title Warranties contained in Section 10.1 through, and including, Section 10.2, for which the liability of each Seller shall not be limited, provided, that the overall liability of each Seller or any claims of the Purchaser arising out of Breaches of Title Warranties shall in no event exceed the respective amount of consideration actually received by such Seller; and

b) the Cap shall not apply to Uninsured Warranties, for which (i) only the Business Guarantors shall be held liable, and (ii) the overall liability of the Business Guarantors shall be limited to the Holdback Amount and the liability of the Business Guarantors shall be limited to an aggregate maximum amount of 30 % (in words: thirty percent) of the Purchase Price and all Manager Equity Considerations having been paid, issued or granted under this Agreement, provided, that the aggregate liability of each Business Guarantor shall be limited to the amount of consideration it has actually received under this Agreement (including the respective Manager Equity Consideration).

12.3.2 Without prejudice to Section 12.3.1, the aggregate liability of each Seller under this Agreement for any claim other than a Breach, e.g. any liability under Section 8 (Pre Closing Covenants) in any event shall not exceed the amount of the Purchase Price such Seller has actually received under this Agreement. Sellers shall only be several debtors (*Teilschuldner*) pro rata to the Sold Shares with regard to such claims and such claims shall be time-barred two months following the establishment of the Target’s annual financial statements for the fiscal year 2021, however on October 31, 2022 the latest (except for claims under Section 14 (Tax Indemnity) for which solely Section 14.7 shall apply; provided however, that only the Business Guarantors shall be liable for claims under Section 14 (Tax Indemnity)).

12.4 De Minimis / Exemption Amount (*Freigrenze*)

12.4.1 A Business Guarantor shall only be liable for any claim for breach of Business Warranties or an Uninsured Warranty (i) where the individual claim is more than EUR 5,000.00 (in words: five thousand) ("De Minimis Amount"), and (ii) where the aggregate amount of individual claims exceeding the De Minimis Amount is more than EUR 23,500.00 (in words: twenty-three thousand five hundred) ("Threshold"). If the Threshold is exceeded, the entire amount of claims exceeding in each individual case the De Minimis Amount can be claimed (*Freigrenze*) ("Exemption Amount").

12.5 Exclusive Remedies

Sellers, Managers and Purchaser agree that the remedies the Purchaser may have against Sellers for a Breach are exclusively governed by the Agreement. Therefore, except for the rights of Purchaser under Section 11, (a) any right of Purchaser to rescind (*kündigen, zurücktreten, rückabwickeln*) the Agreement or to require the winding up of the Transaction (*inter alia*, by way of “*Schadenersatz statt der ganzen Leistung*”); (b) any claims for breach of pre-contractual obligations (*culpa in contrahendo*), including claims arising under §§ 241 (2), 311 (2) and (3) BGB or ancillary obligations (*positive Forderungsverletzung*), including claims arising under §§ 280 and 282 BGB; (c) any claims under the principle of frustration of contract pursuant to § 313 BGB (*Störung der Geschäftsgrundlage*); (d) all remedies of Purchaser for defects under §§ 437 through 441 BGB; and (e) any and all other statutory rights and remedies of Purchaser, if any, are, to the extent legally permissible, hereby excluded and waived.

12.6 All claims of Purchaser for Breach shall be time-barred (*verjähren*) twenty-four (24) months after the Closing Date with the exception of (i) any claims based on a Breach of a Title Warranty, for which the limitation period shall be sixty (60) months after the Closing Date, and (ii) any claims under Section 10.22 (Taxes), for which Section 14.7 shall apply accordingly;

12.7 The limitation of the liability of a Seller under the Agreement (including, for the avoidance of doubt, the limitations by Section 12.3 and 12.6) shall not apply to claims of Purchaser against the respective Seller based on wilful deceit/fraud (*arglistige Täuschung*) or other intentional conduct (*Vorsatz*).

12.8 Purchaser intends to take out warranty and indemnity insurance under an insurance policy ("W&I Insurance") to cover the economic riks of a Breach of Business Warranties (other than an Uninsured Warranty) as well as claims under Section 14 (Tax Indemnity). Purchaser and the Business Guarantors agree that it is in the sole sphere, responsibility, and risk of Purchaser, to obtain and retain W&I Insurance satisfactory to the Purchaser. The Purchaser and the Business Guarantors agree that, notwithstanding any other provision of this Agreement, and regardless as to whether the Purchaser acutally obtains W&I Insurance,

12.8.1 in the event of a breach of a Business Warranty (other than an Uninsured Warranty) and/or in case of a claim under Section 14 (Tax Indemnity), the Purchaser will not be entitled to claim, and will not claim, any damages from any of the Business Guarantors under this Agreement and in such case it will seek recovery for Damages only under the W&I Insurance; for the avoidance of doubt, in case the Purchaser has not been able to retain a W&I Insurance or will not retain a W&I Insurance going forward, no further remedy for a breach of a Business Warranty (other than an Uninsured Warranty) and/or a claim under Section 14 (Tax Indemnity), exceeding the Cap shall apply; and

12.8.2 the costs for the W&I Insurance, if any, shall be borne by the Purchaser and the Sellers at a ratio of 50:50, whereby Purchaser shall provide Sellers' Representative with a proper invoice of such costs of the W&I Insurance and be entitled to deduct such amount not exceeding EUR 63,025.21 from the Estimated Cash Purchase Price.

12.8.3 The Purchaser shall ensure that the insurer providing for the W&I Insurance is not entitled to exercise rights of subrogation (or assignment) against the Business Guarantors. The Purchaser shall indemnify the Business Guarantors from any recourse the insurer providing for the W&I Insurance may seek against the Business Guarantors.

12.8.4 For the avoidance of doubt, none of the limitations and exclusions provided for the benefit of the Business Guarantors under Sections 12.8.1 and 12.8.3 above shall apply in case the underlying Breach of a Business Guarantee and/or claim under the Tax Indemnity is based on wilful deceit/fraud (*arglistige Täuschung*) or other intentional conduct (*Vorsatz*) by any Seller or Manager.

13 **Third Party Claims**

13.1 Purchaser shall notify Sellers' Representative in writing without undue delay of any claim, suit, action, or proceeding brought by a third party (other than any Taxing Authority) against Target and in respect of which Purchaser may have any claims against any Seller ("Third Party Claim"). The failure to give such prompt written notice shall not, however, relieve any Seller of its indemnification obligations, except and only to the extent that such Seller forfeits rights or defenses by reason of such failure or is otherwise materially prejudiced. Such notice by Purchaser to the Seller's Representative Party shall describe the Third Party Claim in reasonable detail and shall indicate the estimated amount, if reasonably practicable, of the Damages that has been or may be sustained.

13.2 At Sellers' Representative's written request, Purchaser shall procure that Target will (a) make available to Sellers' Representative all information and copies of all documents substantiating or relating to the Third Party Claim; and (b) consider any relevant information provided by Sellers' Representative's to Purchaser in its negotiations and correspondence with respect to the Third Party Claim.

13.3 Sellers shall fully cooperate with Purchaser and Target in the defence of any Third Party Claim and provide Purchaser, Target and their advisors access to all relevant business records and documents during normal business hours (including the possibility to make copies thereof).

13.4 Purchaser shall not, and it shall procure that Target shall not respectively, admit liability with respect to, or settle, compromise or discharge a Third Party Claim without giving the Sellers written notice of such intention to do so, and obtain the prior written consent of the Sellers, which shall not be unreasonably withheld, conditioned or delayed, before admitting liability with respect to, or settling, compromising or discharging a claim, if, pursuant to or as a result of such action, injunctive or other equitable relief (which is not satisfied through a monetary payment) will be imposed against the Sellers or if such settlement, compromise or discharge does not expressly and unconditionally release the Sellers from all liabilities and obligations with respect to such claim, without prejudice.

14 **Tax Indemnity**

14.1 Definitions

14.1.1 "Indemnifiable Tax" shall mean any Taxes imposed on or payable by the Target and relating to the time period (*Zeitraum*) prior to and including the Effective Date or resulting from actions taken on or prior to the Effective Date, including any ancillary charges, penalties and fines imposed on or in relation to such Taxes even if they relate to a time period beginning after the Effective Date.

14.1.2 "Tax" or "Taxes" shall mean (i) any taxes (*Steuern*) and auxiliary levies (*steuerliche* Nebenleistungen) within the meaning of § 3 of the German Tax Code (*Abgabenordnung*) and equivalent taxes and levies under the laws of any other jurisdiction (including any withholding of amounts paid to or by any person), (ii) any other levies or duties (*Abgaben*) under German or foreign law, including but not limited to customs duties, (iii) social security contributions (*Sozialversicherungsbeiträge*), (iv) administrative fines, (v) any contractual or secondary liability (*Vertrags- oder Haftungsschuld*) for any of the aforementioned items, and (iv) in each case including surcharges for overdue payments, interest, penalties and/or other additions thereto.

14.1.3 "Tax Benefit" shall mean any actual Tax benefit of the Target resulting from the lengthening of any amortization or depreciation periods, higher depreciation allowances, a step-up in the Tax basis of assets, the non-recognition of liabilities or accruals (*Phasenverschiebung*) or higher tax deductions for tax periods beginning after the Effective Date, it being understood that the net present value of a Tax Benefit shall be calculated on the basis of (i) the Tax rate applicable in the year in which the respective Tax Benefit arises, and (ii) an applied discount factor of five point five (5.5) per cent p.a.

14.1.4 "Tax Refund" shall mean any refund of Tax (in cash or cash equivalent, such as set-off) received by the Target after the Effective Date if and to the extent that such Tax refund (x) is attributable to a period prior to the Effective Date, (y) exceeds any connected Tax liabilities and (z) exceeds any claim for a Tax refund which is recognised in the Binding Closing Date Financial Statements, save to the extent that such Tax refund is due to (i) the availability of a Tax refund arising on or after the Effective Date or (ii) any action taken after the Closing Date.

14.1.5 “Taxing Authority” shall mean any Governmental Authority in charge of imposing or collecting any Tax

14.2 Tax Indemnification

The Business Guarantors shall pay to the Purchaser an amount equal to any Indemnifiable Tax (the “Tax Indemnification Claim”), provided that the Business Guarantors shall not be liable *vis-à-vis* the Purchaser (and the Tax Indemnification Claim shall be reduced accordingly) if and to the extent:

14.2.1 the respective Tax has been paid until the Effective Date; or

14.2.2 a specific liability (*Verbindlichkeit*) or provision (*Rückstellung*) for the respective Tax is included in the Binding Closing Date Financial Statements and has reduced the Purchase Price;

14.2.3 the respective Tax arises or is increased as a result of any change in the accounting and taxation principles or practices of Target and/or Purchaser (also on a consolidated basis) (including methods of submitting tax returns) introduced after the Effective Date, unless mandatorily required under Applicable Law including all provisions of local GAAP;

14.2.4 the respective Tax arises or is increased as a result of an act or a transaction carried out by Target and/or the Purchaser after the Effective Date (including a change in the exercise of any tax election right, an amendment of any tax return relating to a Tax period prior to the Effective Date, an approval or implementation of any reorganization or similar measure or a sale of any asset) other than in the ordinary course of the Business or unless otherwise provided for or required by Applicable Law;

14.2.5 the respective amount of such Tax has been recovered under any relevant statutory provision (for the avoidance of doubt this shall not include any contractual claims) from third parties other than any regional, national or other Taxing Authority.

14.3 For the purpose of the allocation of Taxes the following applies: With respect to Taxes of the Target which relate to Tax periods beginning prior to or on the Effective Date, but ending after the Effective Date, the amount of Tax attributable to time periods up to and including the Effective Date shall be the amount of Tax for which the Target would be liable, if the respective Tax assessment or Tax collection period would have ended on the Effective Date (*as if assessment*). To the extent that income, profit or turnover are resulting from business transactions prior to or on the Effective Date, this income, profit or turnover shall be attributable to the time periods prior to the Effective Date; to the extent that they are resulting from business transactions after the Effective Date, this income, profit or turnover shall be attributable to the time periods after the Effective Date. In computing the liability of the Sellers pursuant to this Section 14 in respect of Taxes, Seller shall be entitled to offset all applicable Tax Refunds and Tax Benefits directly relating to, and proportionate to, that part of period (for Tax purposes).

14.4 Any claim of the Purchaser under this Section 14 shall become due ten (10) Business Days before the date on which the Indemnifiable Tax becomes due and payable.

14.5 Cooperation regarding Tax Matters

Purchaser, Managers and Sellers shall fully cooperate in any Tax matters relating to periods ending prior to or on the Effective Date, it being understood that the Purchaser shall not be obliged to do anything which could jeopardize its claims under the W&I Insurance. Such cooperation shall include, without limitation, providing or making available to each of the Sellers and each of the Managers by the Purchaser and the Target, upon proper instruction by Purchaser, all relevant books, records and documentation unless not permitted by Applicable Law. For the avoidance of doubt Purchaser's obligation to cooperate with Sellers shall not constitute any limitation for Purchaser to furnish any information related to Target or to make any filings with any Taxing Authority or to determine the content of any filings with any Taxing Authority or to remedy any Tax assessment each in its sole discretion. The Purchaser shall procure that it or the Target retains all returns and schedules and all material records or other material documents in its possession relating to tax matters of the Target for the taxable periods ending on or before the Effective Date, until the lapse of the compulsory period of record-keeping.

14.6 Tax Audits and Contests

Purchaser shall cause the Target to the extent legally possible to inform Sellers (via Sellers' Representative) in a timely manner of all tax assessments and notices of tax audits or other proceedings which may give raise to a claim of Purchaser under Section 14.2. In particular, the Purchaser shall cause the Target to notify the Sellers (via Sellers' Representative) without undue delay (but in no event later than fourteen (14) Business Days) of any tax audit relating to periods (for Tax purposes) ending on or before the Effective Date after the Purchaser or the Target have received the relevant information from the tax authority in writing. Purchaser shall cause the Target to the extent legally possible to provide Seller (via Sellers' Representative) without undue delay (but in no event later than fourteen (14) Business Days) with all relevant documents and other information reasonably and expressly requested and required by Sellers to evaluate the tax assessments or tax audits and the potential liability of Sellers in connection therewith. If and to the extent that tax audits of the Target relate to Taxes for which the Sellers may be liable under Section 14.2, Sellers shall be given at their request the opportunity to participate, at the Sellers' expense, in such tax audits and to comment or discuss with Purchaser any and all issues in relation to such tax audits and to propose measures to take or to omit in connection with such tax audit. The Purchaser shall cause the Target to the extent legally possible to carefully consider any such proposal of Sellers' counsel, accountant or auditor and not to unreasonably reject such proposal.

14.7 All claims of Purchaser against Sellers arising out of or in connection with this Section 14 shall become time-barred 6 (in words: six) months following the date the assessment of the respective Tax became finally and legally binding (*formell und materiell bestandskräftig*).

14.8 Any payment made under this Section 14 shall be considered as an adjustment of the Purchase Price, and, to the extent permitted by Applicable Law, are to be treated as such adjustments by the Parties, including for tax purposes.

14.9 Unless otherwise provided for in this Agreement, all rights and obligations of the Parties with regard to Taxes shall only be governed by this Section 14.

15 **Further Indemnities**

15.1 The Business Guarantors shall jointly and severally (*als Gesamtschuldner*) fully indemnify (*freistellen*) and hold harmless (*schadlos halten*) Target from and against

a) any and all liability towards and claims of any VESOP-Beneficiary, whether or not they have been disclosed to Purchaser as VESOP-Beneficiaries prior to the signing of this Agreement, under the VESOP or any other share options (including virtual share option) schemes or other incentive schemes with respect to any equity instruments for Target, if and to the extent exceeding the VESOP-Compensation that has been taken into account in the calculation of the Purchase Price pursuant to Section 4.1.4, including, for the avoidance of doubt, claims relating to Tax, in particular social security contributions (including surcharges), for which the Target is liable due to or in connection with such exceeding payments of VESOP-Compensation, whether or not such claims arise prior to, on or after the Closing, but have their legal basis in the time prior to Closing or due to or in connection with the Transaction. For the avoidance of doubt, any non-compliance of Purchaser with its obligations set forth in Sec. 17.2 shall not trigger any indemnity obligation of the Business Guarantors under this Sec. 15.1a).

b) any fines or penalties imposed by competent data protection authorities or claims and damaged by providers of Personal Information based on the (potential) breaches or violations of Privacy Laws because of an incompliant export of personal data according to Chapter 5 of the GDPR as well as violations within the field of employee privacy, in particular § 26 BDSG.

15.2 With regard to all claims of Purchaser against the Business Guarantors arising out of or in connection with Section 15.1b), Section 12.3.1b) shall apply.

16 **Guarantees of Purchaser and Purchaser’s Guarantor and Covenants**

16.1 Each of Purchaser and Purchaser’s Guarantor hereby represent and warrant to the Sellers and the Managers as follows, as of the Signing Date and the Closing Date:

16.1.1 Existence and Authorization of Purchaser

a) The Purchaser is duly incorporated and validly existing under the laws of England&Wales and has all requisite corporate power and authority to own its assets and to carry out its business.

b) The execution and performance by the Purchaser of this Agreement and the consummation of the transaction contemplated hereby are within the corporate powers of the Purchaser and have been duly authorized by all necessary corporate action on part of the Purchaser.

c) The execution and performance by the Purchaser of this Agreement and the consummation of the transaction contemplated herein do not (i) violate the articles of association or by-laws of the Purchaser or (ii) violate any applicable law, regulation, judgment, injunction or order binding on the Purchaser, and (iii) there is no action, law suit, investigation or proceeding pending against, or to the knowledge of the Purchaser threatened against the Purchaser before any court, arbitration panel or governmental authority which in any manner challenges or seeks to prevent, alter or delay the transaction contemplated herein.

d) No bankruptcy or insolvency proceedings are pending with respect to the Purchaser.

16.1.2 Existence and Authorization of Purchaser’s Guarantor

a) The Purchaser’s Guarantor is duly incorporated and validly existing under the laws of Delaware and has all requisite corporate power and authority to own its assets and to carry out its business.

b) The execution and performance by the Purchaser’s Guarantor of this Agreement and the consummation of the transaction contemplated hereby are within the corporate powers of the Purchaser and have been duly authorized by all necessary corporate action on part of the Purchaser’s Guarantor.

c) The execution and performance by the Purchaser’s Guarantor of this Agreement and the consummation of the transaction contemplated herein do not (i) violate the articles of association or by-laws of the Purchaser’s Guarantor or (ii) violate any applicable law, regulation, judgment, injunction or order binding on the Purchaser’s Guarantor, and (iii) there is no action, law suit, investigation or proceeding pending against, or to the knowledge of the Purchaser’s Guarantor threatened against, the Purchaser’s Guarantor before any court, arbitration panel or governmental authority which in any manner challenges or seeks to prevent, alter or delay the transaction contemplated herein.

d) No bankruptcy or insolvency proceedings are pending with respect to the Purchaser’s Guarantor.

16.2 Awareness of Inaccuracy

The Purchaser confirms that as of date of this Agreement it is not aware of the inaccuracy of any of the statements in Section 10 above.

16.3 Specific Indemnifications

16.3.1 In the event that the Purchaser and/or Purchaser’s Guarantor are in breach of any guarantee pursuant to this Section 16 and/or any obligations in connection with Section 7.3.1b), including any adverse tax effects for a Seller as a result of the disproportionate obligation of Sellers 1 to 3 regarding the Pre-Closing Contribution Payment, the Purchaser or Purchaser’s Guarantor respectively shall indemnify and hold harmless the Sellers and/or Managers, as the case may be, from any damages incurred by the Sellers and/or Managers. All claims of the Sellers and/or Managers arising under this Section 16 shall be time-barred five (5) years after the Effective Date.

16.3.2 The Purchaser and Seller 1 through, and including, Seller 3 herewith agree that subject to the occurrence of Closing, Purchaser takes over all obligations Seller 1 through, and including, Seller 3 have undertaken under and in accordance with the shareholders’ resolution on the Pre-Closing Contribution Payment as provided for under Section 7.3.1b) by way of a discharge of debt (*befreiende Schuldübernahme*).

16.3.3 The Purchaser and Sellers agree that subject to the termination of the SPA by the Purchaser without the occurrence of Closing, the Purchaser shall fully indemnify and hold harmless all Sellers from and against all damages (including adverse tax effects) resulting from the shareholders’ resolution on the Pre-Closing Contribution Payment as provided for under Section 7.3.1b) provided, however, that the limitations set forth in Sections 12.1.1 and 12.1.5 shall apply mutatis mutandis to the indemnification claim of Sellers.

16.3.4 The Purchaser and Seller 1 through, and including, Seller 3 agree that subject to the termination of the SPA by the Sellers and the Managers without the occurrence of Closing, the Purchaser shall not be obliged to indemnify any other Party from or against any damages or losses resulting from the shareholders’ resolution on the Pre-Closing Contribution Payment as provided for under Section 7.3.1b).

16.4 Joint and several liability of Purchaser’s Guarantor

Purchaser’s Guarantor shall be jointly and severally liable (gesamtschuldnerisch haften) with Purchaser for any rights and claims any Party may have against Purchaser under, or in connection with this Agreement and the transactions contemplated herein.

17 **Post-Closing Covenants**

17.1 Key Employees Equity Consideration

17.1.1 Immediately after Closing the Purchaser shall approve the issuance of the Key Employees Equity Consideration to the Key Employees.

17.1.2 For clarification purposes only, this Section 17.1 shall not be construed in such way that any party other than the Parties to this Agreement may raise any claims under or with regard to or in connection with the Key

Employees Equity Consideration and its contents shall only become binding on the Parties to this Agreement (*kein Vertrag zugunsten Dritter*).

17.2 VESOP-Compensation

Immediately after Closing, but in any event in accordance with any periods provided for under the VESOP-Settlement Agreements, the Purchaser shall pay an amount equal to the VESOP-Compensation that has been taken into account in the calculation of the Purchase Price pursuant to Section 4.1.4 to the Target, and shall procure that Target (i) pays the VESOP-Compensation (net of any Taxes) to the respective VESOP-Beneficiaries and (ii) pays all Taxes withheld from the VESOP-Compensation of the VESOP-Beneficiaries to the competent tax authorities when due (irrespective the date of Closing).

17.3 Post-Closing Cooperation

17.3.1 To the extent any information is required by any securities regulator (including any stock exchange) in connection with the filing by Purchaser or any of its Affiliates of public disclosure documents (including any offering documents), including the preparation of interim financial statements and pro forma financial statements reflecting the acquisition of the Target, from the date of this document and continuing for a period of one year from the Completion Date, the Sellers will, or will cause their Affiliates to, use commercially reasonable efforts to provide the Purchaser or any of its Affiliates and their authorized representatives (including auditors) with reasonable access to any financial information of the Sellers or any Affiliates thereof relating to the Business and with reasonable access to any personnel and representatives (including legal counsel, consultants and accountants) of the Sellers and their Affiliates (that have knowledge of the Business) during normal business hours (“Securities Financial Information”).

17.3.2 The Sellers will use commercially reasonable efforts to provide access to the Securities Financial Information to assist Purchaser or any of its Affiliates and their authorized representatives (including auditors) to prepare any such financial statements (but Sellers, their Affiliates and their personnel and representatives will have no liability for the Securities Financial Information).

17.3.3 The Sellers will use commercially reasonable efforts to properly maintain all books, records and documentation of Target even if they are not related to Taxes.

17.4 Non-Compete

From the Closing Date until the 2nd (in words: second) anniversary of the Closing Date, Seller 1 through, and including, Seller 3 as well as all Managers shall not, without the prior written consent of Purchaser, directly or indirectly (including via a Related Party) engage in Competing Business of Target in such a manner and geography as Target carries out or plans to carry out its Business at the Signing Date and the Closing Date. This obligation shall include, without limitation, that the Seller 1 through, and including, Seller 3 and the Managers shall not

17.4.1 serve for a direct or indirect competitor as a director, officer, employee, consultant, contractor, advisor or otherwise;

17.4.2 hold, directly or indirectly, any interests in a competitor, except for shares of up to 5 % (in words: five percent) of the share capital of any on a stock exchange listed public corporation for purposes of a purely passive financial investment (i.e., without any possibility to influence the operations of such corporation, including any veto rights or other consent requirements).

> “Competing Business” shall mean any kind of engagement in the Business. in the territory in which the Company operates at the Closing Date.

17.5 Non-Solicitation

From the Closing Date until the 3rd (in words: third) anniversary of the Closing Date, none of the Sellers shall, directly or indirectly (including via a Related Party) solicit or entice away from Target, or offer employment to, any person who at such time is a managing director, officer or Employee of Target. A violation of sentence 1 shall not be deemed to have occurred in case of hiring based on general advertisements or head hunter searches not directed at the persons set out in sentence 1.

17.6 Contractual Penalty

In the event of any breach of the non-compete or non-solicitation covenants set forth in Section 17.4 or Section 17.5, respectively, the breaching Seller shall pay to Purchaser, or at Purchasers' sole discretion to Target, a contractual penalty for each violation in the amount of EUR 350,000.00 (in words: Euro three hundred fifty thousand). In the event of a continuing violation, and if Purchaser has previously notified the breaching Seller of the violation, the breaching Seller shall pay a further contractual penalty in the amount of EUR 650,000.00 (in words: Euro six hundred fifty thousand) for each additional month that the violation continues.

18 **Restrictions on Transfers**

No Party shall, in whole or in part, dispose of (*verfügen*) any claims (including future or contingent claims) arising out of or in connection with the Agreement by way of transfer, encumbrance or otherwise without the prior written consent of the other Parties, except to Affiliates or if the transfer results from a corporate reorganization by Purchaser.

19 **Public Announcements**

19.1 No press release or other announcement in connection with the existence or the subject matter of the Agreement shall be made or issued by any of the Parties without the prior written consent of the Purchaser.

19.2 Section 19.1 shall not affect any announcement if, and to the extent, required by Applicable Law or any regulatory body or by the rules of any recognized stock exchange on which the shares of a Party are listed.

20 **Confidentiality**

20.1 (“Confidential Information”) shall mean the content of this Agreement and any information created, transferred, recorded or employed as part of, or otherwise resulting from any activities undertaken pursuant to, this Agreement. Any Confidential Information shall not be disclosed by Sellers or - until Closing - by Purchaser to a third party or published unless (i) required by Applicable Law, rules or regulations or requested by a court, a Governmental Authority or a regulatory body, (ii) the receiving Party is bound to secrecy by statutory law, (iii) the receiving party is a (managing) director, officer or employee of a Party or of an Affiliate of the Parties whose function requires him or her to have such information or documents, subject to the condition that the Party making the disclosure procures that those persons treat the disclosed as confidential, (iv) the receiving party is a professional advisor, and/or (v) the Parties have mutually agreed otherwise in writing or via email.

20.2 However, the obligation pursuant to Section 20.1 shall not apply to information and documents that are (i) proven to have been (or have become) generally available (public domain) without breach of any obligation of the receiving Party; (ii) known to the receiving Party prior to the disclosure; (iii) independently developed by the receiving Party; or (iv) received by the receiving Party from a third party without any violation of any obligation of such third party owed to the disclosing Party.

21 **Notices to the Parties**

21.1 Notice

Any notice or other communication in connection with the Agreement (“Notice”) shall be

21.1.1 in the English language (provided, however, that the Parties shall be entitled to submit written evidence in the German language); and

21.1.2 in writing delivered by hand, registered post or by courier using an internationally recognized courier company.

21.2 Notice to Sellers

Any Notice to a Seller shall be sent to Sellers’ Representative at the following address (with a courtesy copy upfront via email), or such other person or address or email as Sellers’ Representative may notify in due course to the other Parties from time to time:

Recipient: Main Incubator GmbH

Attention: Matthias Lais
Address: Mainzer Landstraße 33a, 60329 Frankfurt/Main
Email: matthias.lais@main-incubator.com,

with a courtesy copy to

Recipient: Röhrborn LLP Rechtsanwälte
Attention: Dr. Christian Sirch
Address: Destouchesstr. 4, 80803 Munich, Germany

Email: christian.sirch@roehrborn.com

21.3 Notice to Purchaser

Any Notice to Purchaser shall be sent to the following address (with a courtesy copy up-front via email), or such other person or address or email as Purchaser may notify in due course to Sellers’ Representative from time to time:

Recipient: Appian Europe

Attention: Christopher Winters, General Counsel
Address: 7950 Jones Brach Drive, McLean, VA 22102, United States
Email: chris.winters@appian.com

with a courtesy copy to

Recipient: Osborne Clarke
Attention: Robin Eyben
Address: Schinkelplatz 5, 10117 Berlin, Germany

Email: robin.eyben@osborneclarke.com

22 **Costs**

Except as otherwise provided for in the Agreement, each Party shall bear all costs incurred by such Party in connection with the preparation, negotiation and execution of the Agreement and the consummation of the Transaction, provided, however, that all costs incurred by the Company will be borne by the Sellers, and only to the extent permissible from a legal and tax perspective, by the Company. All notarial fees and all registration costs that are payable as a result of the Transaction shall be borne the Sellers and shall be invoiced to the Paying Agent

23 **Final Provisions**

23.1 Governing Law

The Parties agreethat the Agreement is governed by and construed in accordance with the laws of the Federal Republic of Germany excluding conflict of laws rules and the UN Convention on Contracts for the International Sale of Goods (CISG).

23.2 Disputes

23.2.1 All and any disputes or differences arising out of or in connection with the Agreement, or its breach, termination or validity shall be resolved and finally settled by arbitration in accordance with the Rules of Arbitration of the German Institution of Arbitration e.V. without recourse to the ordinary courts of law.

23.2.2 The place of arbitration shall be Berlin, Germany. The arbitration proceedings shall be conducted in the English language provided that written evidence may be provided in the German language. The arbitral tribunal shall be composed of three arbitrators.

23.3 Interest and Calculation of Interest

Any payments due under the Agreement shall bear interest from, and including, the respective due date to, but not including, the date of actual payment at the rate of 3 % (in words: three percent) p.a. Interest payable under any provision of the Agreement shall be calculated on the basis of actual days elapsed divided by 360.

23.4 Exclusion of Set-off and Retention Rights

Unless otherwise provided for in the Agreement, no Party shall be entitled to set-off (*Aufrechnung*) or retention (*Zurückbehaltung*) with respect to any rights or claims under the Agreement, unless the right or claim of the relevant Party has been acknowledged in text-form by the respective other Party/ies or has been confirmed by a final decision of a competent court or arbitration court.

23.5 Form of Amendments

Any amendment, modification or termination of the Agreement, including this Section 23.5, shall be valid only if made in writing (*Schriftform*), except where a stricter form (e.g. notarization) is required under Applicable Law. Any waiver, permit, consent and approval under the Agreement must be made expressly and in writing.

23.6 Invalid Provisions

Should any provision of the Agreement be or become invalid, ineffective or unenforceable as a whole or in part, the validity, effectiveness and enforceability of the remaining provisions shall not be affected thereby. It is the express intention of the Parties to exclude the applicability of § 139 BGB. The Parties shall replace any such invalid, ineffective or unenforceable provision by such valid, effective and enforceable provision as comes closest to the economic intent and purpose of such invalid, ineffective or unenforceable provision as regards subject-matter, amount, time, place and extent. The aforesaid shall apply to all necessary changes to any gap in the Agreement.

23.7 Entire Agreement

The Agreement constitutes the entire agreement among and between the Parties with respect to the subject matter of the Agreement and shall replace any negotiations and understandings, oral or written, (including the letter of intent dated May 22, 2021 and amendment thereto dated July 1, 2021) heretofore made between the Parties or any of them with respect to the subject matter of the Agreement. Side agreements to the Agreement do not exist.

23.8 Third Party Beneficiaries

23.8.1 (i) Nothing in the Agreement is intended to operate for the benefit of any third party, or shall create for or grant any third party any rights whatsoever, as a third party beneficiary or otherwise; (ii) no third party is entitled to rely on any of the representations, warranties, covenants or agreements contained in the Agreement; and (iii) no Party hereto shall incur any liability or obligation to any third party because of any reliance by such third party on any representation, warranty, covenant or agreement in the Agreement.

23.8.2 Wherever according to the Agreement Target shall be indemnified by Sellers, Target shall be entitled to bring any claim for indemnification against Sellers (*echter Vertrag zugunsten Dritter / Vertrag mit Schutzwirkung zugunsten Dritter*).

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew Calkins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2021 of Appian Corporation (the “registrant”);

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2021

/s/ Matthew Calkins
Matthew Calkins
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Lynch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2021 of Appian Corporation (the “registrant”);

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2021

/s/ Mark Lynch
Mark Lynch
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Matthew Calkins, Chief Executive Officer of Appian Corporation (the “Company”), and Mark Lynch, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2021, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 4th day of November, 2021.

/s/ Matthew Calkins	/s/ Mark Lynch
Matthew Calkins	Mark Lynch
Chief Executive Officer (principal executive officer)	Chief Financial Officer (principal financial officer)

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