

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **March 31, 2023**

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 000-38312

8x8

8x8, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

77-0142404

(I.R.S. Employer Identification Number)

**675 Creekside Way
Campbell, CA 95008**

(Address of Principal Executive Offices including Zip Code)

(408) 727-1885

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
COMMON STOCK, PAR VALUE \$.001 PER SHARE	EGHT	Nasdaq Global Select Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file 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 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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant on September 30, 2022, based on the closing price of \$3.45 for shares of the Registrant's common stock as reported by the Nasdaq Global Select Market, was approximately \$0.2 billion. Shares of common stock held by each executive officer, director, and their affiliated holders have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status for this purpose is not necessarily a conclusive determination for any other purpose.

The number of shares of the Registrant's common stock outstanding as of May 18, 2023 was 116,364,248

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from the Proxy Statement to be filed within 120 days of March 31, 2023 for the 2023 Annual Meeting of Stockholders.

8X8, INC.
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FOR THE YEAR ENDED MARCH 31, 2023

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PART I

Forward-Looking Statements and Risk Factors

Statements contained in this annual report on Form 10-K, or this "Annual Report", regarding our expectations, beliefs, estimates, intentions or strategies are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends," and similar expressions are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding: industry trends; our number of customers; average annual service revenue per customer; cost of service revenue; growth in service revenue; research and development expenses; costs related to our continued growth initiatives; hiring of employees; sales and marketing expenses; unit costs and cost reductions; gross profit margin; general and administrative expenses in future periods; liquidity; indebtedness; capital; cash, cash equivalents and investment balances; anticipated cash flows; annualized recurring and usage revenue ("ARR"); operating efficiency; and the ongoing impact of the COVID-19 pandemic. You should not place undue reliance on these forward-looking statements. Actual results and trends may differ materially from historical results and those projected in any such forward-looking statements depending on a variety of factors. These factors include, but are not limited to:

- the impact of economic downturns on us and our customers, including the ongoing impact of the COVID-19 pandemic;
- the impact of cost increases and general inflationary pressures, as well as supply chain shortages and disruptions, on our operating expenses;
- risks related to our new secured term loan due 2027 and new convertible senior notes due 2028, including the impact of increased interest expense and timing of any future repayments or refinancing on our stock price;
- customer cancellations and rate of customer churn;
- ongoing volatility and conflict in the political and economic environment, including the impact of Russia's invasion of Ukraine and any macro-economic impact that may have;
- customer acceptance and demand for our new and existing cloud communication and collaboration services and features, including voice, contact center, video, messaging, and communication application programming interfaces;
- competitive market pressures, and any changes in the competitive dynamics of the markets in which we compete;
- the quality and reliability of our services;
- our ability to scale our business;
- customer acquisition costs;
- our reliance on a network of channel partners to provide substantial new customer demand;
- timing and extent of improvements in operating results from increased spending in marketing, sales, and research and development;
- the amount and timing of costs associated with recruiting, training, and integrating new employees and retaining existing employees;
- our reliance on infrastructure of third-party network service providers;
- risk of failure in our physical infrastructure;
- risk of defects or bugs in our software;
- risk of cybersecurity breaches;
- our ability to maintain the compatibility of our software with third-party applications and mobile platforms;
- continued compliance with industry standards and regulatory and privacy requirements, globally;
- introduction and adoption of our cloud software solutions in markets outside of the United States;
- risks that any reduction in spending may not achieve the desired result or may result in a reduction in revenue;
- risks relating to the acquisition and integration of businesses we have acquired or may acquire in the future, including most recently, Fuze, Inc.;
- risks related to the fluctuations in the value of the United States Dollar and other currencies that underlie our business transactions;
- risks related to our substantial amount of indebtedness, which could have important consequences to our business;
- risks related to our remaining convertible senior notes due 2024 and our new convertible senior notes due 2028, including the timing of any future repayment;
- potential future intellectual property infringement claims and other litigation that could adversely impact our business and operating results; and
- the current instability in the banking system, which could adversely impact our operations and operating results.

The forward-looking statements may also be impacted by the additional risks faced by us as described in this Annual Report, including those set forth under the section entitled "Risk Factors." All forward-looking statements included in this Annual Report

are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Annual Report, which attempts to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Our fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in this Annual Report refers to the fiscal year ended March 31 of the calendar year indicated (for example, fiscal 2023 refers to the fiscal year ended March 31, 2023). Unless the context requires otherwise, references to "we," "us," "our," "8x8," and the "Company" refer to 8x8, Inc. and its consolidated subsidiaries.

All dollar amounts within this Annual Report are in thousands of United States Dollars ("Dollars") unless otherwise noted.

ITEM 1. BUSINESS

Overview

8x8 is a leading provider of software-as-a-service solutions for contact center, voice communications, video meetings, employee collaboration, and embeddable communication APIs, powered by our global cloud-native communications platform. Together, our communications platform solutions comprise the 8x8 XCaaS platform. The XCaaS platform empowers workforces worldwide by connecting individuals and teams so they can collaborate faster, work smarter, and better serve customers, from most devices, locations or time zones. The platform also delivers real-time business analytics and intelligence across most interactions and communication channels, giving customers unique insights so they can build, deploy and adapt tailored user experiences that delight end-customers and accelerate their business. 8x8 has more than 2.5 million paid business licenses with users in more than 180 countries.

The 8x8 XCaaS Platform Strategy

Our XCaaS platform is a highly scalable and configurable cloud communications platform that includes solutions for contact center, voice communications, team chat and collaboration, video meetings, embeddable communication APIs, and AI-based analytics. It is designed to meet the needs of mid-market and enterprise businesses who want to make employees more productive and delight their customers with tailored experiences but lack in-house resources to build a fully custom enterprise-grade contact center. These customers often start with an individual service or combination of services (for example, with video conferencing or phone services), and scale their usage over time by enabling additional services, capabilities and analytics offerings when ready. The key attributes of the 8x8 solution include:

- **Unified Communications, Collaboration, and Contact Center on a Single, Modern Technology Platform.** We believe that a common platform for communication, collaboration and customer interaction drives more efficient employee and customer engagement, greater business productivity and improved employee and customer experiences. Our modern, microservices-based platform enables rapid innovation, broad integration with third-party applications. Unlike many of our principal competitors, we own the core technology that drives and manage the communications platform that powers our solutions. Control over our entire platform enables us to deliver a more consistent and seamless experience for our customers across all aspects of the service, from the user interface to the technical support experience.
- **AI/ML Workflow Automation and Self-Service.** Our platform integrates artificial intelligence and machine learning of our technology and our third party partners with a focus on simplifying and automating workflows for our customers. We continue to make strategic investments in artificial intelligence and machine learning to develop new capabilities and features for our customers, such as context-rich customer engagements, intelligent call routing and faster first-call resolution. In late fiscal 2023, we integrated generative AI natural language learning models from OpenAI across our platform and launched an early adopter program for our Intelligent Customer Assistant offering.
- **Platform-Wide Data Capture and Real-Time Analytics.** We have developed a suite of web-based analytics tools to help our customers capture data on customer interactions across multiple channels and services integrated within our XCaaS platform. Using built-in analytics, customers can leverage real-time business intelligence to improve customer experiences across the range of self-service, AI-assisted, and agent engagements.
- **Intuitive User Interface (UX).** Our web, desktop, and mobile interfaces act as the communications portal for all 8x8 services and provide users with a familiar, consistent, and integrated experience across all endpoints. Tailored workspaces for agents, supervisors and other users meet the communication requirements of users based on their customer engagement profile to drive increased productivity and scale resources.
- **Microsoft Teams Integrations.** For organizations that have adopted Microsoft Teams for internal team messaging and meetings, we offer 8x8 Voice for Microsoft Teams, a direct routing solution that allows users to make and receive calls over the public switched telephone network (PSTN) without exiting the Microsoft Teams desktop, mobile or mobile app, and 8x8 Contact Center for Microsoft Teams, a Microsoft certified solution that leverages the Connect model to provide omnichannel contact center functionality. 8x8 integrations for Microsoft Teams provide reliable, integrated, global telephony and customer engagement capabilities to Microsoft Teams users, including value added services such as integrated business messaging, conversational AI, and advanced analytics.

- **Integration with Third-Party Business Applications and AI-Based Solutions to Automate Workflows.** Our open platform enables deep integration with AI-based solutions purposely built for specific vertical markets or tasks to simplify and automate workflows for our customers. Our ecosystem of AI technology partners includes organizations focused on conversational AI, CRM, workforce engagement, automation and enterprise collaboration. Additionally, our software uses a combination of open APIs and pre-built integrations to retrieve contextually relevant data from, and to enhance the functionality of, a wide variety of customers' third-party applications, such as Salesforce, Microsoft Dynamics, Google, NetSuite, Okta, Zendesk, Oracle Sales Cloud, Bullhorn, Aryaka, and HubSpot.
- **Emphasis on Security and Compliance.** Our security program is designed to protect the confidentiality, integrity and availability of our customers data. We believe we have created a top-down culture of security and compliance, including a commitment to secure architecture and development processes. As such, we have made significant investments in achieving compliance with various industry standards for data security and related third-party certifications.
- **Global Reach®.** 8x8's Global Reach technology provides enterprise-grade quality of service, reliability, security and support for our multinational customers with users in over 180 countries and full public switched telephone network ("PSTN") replacement in 58 countries. Our platform utilizes intelligent geo-routing technology and leverages data centers across globally dispersed regions - including North America, South America, Continental Europe, Asia, and Australia - to provide consistently high-quality voice service and meet data sovereignty requirements of customers worldwide.

Our Solutions

Through our integrated technology platform, we offer our customers a portfolio of contact center, voice, video, contact center, chat and team collaboration, embeddable communication APIs, and business analytics solutions, which include:

- **8x8 Work:** a self-contained, feature-rich, end-to-end United Communications as a service ("UCaaS") solution that delivers enterprise-grade voice with PSTN connectivity, secure video meetings, and unified messaging including direct messages, public and private team messaging rooms, and short and multimedia services ("SMS/MMS").
- **8x8 Contact Center:** a multi-channel cloud-based contact center solution that enables both large and small contact centers to build the same tailored customer experiences and achieve agent productivity benefits previously available only to large contact centers at a much higher cost.
- **8x8 CPaaS:** a comprehensive set of global communications platform-as-a-service ("CPaaS") capabilities that enable businesses to directly integrate our platform services within their websites, mobile apps and business systems for personalized customer engagement at a high scale. Our SMS, Chat App, Video Interaction, 8x8 Jitsi-as-a-Service, and Voice APIs enable companies to reach their customers anywhere with a proven, reliable global network. The AI-powered 8x8 Callstats Service provides real-time metrics and analytics on a WebRTC session to improve voice and video quality of service.

8x8 X Series

The capabilities of our core communications and contact center solutions are integrated into a comprehensive offering called the 8x8 "X Series." The X Series is a suite of UCaaS and CCaaS solutions, which together with our unified global communications platform, comprise our XCaaS platform solution. X Series service plans allow customers to match features and functionality to each user's customer engagement profile, paying for only those capabilities the business needs, while providing businesses with an upgrade path over time as their needs evolve and grow.

Designated X1 through X8, the 8x8 X Series offers the following service plans and capabilities:

- **X1 through X4** service plans provide enterprise-grade voice, unified communications, video meetings, and team collaboration functionality, as well as contact center-like features for users with direct customer engagement. Delivered through the 8x8 Work solution, these service plans provide one application for business voice, team messaging, and meetings. Users can access the essential communication and collaboration features through the desktop app, mobile app, or desk phone. Advanced features, such as auto attendants; worldwide extension dialing; corporate directory with click-to-call functionality; presence, messaging and chat; call recording; call monitoring; internet fax; and the ability to interact contextually with inbound communication (email, call or chat) can be mixed and matched in customizable packages to most effectively meet the needs of individual users.
- **X5 through X8** service plans generally provide the features of X1 through X4, plus contact center functionality. These service plans deliver tailored employee and customer experiences through integrated cloud communication, contact center software, and video meetings solutions. The advanced features and AI-driven automation and analytics of the 8x8 X Series contact center service plans allow organizations to deliver personalized customer experiences for higher customer satisfaction and loyalty, while scaling their contact center capacity through AI-based automation, self-service, and intelligent call routing.

We believe that our integrated platform for communication, collaboration and customer interaction drives more efficient employee and customer engagement, greater business productivity, and improved employee and customer experiences, leading to lower employee turnover, reduced customer churn, and more revenue at a lower total cost of ownership compared to non-integrated UCaaS and CCaaS solutions. We also make 8x8 Work and 8x8 Contact Center solutions available independently to introduce customers to our platform and expand their platform engagement over time.

Routes to Market

We sell directly to customers or through indirect sales channels. Our indirect sales channel consists of global and regional networks of value-added resellers ("VARs") and carriers, as well as a partner network consisting of master agents and the sub-agent community, independent software vendors ("ISVs"), system integrators, and service providers selling 8x8 solutions to small, mid-market, and enterprise businesses. Our Elevate channel program supports multiple routes to market for partners, including both resale (wholesale) and agency models, and also offers 8x8 sales and technical certifications.

Our Customers

We have a diverse and growing customer base of more than 60,000 customers, with more than 2.5 million paid business licenses, with users in over 180 countries, including small business, mid-market and enterprise customers, and across a wide range of industries and use cases. No single customer represented 10% or more of our revenue in fiscal 2023, 2022, and 2021.

Marketing and Promotional Activities

We market our services directly to end users through a variety of means, including industry conferences, trade shows, webinars, and digital advertising channels targeting mid-market and enterprise customers.

Research and Development

The cloud communications market is characterized by rapid technological changes and advancements typical of most SaaS markets. Accordingly, we make substantial investments in innovation focused on the design and development of new products and services, as well as the development of enhancements and features to our existing products and services. We make these enhancements available to our customers frequently. We currently employ individuals in research, development, and engineering activities in the United States, Canada, United Kingdom, Portugal, Romania, Singapore, and Philippines, as well as outsourced software development consultants around the world.

Intellectual Property

As of March 31, 2023, we held more than 330 patents, with more than 125 United States and foreign patent applications pending. Our portfolio of patents, with expiration dates through 2042, and patent applications cover diverse aspects of our unified communications, video, API, collaboration and contact center services, and infrastructure and UX design and functionality.

Our business relies on a combination of trade secrets, patents, copyrights, trademarks laws, and contractual restrictions, such as confidentiality agreements, licenses, and intellectual property assignment agreements. We require our employees, contractors, and other third parties to sign agreements providing for the maintenance of confidentiality and also the assignment of rights to inventions made by them while providing services to us. We also use software components in our platform that are licensed to the public under open-source licenses.

See the section entitled "Risks Related to Intellectual Property" in Part I, Item 1A "Risk Factors" for more information on our intellectual property risks.

Competition

Given the size and stage of the current market opportunity and the breadth of services provided by our communications platform, we face competition from many companies, including cloud communications providers of voice, video meetings, chat and collaboration, contact center, and communication APIs, as well as other cloud services providers, incumbent telephony companies and resellers of legacy communications equipment described below who have the ability to compete with us on product features, integrations, brand recognition and price.

Cloud Communications Providers of Voice, Video, Chat and Collaboration, Contact Center, and Communication APIs: For customers looking to implement cloud-based communications, our single services platform competes with other cloud communication providers of voice, chat, collaboration, contact center and communication APIs, such as RingCentral, Inc., Vonage Holdings Corp. (acquired by Ericsson), Genesys Telecommunications Laboratories, Inc., Zoom Video Communications, Inc., Five9, Inc., NICE inContact, and Twilio Inc., among others.

Internet and Cloud Services Vendors: We also face competition from communications and cloud vendors, such as Cisco Systems, Inc., Google, Inc., Amazon Web Services, Inc., and Microsoft Corporation, among others, some of which are well established in the communications industry while others have only recently begun to market cloud communications solutions. All of these cloud services providers are significantly larger than us and have the ability to leverage their size and scale across multiple product segments, such as Microsoft Teams, to compete against our XCaaS platform offering.

Incumbent Telephony Companies and Legacy Equipment Providers: Our cloud-based software replaces wire line business voice services sold by incumbent telephone and cable companies, such as AT&T, Inc., CenturyLink, Inc., Comcast Corporation, and Verizon Communications, Inc., often in conjunction with on-premises hardware solutions from companies like Avaya, Inc., Cisco Systems, Inc., and Mitel Networks Corp. At the same time, some of these incumbent communication companies have launched their own cloud communication services to more directly compete with us and other cloud communication providers. See the section entitled "Risks Related to Our Business and Industry" in Part I, Item 1A "Risk Factors" for more information on our risks related to competition.

Operations

Our operations infrastructure consists of data management, monitoring, control, and billing systems that support the portfolio of communication and contact center services plans provided by our XCaaS platform. We invest substantial resources to develop and implement our service monitoring real-time call management information system. Key elements of our operations infrastructure include customer quoting and ordering capabilities, customer provisioning, customer access control, fraud control, network security, video, voice and SMS message routing, quality monitoring, media processing and normalization, call reliability, detailed call record and message storage, transactional metering for usage-based services, product interfaces and billing and integration with third-party applications. Our software platform manages the admission, control, rating, and routing of calls and SMS messages to their appropriate destinations. The platform and its assets have been built to offer connectivity, redundancy, security, and scalability. Our tools and processes aim at maximizing communications range, quality, and reliability.

Network Operations Center: We maintain global network operations centers around the world and employ experienced staff in voice and data operations in the United States, United Kingdom, Romania, Indonesia, Singapore, and Philippines to provide 24-hour operations support, seven days per week, whether working in our network operations centers or remotely. We use various tools, including an extensive set of synthetic tests and Application Performance Monitoring software, to monitor and manage our network, as well as the networks of our partners and certain larger customers, in real time. We also rely upon the network operations centers of our telecommunications carrier partners and data center providers to augment our monitoring and response efforts. Our globally dispersed operations and remote working capabilities allow us to maintain redundant back-up operations services to minimize or eliminate the impact of local disruptions at any of our operations centers or data centers.

In the event of a major disruption at a data center, such as a natural disaster or service disruptions caused by the COVID-19 pandemic, failover between data centers or public cloud regions for the 8x8 X Series is designed to occur with no or minimal disruption.

Customer and Technical Support: 8x8 maintains a global customer support organization with operations in the United States, United Kingdom, Philippines, Singapore, and Romania. Customers can access 8x8 customer support services directly from the company website, or receive multi-channel technical support via phone, chat, web, and email. Emergency support is available on a 24/7 basis.

We take a lifecycle approach to customer support, supporting customers from on-boarding to deployment, and through the renewal process, to drive greater user adoption of 8x8 XCaaS solutions. For our larger enterprise customers, our implementation methodology utilizes a deployment management team and provides active support through the "go-live" date at each customer site. We also have a premium success program, and for certain customers, a dedicated customer engagement manager as a single point of contact for every aspect of the post-sale relationship. Finally, we offer a variety of training classes through 8x8 University, either through instructor-led classes or self-paced online learning.

Interconnection Agreements: We have agreements with SMS, voice, and mobile network operators worldwide. Pursuant to these agreements, we can provide inbound and outbound telephone and SMS messaging services to traditional telecommunication systems and mobile networks worldwide through our platform via these carriers.

Regulatory Matters

In the United States, at the federal level, we are subject to regulation by the Federal Communications Commission (the "FCC") as a provider of Voice over Internet Protocol ("VoIP"), as well as state and local regulations applicable to VoIP providers. For example, regulations we are subject to include E-911 services, porting of phone numbers under specific conditions, protection of customer data generated by the use of our services, and obligations to contribute to federal programs, including Universal Service Fund and other regulatory funds, as well as state and local 911 and universal service funds.

In addition to regulations at the federal and state levels, many states are also enacting privacy legislation that apply to companies like us, which collect, store, and process many types of data, including personal data. California has enacted the California Consumer Privacy Act (the "CCPA") and adopted the California Privacy Rights Act (the "CPRA"). The CCPA and the CPRA impose new obligations on qualifying for-profit companies, like us, doing business in California and substantially increases potential liability for such companies for failure to comply with data protection rules applicable to California residents. In addition, Virginia, Colorado, Connecticut and Utah have passed new privacy laws that will become effective in 2023. Iowa and Indiana have also enacted new privacy laws that become effective on January 1, 2025 and January 1, 2026, respectively.

Internationally, we are subject to a complex patchwork of regulations that vary from country to country. Countries have adopted laws that impose stringent licensing obligations on providers of VoIP services like ours. In many countries, it is not clear how laws that have historically been applied to traditional telecommunications providers will be applied to providers of VoIP services like us. In the European Union (the "EU"), the General Data Protection Regulation (the "GDPR") imposes obligations on all companies like us that collect, store, and process many types of data, including personal data, and substantially increases potential liability for all companies, including us, for failure to comply with data protection rules.

The effect of any future laws, regulations, and orders or any changes in existing laws or their enforcement, including the application of new taxes and regulations on communication applications like ours running over the internet, on our operations cannot be determined. See the section entitled "Risks Related to Regulatory Matters" in Part I, Item 1A "Risk Factors" for more information on these risks.

Geographic Areas

We have one reportable segment. Financial information relating to revenue generated in different geographic areas are set forth in Note 11, *Geographical Information*, in the Notes to Consolidated Financial Statements contained in this Annual Report.

Employees and Human Capital

As of March 31, 2023, we had 1,921 full-time employees operating around the world, of which 65% are located outside of the United States. None of our employees are represented by a labor union or are subject to a collective bargaining arrangement.

As a leading provider of software-as-a-service solutions for contact center, voice communications, video meetings, employee collaboration and embeddable communication application program interfaces ("APIs"), we are thoughtful about our impact on our stockholders, our customers, our people, and the planet. We conduct our business socially and ethically and are committed to strong corporate governance, universal human rights, and sustainable business practices. We strive to create a work environment and culture that embraces creativity and diversity and is financially and personally rewarding for our people.

Culture and Engagement: 8x8 is transforming modern business communications. We take pride in our innovations that empower employees' and enable our customers to build more agile workplaces while delivering differentiated customer experiences to their customers. Our efforts are guided by our vision of empowering all users across an organization with an integrated communications and collaboration platform and are anchored by our value system. These values define how we work, infuse our daily culture and make us individually and collectively accountable for our progress. They also serve as the framework for our onboarding program for new hires and ongoing training and support for all employees. We recently launched Team8s, our employee engagement and branding campaign. Under the Team8s umbrella, we have planned quarterly global activities, a Team8s award program, and Boomerang recognition for employees who left 8x8 and have elected to return.

We continue to seek out new ways to leverage our 8x8 Work communication and collaboration platform to keep our employees connected to each other and maintain a positive and supportive work culture. We conduct quarterly employee surveys to gain insight into trends in employee engagement and prioritize new benefits and programs. Analysis of prior engagement surveys pointed to three areas of need: clarity on strategic direction, clarity of expectations, and learning and development. We have taken specific initiatives for each area:

Clarity on Strategic Direction – A detailed strategy to accelerate innovation and generating increased profitability and cash flow was presented to employees in January and has been carefully integrated throughout the employee ranks. It is reinforced with weekly communications from our CEO, as well as quarterly all hands meetings and regular "Ask Me Anything" sessions with senior management. Additionally, the Company's board of directors has inaugurated a Technology & Cybersecurity Committee which includes talent assessment planning to ensure that requisite skills levels are maintained or surpassed across our product and engineering teams.

Clarity of Expectations – We outlined our operating principles with the detailed strategy roll-out, and laid out the groundwork for detailing what and how to deliver. We intend to codify these principles in an updated Employee Handbook in fiscal 2024.

Learning and Development – We believe offering ongoing learning and development benefits 8x8 and our employees equally. We have four types of training programs currently under development:

- **Manager Training** - This curriculum will provide in-person classroom training, focus group collaboration, and ongoing follow-up for supervisors, team leads, and managers.
- **LinkedIn Learning** - This rich curriculum will be offered to all employees, with an emphasis on alignment with individual development plans.
- **Senior Leadership Assessment and Coaching** - Leaders at the vice president level and above will be provided a commercially available behavioral assessment and will be assigned coaches for personal support and development assistance.
- **Product Technical Training** – We are testing two programs to encourage employee growth in technical skills and coding expediency. Once the evaluation has been completed, either one or both services will be employed globally.

As one global team powered by the 8x8 platform, we are able to leverage diverse talent around the globe to ensure that we remain at the forefront of innovation in our industry.

Diversity, Equity and Inclusion: As a communications company with a growing international presence, it is vital that our workforce be as diverse as the customers we serve. Our commitment to diversity is visible from the board room to the server rooms, and we have put in place a number of programs to ensure that we are continuously improving, including establishing diversity councils, embedding overcoming unconscious bias training in our performance feedback process, and maintaining open "rooms" on the 8x8 Work app that serve as discussion forums for diversity, equity and inclusion topics.

When hiring we strive to keep our candidate pools as diverse as possible in order to bring new viewpoints into the 8x8 team. Additionally, we conducted a role and gender pay equity audit to ensure pay equity by position. Other activities in fiscal 2023 included:

- Regular meetings of the Employee Diversity, Equity, and Inclusion ("DEI") Council and the formation of a Leadership Steering Committee to serve as the sounding board for the Employee DEI Council.
- Activities to celebrate International Women's Day in locations around the world and Veterans Day in U.S. locations.
- Creation of a video of our employees speaking to the importance and value of supporting and enabling our female employees.
- Work with Society of Women Engineers and Women in Technology International to establish local chapters for our women in technical roles.

We are always looking to expand our role promoting employee diversity, equity and inclusivity, and we are continuously evaluating and formalizing key processes to monitor our hiring and reward programs to ensure that all employees have an equal opportunity to be successful at 8x8.

Rewards: We strive to provide competitive total rewards packages to hire and retain the key talent we need to achieve our growth and profitability objectives. This includes competitive cash compensation, equity grants of restricted stock units ("RSUs") and performance-based stock units ("PSUs"). We also offer benefits to care for the total health of our employees and their families, including health and dental insurance, paid medical and parental leave, Company-funded short-and long-term disability, and matching 401K contributions. We also offer Company-funded mental health services, support for working parents, webinars on financial well-being and other services through our global employee assistance program.

All employees have an opportunity to become stakeholders in 8x8 through our Employee Stock Purchase Plan, which allows employees to purchase up to \$25,000 in market value per year of 8x8 stock through payroll deductions.

We recently revamped our compensation programs to increase the portion of compensation paid in cash versus equity for the majority of our employees. We believe this will allow us to continue to attract and retain talented employees in competitive markets, while limiting the dilutive impact of employee equity grants to existing shareholders. Our senior leaders will continue to receive a combination of RSUs and PSUs to align their interests with the interests of our shareholders.

Available Information

We maintain a corporate Internet website at the address <http://www.8x8.com>. The contents of this website are not incorporated in or otherwise to be regarded as part of this Annual Report. We file reports with the Securities and Exchange Commission (the "SEC"), which are available on our website free of charge. These reports include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, registration statements, proxy statements, and amendments to such reports, each of which is provided on our website as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including 8x8.

Information About Our Executive Officers

Our executive officers as of the date of this report are listed below.

Samuel Wilson, Interim Chief Executive Officer. Samuel Wilson, age 53, was appointed and has served as Interim Chief Executive Officer since November 2022. Mr. Wilson previously served as our Chief Financial Officer from June 2020 to November 2022. Prior to his appointment, Mr. Wilson served as Chief Customer Officer and Managing Director of EMEA from January 2020 until June 2020. From September 2017 until January 2020, Mr. Wilson served as Senior Vice President responsible for e-commerce, global small business, and United States mid-market sales. Prior to joining 8x8, Mr. Wilson served as VP Finance for MobileIron, an enterprise software security company, from 2011 until 2017 with responsibilities for financial planning and analysis, investor relations, and treasury functions, as well as e-commerce. Mr. Wilson is a Chartered Financial Analyst. He holds a Bachelor's Degree in Electrical Engineering from Seattle University and an MBA from the University of California, Berkeley.

Kevin Kraus, Interim Chief Financial Officer. Kevin Kraus, age 54, was appointed and has served as Interim Chief Financial Officer since November 2022. Mr. Kraus previously served as our Senior Vice President of Finance from October 2019 to

November 2022, with responsibility for overseeing the Company's financial reporting, planning, and procurement functions. From February 2018 to May 2019, Mr. Kraus served as Vice President, Finance for Imperva, a cybersecurity software company. From January 2015 to September 2017, Mr. Kraus served as Senior Director, Finance for Gigamon, a network visibility and traffic monitoring technology company. Mr. Kraus is a Certified Public Accountant. He holds a bachelor's degree in accounting from Rutgers, The State University of New Jersey-New Brunswick and an MBA from the Pennsylvania State University.

Hunter Middleton, Chief Product Officer. Hunter Middleton, age 56, has served as Chief Product Officer since August 2021. Mr. Middleton previously served as our SVP of Product and Design from March 2018 to August 2021. From February 2016 to September 2017, Mr. Middleton served as Vice President and Head of Product Management for Jive Software, Inc., an enterprise social collaboration application provider. Prior to that, Mr. Middleton served as the Head of Product Management at Google for Work Systems and led the Google Apps Enterprise product team. Mr. Middleton earned his Ph.D. in Physics from Princeton University and holds a master's degree in management from the Kellogg Graduate School of Business at Northwestern University.

Laurence Denny, Chief Legal Officer. Laurence Denny, age 50, was appointed and has served as Chief Legal Officer and Corporate Secretary since December 2022. Mr. Denny previously served as our Chief Compliance Officer, Deputy General Counsel and Assistant Corporate Secretary from June 2022 to December 2022 and as our Vice President, Deputy General Counsel and Assistant Corporate Secretary from April 2019 to June 2022, with responsibility for assisting with the oversight of the Company's global legal, corporate, litigation, employment, procurement, compliance, and security efforts. From January to April 2019 Mr. Denny served as Vice President, Deputy General Counsel and Assistant Corporate Secretary for Extreme Networks, a network equipment company. From September 2016 to January 2019, Mr. Denny was Vice President, Deputy General Counsel and Assistant Corporate Secretary of TiVo Corporation (formerly known as Rovi Corporation), a digital entertainment technology company. Mr. Denny is a member of the State Bar of California. He graduated from University of California, Irvine with a Bachelor of Arts and from Columbia Law School with a Juris Doctorate.

Suzy Seandel, Chief Accounting Officer. Suzy Seandel, age 58, was appointed and has served as Chief Accounting Officer since May 2022. From February 2019 to May 2022 Ms. Seandel served as VP, Corporate Controller for Barracuda Networks, Inc., a security, networking and storage products company. From January 2007 to October 2018, Ms. Seandel served as Chief Accounting Officer at Cavium, Inc., a fabless semiconductor company. Prior to Cavium, Inc., Ms. Seandel also held positions of increasing responsibility at several other publicly traded companies and spent nearly five years at Deloitte & Touche LLP in assurance and audit services. Ms. Seandel holds a Bachelor of Science degree in Finance from Santa Clara University.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report. If any of the following risks or other risks actually occur, our business, financial condition, results of operations, and future prospects could be materially harmed, and the price of our common stock could decline. Our business could also be materially and adversely affected by risks and uncertainties that are not presently known to us or that we currently believe are not material. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our results of operations, financial condition, reputation, and future prospects.

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Risk Factors Summary

Our business is subject to a number of risks that may adversely affect our business, financial condition, results of operations, and cash flows. These risks are discussed more fully below and include, but are not limited to:

Risks Related to our Business and Industry

- Our history of losses and anticipated continued losses.
- Unpredictability of our future operating results.
- Reductions in either spending or collections may result in reductions in revenue.
- Future increases in our customer churn.
- Dependence on new customer acquisition and retention and upsell to existing customers.
- Intense competition in our industry.
- Failure to manage and grow our indirect sales channels.

- Complexity and length of enterprise customer sales cycle.
- Dependence on new product and services to maintain and grow our business.
- Difficulty attracting and retaining key management, technical and sales personnel.
- We may not realize all of the anticipated benefits of our acquisition of Fuze, Inc.
- Potential past and future liabilities related to federal, state, local and international taxes, fees, surcharges and levies.

Risks Related to our Products and Operations

- Service outages due to software vulnerabilities or failures of physical infrastructure.
- Scalability of our cloud software services to meet existing and new customer demand.
- Risks related to international expansion, including the Russia and Ukraine war.
- Risks related to current and future acquisitions.
- Our ability to maintain compatibility with third-party applications and mobile platforms.
- Reliance on third-parties to provide network services and connectivity.
- Reliance on third-party vendors for IP phones and certain software endpoints.
- Difficulty executing local number porting requests.

Risks Related to Regulatory Matters

- Risks related to cybersecurity breaches and malicious acts.
- Liabilities related to credit card transaction processing services.
- Failure to comply with data privacy and protection laws.
- Services must comply with industry standards and government regulations.
- New regulations addressing robo-calling and caller ID spoofing.

Risks Related to Intellectual Property

- Infringement of third-party proprietary technology.
- Inability to protect our proprietary technology.
- Inability to use third-party or open-source software.

Risks Related to our Debt, our Stock, and our Charter

- Cash flow may be insufficient to service or pay down our substantial debt.
- Inability to raise necessary funds in the future.
- Conditional conversion features of our debt could adversely affect our financial condition.
- Change in accounting standards, including for our debt, may cause adverse financial reporting fluctuations and affect our reported operating results.
- The current instability in the banking system could adversely impact our operations.
- Future sales of common stock or equity-linked securities.
- Certain provisions in our charter may discourage takeover attempts.

General Risk Factors

- Risks related to the ongoing impact of the COVID-19 pandemic.
- Secure financing on favorable terms.
- Risks related to natural disasters, war, terrorist attacks, global pandemics, and other unforeseen events.

Risks Related to our Business and Industry

We have a history of losses, have incurred significant negative cash flows in the past, and anticipate continuing losses in the future. As such, we may not be able to achieve or maintain profitability in the future.

We recorded an operating loss of approximately \$66.3 million for the year ended March 31, 2023, and ended the period with an accumulated deficit of approximately \$792.9 million. We expect to continue to incur operating losses in the near future as we continue to invest in our business. During our fiscal year ending March 31, 2024, we intend to continue to invest in sales and marketing and research and development, among other areas of our business, to compete more successfully for the business of companies that are transitioning to cloud communications and otherwise position ourselves to take advantage of long-term revenue-generating opportunities.

We expect to continue to incur losses for at least the next fiscal year and later, and we will need to increase our rate of revenue growth to generate and sustain operating profitability in future periods. The investments we have made in fiscal 2023 and beyond may not generate the returns that we anticipate, which could adversely impact our financial condition and make it more difficult for us to grow revenue and/or achieve profitability in the time period that we expect, or not at all. In order to achieve profitability, we will need to manage our cost structure more efficiently and not incur significant liabilities, while continuing to grow our revenue. Despite these efforts, our revenue growth may slow, revenue may decline, and/or we may incur significant losses in the future due to inflationary pressures impacting our cost structure, Russia's invasion of Ukraine or other geopolitical events, any further downturn in general economic conditions, increasing competition (including competitive pricing pressures and large competitors moving into our markets), decrease in the adoption or sustained use of the cloud communications market, exiting

lines of business, interest rate and foreign currency fluctuations, or our inability to execute on business opportunities. Given our history of fluctuating revenue and operating losses, we cannot be certain that we will be able to achieve or maintain operating profitability in the future.

Our future operating results, including revenue, expenses, losses and profits, may vary substantially from period to period and may be difficult to predict. As a result, we may fail to meet or exceed the expectations of market analysts or investors, which could negatively impact our stock price.

Our historical operating results have fluctuated and will likely continue to fluctuate in the future, and a decline in our operating results could cause our stock price to fall. On an annual and quarterly basis, there are a number of factors that may affect our operating results, some of which are outside our control. These include, but are not limited to:

- changes in market demand;
- customer cancellations, subscription downgrades, and/or service credits;
- changes in the competitive dynamics of our market, including consolidation among competitors or customers;
- lengthy sales cycles and/or regulatory approval cycles;
- new product introductions by us or our competitors;
- unpredictability of CPaaS business at times, as it is mainly usage-based revenue and does not involve long-term subscription commitments;
- the mix of our customer base, sales channels, and services sold;
- the number of additional customers, on a net basis;
- the amount and timing of costs associated with recruiting, training and integrating new employees;
- unforeseen costs and expenses related to the expansion of our business, operations and infrastructure;
- price increases which we are unable to pass along to our customers;
- continued compliance with industry standards and regulatory requirements;
- decline in usage related to increases in return to office;
- material security breaches or service interruptions due to cyberattacks or infrastructure failures or unavailability; and
- introduction and adoption of our cloud software solutions in markets outside of the United States.

Due to these and other factors, we believe that period-to-period comparisons of our results of operations are not meaningful and should not be relied upon as indicators of our future performance. It is possible that in some future periods our results of operations may be below the expectations of public market analysts and investors.

In addition, changes in regulations, accounting principles, and our interpretation of these and judgments used in applying them, could have a material effect on our results of operations. We also need to revise our business processes, systems, and controls, which require significant management attention and may negatively affect our financial reporting obligations. If any of these events were to occur, the price of our common stock would likely decline significantly.

Any reduction in our spending may not achieve the desired result or may result in a reduction in revenue.

Our increased emphasis on profitability and cash flow generation may not be successful. We intend to reduce our total costs as a percentage of revenue, primarily impacting our sales and marketing expenses. There can be no assurances that our cost reduction initiatives will result in the cost savings that we anticipate as percentage of our revenue and will not have unintended or unforeseen consequences, including a reduction in revenue.

Churn in our customer base adversely impacts our revenue and requires us to spend money to retain existing customers and to capture replacement customers. If we experience increases in customer churn in the future, our revenue growth will be adversely impacted and our customer retention costs will increase.

Our customers may elect not to renew their subscriptions at the end of their contractual commitments. Because of churn in our customer base, we must acquire new customers and sell additional 8x8 products and services to our existing customers on an ongoing basis to maintain our existing level of revenue. As a result, sales and marketing expenditures are an ongoing requirement of our business. Our ability to maintain and grow our revenue is adversely impacted by the rate at which our customers cancel or downgrade services. Churn reduces our revenue growth rate, and if our churn rate increases, we must acquire even more new customers and/or sell more products and services to existing customers, to maintain and grow our revenue. We incur significant costs to acquire new customers, and those costs are a meaningful component in driving our net profitability. Churn may also prevent us from increasing the price of our services in the future, as well as limit our ability to sell additional 8x8 products and services to our existing customers and we may need to renew certain customers at a lower rate, of which each case would adversely impact our revenue in the future. Therefore, if we are unsuccessful in managing our existing customer churn and/or our customer churn rate increases in the future, our revenue growth would decrease and our revenue may decline, causing our net loss to increase.

Our rate of customer cancellations or downgrades in services may increase in future periods due to a number of factors, some of which are beyond our control, such as the financial condition of our customers or the general economic environment. In addition, if we are unable to maintain the quality and performance of our service whether due to a lack of feature parity or quality of service relative to the products of our competitors or service outages or disruptions, we could experience potentially sharp increases in customer cancellations and/or downgrades or customer credits which would adversely impact our revenue.

Our success depends on our ability to acquire new customers and retain and sell additional services to our existing customers.

We generate revenue primarily from the sale of subscriptions to our cloud communications services to our customers, which include small and mid-size businesses, mid-market and larger enterprises, government agencies and other organizations. We define a "customer" as the legal entity or entities to which we provide services pursuant to a single contractual arrangement. Our future success depends on our ability to continue to increase the amount of revenue we generate, and the rate at which our revenue increases, from new and existing customers.

If our sales and marketing efforts are not effective in identifying and qualifying prospective new customers, demonstrating the quality, value, features and capabilities of our solutions, especially XCaaS, to those prospects and promoting our brand generally, we may not be able to acquire new customers at the rate necessary to achieve our revenue targets. We must also continue to design, develop, offer and sell services with quality, cost, features and capabilities that compare favorably to those offered by our competitors. As our target markets mature, or as competitors introduce lower cost and/or more differentiated products or services that compete or are perceived to compete with ours, we may be unable to attract new customers, on favorable terms, or at all, which could have an adverse effect on our revenue and growth.

In addition to acquiring new customers, we generate new revenue by selling our existing customers additional quantities of subscribed services, or subscriptions to new or upgraded services. Particularly in the case of large enterprises, we often have opportunities to expand the sale of our services within an organization after we have completed an initial sale to one part of the organization (for example, a business unit, division or department, or personnel based in a particular country or region) and the organization has qualified us as a vendor. We invest in efforts to educate and train users on the features and capabilities of our services so that they can become advocates within their organizations and encourage increased adoption of our solutions. However, if existing users within an organization are dissatisfied with any aspect of our cloud services, or the technical support, training or other professional services we provide, we may face challenges in up-selling or increasing our penetration of the organization.

Intense competition for new customers and retention of existing customers (including pricing pressure) in the markets in which we compete may prevent us from increasing or sustaining our revenue growth, or achieving and maintaining profitability, which could materially harm our business.

The cloud communications industry is competitive and rapidly evolving. We expect the industry to be increasingly competitive in the future due to a number of factors including, but not limited to, the entry into the market of new competitors or the consolidation of existing competitors. Because we offer multiple services from a single platform, we compete with businesses in several overlapping industries, including voice, video meetings, chat, team messaging, contact center and enterprise-class API solutions.

In connection with our voice, video meetings, chat, team messaging, contact center, and enterprise-class API solutions, we face competition from other cloud service providers such as RingCentral, Inc., Genesys Telecommunications Laboratories, Inc., Zoom Video Communications, Inc., Vonage Holdings Corp.(acquired by Ericsson), Five9, Inc., NICE inContact, Inc., Talkdesk, Inc., and Twilio Inc., among others, as well as from legacy on-premises communications equipment providers, such as Avaya, Inc., Cisco Systems, Inc., and Mitel Networks Corp.

We also face competition from Internet and cloud service companies such as Alphabet Inc. (Google Voice and Google Meet), Amazon Inc., and Microsoft Corporation. Some of these competitors have developed software solutions for their respective communications and/or collaboration silos, such as Microsoft, which is investing significantly in its Microsoft Teams unified communication and collaboration product. Any of these companies could launch a new cloud-based business communications service, expand its existing offerings to compete with features of our services, or enter into a strategic partnership with, or complete an acquisition of, one or more of our cloud communications competitors.

Many of our current and potential competitors have greater resources and brand awareness and a larger base of customers than we have. As a result, these competitors may have greater marketing credibility. They also may adopt more aggressive pricing policies and devote greater resources to the development, promotion, and sale of their products and services. Our competitors may also offer bundled service arrangements that present a more differentiated or better integrated product and services to customers. Increased competition could require us to lower our prices, reduce our sales revenue, increase our gross losses or cause us to lose market share. Announcements or expectations as to the introduction of new products and technologies by our competitors or us could cause customers to defer purchases of our existing products and services, which also could have a material adverse effect on our business, financial condition, or operating results.

Given the significant price competition in the markets for our services, we may be at a disadvantage compared with those competitors who have substantially greater resources than us or may otherwise be better positioned to withstand an extended period of downward pricing pressure. The harm to our business may be magnified if we are unable to adjust our expenses to compensate for such shortfall, or if we determine that we need to increase our marketing and sales efforts in order to attract new customers and retain existing customers.

Failure to grow and manage our network of indirect sales channels partners could materially and adversely impact our revenue in the future.

Our future business success, particularly to attract and support larger customers and expand into international markets, depends on our indirect sales channels. These channels consist of master agents and subagents, independent software vendors ("ISVs"), system integrators, value-added resellers ("VARs"), and internet service providers, among others. We typically contract directly with the end customer and use these channel partners to identify, qualify and manage prospects throughout the sales cycle, although we also have arrangements with partners who purchase our services for resale to their own customers. As our business partners' costs increase, we have seen agency residuals become an increasing portion of our sales and marketing expenses. Our future success depends upon our ability to develop and maintain successful relationships with these business partners, many of whom also market and sell services of our competitors, and our ability to increase the portion of sales opportunities they refer to us. To do so, we must continue to offer services that have quality, price, features, and other elements that compare favorably to those of competing services, ensure our partners are adequately trained and knowledgeable about our services, and provide sufficient incentives for these partners to sell our services in preference to those of our competitors while maintaining a cost-effective agency structure. If we are unable to persuade our existing business partners to increase their sales of our services or to build successful partnerships with new organizations, or if our channel partners are unsuccessful in their marketing and sales efforts, we may not be able to grow our business and increase our revenue at the rate we predict, or at all, and our business may be materially adversely affected.

As we increase sales to enterprise customers, our sales process has become more complex and resource-intensive, our average sales cycle has become longer, and the difficulty in predicting when sales will be completed has increased.

We currently derive a majority of our new revenue growth from sales of our cloud software solutions to mid-market and larger enterprises, and we believe that increasing our sales to these customers is the key to our future growth. Our sales cycle, which is the time between initial contact with a potential customer and the ultimate sale to that customer, is often lengthy and unpredictable for larger enterprise customers. Many of our prospective enterprise customers do not have prior experience with cloud-based communications and, therefore, typically spend significant time and resources evaluating our solutions before they purchase from us. Similarly, we typically spend more time and effort determining their requirements and educating these customers about the benefits and uses of our solutions. Enterprise customers also tend to demand more customizations, integrations, and additional features than smaller customers. As a result, we may be required to divert more sales and engineering resources to a smaller number of large transactions than we have in the past, which means that we will have less personnel available to support other sectors, or we will need to hire additional personnel, which would increase our operating expenses.

It is often difficult for us to forecast when a potential enterprise sale will close, the size of the customer's initial service order, and the period over which the implementation will occur, any of which may impact the amount of revenue we recognize or the timing of revenue recognition. Enterprise customers may delay their purchases from one quarter to another as they assess their budget constraints, negotiate early contract terminations with their existing providers, or wait for us to develop new features. Any delay in closing, or failure to close, a large enterprise sales opportunity in a particular quarter or year could significantly harm our projected growth rates and cause the amount of new sales we book to vary significantly from quarter to quarter. We also may have to delay revenue recognition on some of these transactions until the customer's technical or implementation requirements have been met.

The market for cloud software solutions is subject to rapid technological change, and we depend on new product and service introductions in order to maintain and grow our business.

We operate in an emerging market that is characterized by rapid changes in customer requirements, frequent introductions of new and enhanced products and services, and continuing and rapid technological advancement. To compete successfully in this emerging market, we must continue to design, develop, manufacture, and sell highly scalable new and enhanced cloud software solutions products and services that provide higher levels of performance and reliability at lower cost. If we are unable to develop new products and services that address our customers' needs, to deliver our cloud software solution applications in one seamless integrated service offering that addresses our customers' needs, or to enhance and improve our products and services in a timely manner, we may not be able to achieve or maintain adequate market acceptance of our services.

To the extent that we are unable to achieve market acceptance of our UCaaS and CCaaS products and services, including our X Series, we may be unable to recoup our research and development and marketing costs on the schedule we anticipated, and our results of operations may suffer.

Our ability to grow is also subject to the risk of future disruptive technologies. If new technologies emerge that are able to deliver communications and collaboration solution services at lower prices, more efficiently, more conveniently, or more securely, such technologies could adversely impact our ability to compete.

We may have difficulty attracting or retaining senior management and other personnel with the industry experience and technical skills necessary to support our growth.

Companies in the cloud communications industry compete aggressively for top talent in all areas of business, but particularly in senior management, sales and marketing, professional services, and engineering, where employees with industry experience, technical knowledge and specialized skill sets are particularly valued. Some of our competitors are responding to these competitive pressures by increasing employee compensation, paying more on average than we pay for the same position or offering more attractive equity compensation. Any such disparity in compensation could make us less attractive to candidates as a potential employer, which in turn may make it more difficult for us to hire and retain qualified employees, including the hiring of senior executives such as a permanent CEO and CFO. Training an individual who lacks prior cloud communications experience to be successful in a sales or technical role can take months or even years.

If an employee of 8x8 leaves to work for a competitor, not only are we impacted by the loss of the individual resource, but we also face the risk that the individual will share our trade secrets with the competitor in violation of his or her contractual and legal obligations to us. Our competitors have in the past and may in the future target their hiring efforts on a particular department, and if we lose a group of employees to a competitor over a short time period, our day-to-day operations may be impaired. While we may have remedies available to us through litigation, these would likely take significant time and expense and divert management attention from other areas of the business.

If we increase employee compensation (beyond levels that reflect customary performance-based and/or cost-of-living adjustments) in response to competitive pressures, we may sustain greater operating losses than we predicted in the near term, and we may not achieve profitability within the timeframe we had expected, or at all. In addition, we may need to issue equity at increased levels, now and in the future, to attract and retain key employees and executives, including weighting a greater percentage of our employees' total compensation in the form of equity as opposed to cash, which will have the adverse effect of increasing dilution for our stockholders.

We may not realize all of the anticipated benefits of the acquisition of Fuze, Inc.

The success of our acquisition of Fuze, Inc. ("Fuze") will depend, in part, on our ability to realize the anticipated growth opportunities and synergies from combining the businesses of our company and Fuze. Our ability to realize these anticipated benefits, and the timing of this realization, depend upon a number of factors and future events, many of which we and Fuze, individually or collectively, cannot control. These factors and events include:

- our ability to successfully and timely integrate Fuze's business and operations with ours;
- obtaining and maintaining intellectual property rights relating to Fuze technology;
- retaining and attracting key employees;
- the reaction of Fuze's customers, business partners and competitors to the acquisition;
- consolidating corporate and administrative functions; and
- minimizing the diversion of management's attention from ongoing business concerns.

We cannot assure you that any of the foregoing factors will not have an adverse effect on our business, financial condition, and prospects. Acquisitions involve risks, including inaccurate assessment of undisclosed, contingent, or other liabilities or problems. Following the completion of the acquisition, the surviving corporation possesses not only all of the assets, but also all of the liabilities, of Fuze. It is possible that undisclosed, contingent, or other liabilities or problems may arise in the future of which we

were previously unaware. These undisclosed liabilities could have an adverse effect on our business, financial condition, and prospects.

Taxing authorities have asserted, or could in the future assert, that we should have collected or in the future should collect sales and use, value added, or similar taxes, including on similar services for which our competitors may not be subject to the same obligations. As a result, we could be subject to liability with respect to past or future sales, which have and could adversely affect our business.

The applicability of state and local taxes, fees, surcharges or similar taxes to our services is complex, ambiguous, and subject to interpretation and change. In the United States, for example, we collect state and local taxes, fees, and surcharges based on our understanding of the applicable laws in the relevant jurisdiction. The taxing authorities may challenge our interpretation of the laws and may assess additional taxes, penalties, and interests, which could have adverse effects on the results of operations and, to the extent we pass these through to our customers, demand for our services. Additionally, the applicability of sales and use, value added, or similar taxes may differ between services such as unified communication, voice, video, contact center, and platform communications so that the obligations to collect taxes from customers may vary between services and between companies such that we may be obligated to collect taxes at a higher rate than other services from our competitors, thereby impacting customer demand for our services. We currently file more than 1,500 state and local tax returns monthly. Periodically, we have received inquiries from state and municipal taxing agencies with respect to the remittance of state or local taxes, fees, or surcharges. Currently, several jurisdictions are conducting audits of 8x8; in the event our positions are unsuccessful, we may be subject to tax payments, interest, and penalties in excess of those that we have accrued for. As of March 31, 2023, we have paid or accrued for state or local taxes, fees, and surcharges that we believe are required to be remitted.

Our ability to use our net operating losses or research tax credits to offset future taxable income is subject to certain limitations.

As of March 31, 2023, we had federal net operating loss ("NOL") carryforwards of \$1,199.1 million, of which \$361.0 million are related to years prior to fiscal 2019 and begin to expire in 2034. The remaining \$838.1 million carry forward indefinitely. As of March 31, 2023, the Company also had state net operating loss carryforwards, the majority of which will expire at various dates between 2024 and 2042. We also had research and development credit carryforwards for federal and California tax purposes of approximately \$18.5 million and \$21.8 million, respectively. The federal income tax credit carryforwards related to research and development will expire at various dates between the calendar years 2024 and 2042, while the California income tax credits will carry forward indefinitely. Utilization of our NOL and tax credit carryforwards can become subject to substantial annual limitation due to the ownership change limitations provided by Section 382 of the Internal Revenue Code and similar state provisions. A Section 382 ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of the stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. Such an ownership change, or any future ownership change, could have a material effect on our ability to utilize the NOL or research credit carryforwards. In addition, under the Tax Cuts and Jobs Act, or the Tax Act, the amount of NOLs that we are permitted to deduct in any taxable year is limited to 80% of the taxable income in such year. There is a risk that due to changes under the Tax Act, regulatory changes, or other unforeseen reasons, the existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities, which could have a material impact on our net income (loss) in future periods.

Risks Related to our Products and Operations

If our platform or services experience significant or repeated disruptions, outages, or failures due to defects, bugs, vulnerabilities, or similar software problems, or if we fail to determine the cause of any disruption or failure and correct it promptly, we could lose customers, become subject to service performance or warranty claims, or incur significant costs, reducing our revenue and adversely affecting our operating results.

Our customers use our communications services to manage important aspects of their businesses, and any errors, defects, outages, or disruptions to our service or other performance problems with our service, could hurt our reputation and may damage our customers' businesses, any of which may result in our granting of credits to customers that in turn would reduce our revenue. Our services and the systems infrastructure underlying our cloud communications platform incorporate software that is highly technical and complex. Our software has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities to hackers, which have caused, and may in the future cause, temporary service outages or other disruptions for some customers. Some errors in our software code may not be discovered until after the code has been released. Any errors, bugs, or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of customers, loss of revenue, or liability for service credits or damages, any of which could adversely affect our business and financial results. We implement bug fixes and upgrades as part of our regularly scheduled system maintenance, which may lead to system downtime. Even if we are able to implement the bug fixes and upgrades in a timely manner, any history of defects, or the loss, damage, or inadvertent release of confidential customer data, could cause our reputation to be harmed, and customers may elect not to purchase or renew their agreements with us and subject us to service performance credits, warranty claims or increased insurance costs. The costs associated with any material defects or errors in our software or other performance problems may be substantial and could materially adversely affect our operating results.

Our physical infrastructure is concentrated in a few facilities (i.e., data centers and public cloud providers), and any failure in our physical infrastructure or service outages could lead to significant costs and/or disruptions and could reduce our revenue, harm our business reputation and have a material adverse effect on our financial results.

Our leased network and data centers, as well as public cloud infrastructure, are subject to various points of failure. Problems with cooling equipment, generators, uninterruptible power supply, routers, switches, or other equipment, whether or not within our control, could result in service interruptions for our customers as well as equipment damage. Because our services do not require geographic proximity of our data centers to our customers, our infrastructure is consolidated into a few large data center facilities. Any failure or downtime in one of our data center facilities could affect a significant percentage of our customers. The total destruction, closure, or severe impairment of any of our data center facilities could result in significant downtime of our services and the loss of customer data. Because our ability to attract and retain customers depends on our ability to provide customers with highly reliable service, even minor interruptions in our service could harm our reputation. Additionally, in connection with the expansion or consolidation of our existing data center facilities from time to time, there is an increased risk that service interruptions may occur as a result of server relocation or other unforeseen construction-related issues.

We have experienced interruptions in service in the past. The harm to our reputation is difficult to assess but has resulted and may result in the future in customer attrition. We have taken and continue to take steps to improve our infrastructure to prevent service interruptions, including upgrading our electrical and mechanical infrastructure. However, service interruptions continue to be a significant risk for us and could have a material adverse impact on our business.

Any future service interruptions could:

- cause our customers to seek service credits or damages for losses incurred;
- require us to replace existing equipment or add redundant facilities;
- affect our reputation as a reliable provider of communications services;
- cause existing customers to cancel or elect to not renew their contracts; or
- make it more difficult for us to attract new customers.

We may be required to transfer our servers to new data center facilities or public cloud load to a different public cloud provider in the event that we are unable to renew our agreement or leases on acceptable terms, or at all, or the owners of the facilities decide to close their facilities, and we may incur significant costs and possible service interruption in connection with doing so. In addition, any financial difficulties, such as bankruptcy or foreclosure, faced by our third-party data center operators, or any of the service providers with which we or they contract, may have negative effects on our business, the nature and extent of which are difficult to predict. If our data centers or our public cloud providers are unable to keep up with our increasing needs for capacity, our ability to grow our business could be materially and adversely impacted.

We may not be able to scale our business efficiently or quickly enough to meet our customers' growing needs, leading to increased customer churn and damage to reputation and brand, each of which could harm our operating results.

As usage of our cloud software solutions by mid-market and larger enterprises expands and as customers continue to integrate our services across their enterprises, we are required to devote additional resources to improving our application architecture, integrating our products and applications across our technology platform, integrating with third-party systems, and maintaining infrastructure performance. To the extent we increase our customer base and as our customers gain more experience with our services, the number of users and transactions managed by our services, the amount of data transferred, processed, and stored by us, the number of locations where our service is being accessed, and the volume of communications managed by our services have in some cases, and may in the future, expand rapidly. In addition, we will need to appropriately scale and modernize our internal business systems and our services organization, including customer support, sales operations, billing services, and regulatory, privacy and cybersecurity compliance, to serve our growing customer base. Any failure or delay in these efforts could cause impaired system performance and reduced customer satisfaction. These issues could adversely impact our reputation and brand and reduce the attractiveness of our cloud software solutions to customers, resulting in decreased sales to new customers, lower renewal rates by existing customers, and the issuance of service credits, or requested refunds, which could hurt our revenue growth and our reputation.

Because our long-term growth strategy involves continued expansion outside the United States, our business will be susceptible to risks associated with international operations.

An important component of our growth strategy involves the further expansion of our operations and customer base internationally. We have formed subsidiaries outside the United States, including a subsidiary in Romania that contributes significantly to our research and development efforts. Additionally, through acquisitions, we have expanded into the United Kingdom, the EU, and Southeast Asia. The risks and challenges associated with sales and other operations outside the United States are different in some ways from those associated with our operations in the United States, and we have a limited history addressing those risks and meeting those challenges. Our current international operations and future initiatives, including Southeast Asia, will involve a variety of risks, including:

- localization of our services, including translation into foreign languages and associated expenses;

- regulation of our services as traditional telecommunications services, requiring us to obtain authorizations or licenses to operate in foreign jurisdictions, or alternatively preventing us from selling our full suite of services, or any services at all, in such jurisdictions;
- changes in a specific country's or region's regulatory requirements, taxes, trade laws, or political or economic condition;
- increased competition from regional and global cloud communications competitors in the various geographic markets in which we compete, where such markets may have different sales cycles, selling processes, and feature requirements, which may limit our ability to compete effectively in different regions globally;
- more stringent regulations relating to data security and the unauthorized use of, access to, and transfer of, commercial and personal information, particularly in the EU;
- differing labor regulations, especially in the EU and Latin America, where labor laws are generally more advantageous to employees as compared to those in the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;
- different pricing environments, longer sales cycles, longer accounts receivable payment cycles, and other collection difficulties;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- a military conflict with China and/or Russia that will likely involve cyberattacks on critical infrastructure, including, but not limited to, global data centers, power grids, and communication companies;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act 2010, trade and export laws such as those enforced by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury, and similar laws and regulations in other jurisdictions;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the United States and abroad, including as a result of the United Kingdom's vote to withdraw from the EU;
- regional travel restrictions, business closures, government actions and other restrictions in connection with the COVID-19 pandemic; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

We have limited experience in operating our business internationally, which increases the risk that any potential future expansion efforts that we may undertake will not be successful. We expect to invest substantial time and resources to expand our international operations. If we are unable to do this successfully and in a timely manner, our business and operating results could be materially adversely affected.

The conflict between Russia and Ukraine and related sanctions could negatively impact us.

The ongoing conflict between Russia and Ukraine has led to and is expected to continue to lead to disruption, instability, and volatility in global markets and industries. Our business, including our operations in Romania, could be negatively impacted by such conflict. We have a significant engineering and operations presence in Romania, which borders Ukraine, and any expansion of the conflict between Russia and Ukraine to the countries surrounding Ukraine, including Romania, would negatively impact us and our employees in Romania. The United States government and other governments in jurisdictions in which we operate have imposed severe sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, could adversely affect

our business, supply chain, partners, or customers, particularly if the impact were to cause a geographic expansion of the conflict between Russia and Ukraine to surrounding countries.

We face risks related to acquisitions now and in the future that may divert our management's attention, result in dilution to our stockholders, and consume resources that are necessary to sustain and grow our existing business.

Although we have acquired several companies and business units in recent years, including Fuze, we have limited experience with purchasing and integrating other businesses. We may not be able to identify suitable acquisition candidates in the future or negotiate and complete acquisitions on favorable terms.

If appropriate opportunities present themselves, we may decide to acquire such companies or their products, technologies or assets. Acquisitions involve numerous risks, and there is no guarantee that we will ultimately strengthen our competitive position or achieve other benefits expected from the transaction. Among other risks we may encounter in connection with acquisitions:

- we may experience difficulty and delays in integrating the products, technology platform, operations, systems and personnel of the acquired business with our own, particularly if the acquired business is outside of our core competencies;
- we may not be able to manage the acquired business or the integration process effectively, which may limit our ability to realize the financial and strategic benefits we expected from the transaction;
- the acquisition and integration may divert management's attention from our day-to-day operations and disrupt the ordinary functioning of our ongoing business;
- we may have difficulty establishing and maintaining appropriate governance, reporting relationships, policies, controls, and procedures for the acquired business, particularly if it is based in a country or region where we did not previously operate;
- any failure to successfully manage the integration process may also adversely impact relationships with our employees, suppliers, customers, and business partners, or those of the acquired business, and may result in increased churn or the loss of key customers, business partners or employees for our business or those of the acquired business;
- we may become subject to new or more stringent regulatory compliance obligations and costs by virtue of the acquisition, including risks related to international acquisitions that may operate in new jurisdictions or geographic areas where we may have no or limited experience;
- we may become subject to litigation, investigations, proceedings, fines or penalties arising from or relating to the transaction or the acquired business, and any resulting liabilities may exceed our forecasts;
- we may acquire businesses with different revenue models, customer concentration risks, and contractual relationships;
- we may assume long-term contractual obligations, commitments or liabilities (for example, those relating to leased facilities), which could adversely impact our efforts to achieve and maintain profitability and impair our cash flow;
- we may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges;
- the acquisition may create a drag on our overall revenue growth rate, which could lead analysts and investors to reduce their valuation of our company;
- we may be exposed to existing cyber risks not identified prior to an acquisition that could impact our core operations until mitigated; and
- if an acquired business's cybersecurity controls are materially weaker than ours, we may be exposed to existing cyber risks not identified prior to an acquisition that could impact our core operations until mitigated.

In addition, we may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.

As a result of these potential problems and risks, among others, businesses that we may acquire or invest in may not produce the revenue, competitive advantages, or business synergies that we anticipate, and the results and effects of any such acquisition may not be favorable enough to justify the amount of consideration we pay or the other investments we make in the acquired business.

If we do not or cannot maintain the compatibility of our communications and collaboration software with third-party applications and mobile platforms that our customers use in their businesses, our revenue could decline.

The functionality and popularity of our cloud software solutions depends, in part, on our ability to integrate our services with third-party applications and platforms, including enterprise resource planning, customer relations management, human capital management, workforce management, and other proprietary application suites. Third-party providers of applications and APIs may change the features of their applications and platforms, restrict our access to their applications and platforms or alter the terms governing use of their applications and APIs and access to those applications and platforms in an adverse manner. Such changes could functionally limit or terminate our customers' ability to use these third-party applications and platforms in conjunction with our services, which could negatively impact our offerings and harm our business. If we fail to integrate our software with new third-party back-end enterprise applications and platforms used by our customers, we may not be able to offer the functionality that our customers need, which would negatively impact our ability to generate revenue and adversely impact our business.

Our services also allow our customers to use and manage our cloud software solutions on smartphones, tablets, and other mobile devices. As new smart devices and operating systems are released, we may encounter difficulties supporting these devices and services, and we may need to devote significant resources to the creation, support, and maintenance of our mobile applications. In addition, if we experience difficulties in the future integrating our mobile applications into smartphones, tablets, or other mobile devices or with certain communication platforms, such as Microsoft Teams, or if problems arise with our relationships with providers of mobile operating systems, such as those of Apple Inc. or Alphabet Inc., our future growth and our results of operations could suffer.

To provide our services, we rely on third parties for our network service and connectivity, and any disruption or deterioration in the quality of these services or the increase in the costs we incur from these third parties could adversely affect our business, results of operations, and financial condition.

We rely on third-party network service providers to originate and terminate substantially all of the PSTN calls using our cloud-based services. We leverage the infrastructure of third-party network service providers to provide telephone numbers, PSTN call termination and origination services, and local number portability for our customers, rather than deploying our own network throughout the United States and internationally. We use the infrastructure of third-party network service providers, such as Equinix, Inc. and CenturyLink, Inc., and public cloud providers, including Amazon Web Services, Inc. and Oracle Corporation, to provide our cloud services over their networks rather than deploying our own network connectivity. These decisions have resulted in lower capital and operating costs for our business in the short-term but have reduced our operating flexibility and ability to make timely service changes. If any of these network service providers cease operations or otherwise terminate the services that we depend on or become unwilling to supply cost-effective services to us in the future, the delay in switching our technology to another network service provider, if available, and qualifying this new service provider could have a material adverse effect on our business, financial condition, or operating results. In addition, the rates we pay to our network service providers and other intermediaries may also change more rapidly than the change in pricing we charge our customers, which may reduce our profitability and increase the retail price of our service.

We depend on third-party vendors for IP phones and certain software endpoints, and any delay or interruption in supply by these vendors would result in delayed or reduced shipments to our customers and may harm our business.

We rely on third-party vendors for IP phones and software endpoints required to utilize our service. We currently do not have long-term supply contracts with any of these vendors. As a result, most of these third-party vendors are not obligated to provide products or services to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. The inability of these third-party vendors to deliver IP phones of acceptable quality and in a timely manner, particularly the sole source vendors, could adversely affect our operating results or cause them to fluctuate more than anticipated. Additionally, some of our products and services may require specialized or high-performance component parts that may not be available in quantities or in time frames that meet our requirements.

Difficulty executing local number porting requests could negatively impact our business.

The FCC and foreign regulators require VoIP providers to support telephone number porting within specified timeframes. In order to port telephone numbers, we rely on third party telecommunications carriers to complete the process. Often, number ports take longer than the specified timeframes. For many potential customers, the ability to quickly port their existing telephone numbers into our service in a timely fashion is a very important consideration. To the extent that we cannot quickly port telephone numbers in, our ability to acquire new customers may be negatively impacted. To the extent that we cannot quickly port telephone numbers out when a customer leaves our service to go to another provider, we could be subject to regulatory enforcement action.

Risks Related to Regulatory Matters

Cyber intrusions, breaches of our networks or systems or those of our service and cloud storage providers, and other malicious acts could adversely impact our business.

Our business operations, from our internal and service operations to research and development activities, sales and marketing efforts and customer and partner communications, depend on our ability to protect our network from interruption by damage from hackers, social engineering and phishing, ransomware, computer viruses, worms, other malicious software programs, or similar disruptive problems or other events beyond our control. Individuals or entities have attempted, and will attempt, to penetrate our network security, and that of our platform, and try to cause harm to our business operations, including by misappropriating our proprietary information or that of our customers, employees and business partners or causing interruptions of our products and platform. In particular, cyberattacks and other malicious internet-based activity continue to increase in frequency and in magnitude both generally and specifically against us and other cloud-service providers. For example, during the second quarter of fiscal 2023, in real time, we detected an unauthorized third party in our network as well as the malware they deployed to establish persistent access. We responded quickly, including with the assistance of third party digital forensics experts, and implemented measures to identify and remove the intruder and malware from our network and secure our data before any potential ransomware could be deployed. We subsequently learned during the third quarter of fiscal 2023, in December 2022, that the unauthorized third party possessed approximately a terabyte of our confidential information from several back-office servers. The unauthorized third party made a ransom demand for the return of our confidential information, which we did not pay. We continue to implement new technological measures to prevent, detect, and contain such intrusions as well as build and strengthen ongoing employee awareness, education and training, but we cannot guarantee we will be able to prevent, detect or contain all future cyber intrusions, nor can we guarantee that our backup systems, regular data backups, security protocols, denial or disruption of service (DDoS) mitigation, and other procedures that are currently in place, or may be in place in the future, will be adequate to prevent significant damage, system failure, or data loss.

Inherent in our provision of services are the storage, processing, and transmission of our customers' data, which may include confidential and sensitive information. Customers may use our services to store, process, and transmit a wide variety of confidential and sensitive information, such as credit card, bank account, and other financial information, proprietary information, trade secrets, or other data that may be protected by sector-specific laws and regulations, like intellectual property laws, laws addressing the protection of personally identifiable information (or personal data in the EU), as well as the Federal Communications Commission's, or the FCC's, customer proprietary network information ("CPNI") rules. We may be targets of cyber threats and security breaches, given the nature of the information that we store, process, and transmit and the fact that we provide communications services to a broad range of businesses. To the extent that state-sponsored incidents of cybersecurity breaches increase due to geopolitical tensions, this risk may continue to increase.

In addition, we use third-party vendors, which in some cases have access to our data and our customers' data. Despite the implementation of security measures by us or our vendors, our computing devices, infrastructure, or networks, or our vendors' computing devices, infrastructure, or networks may be vulnerable to hackers, social engineering and phishing, ransomware, computer viruses, worms, other malicious software programs, or similar disruptive problems due to a security vulnerability in our or our vendors' infrastructure or network, or our vendors, customers, employees, business partners, consultants, or other internet users who attempt to invade our or our vendors' public and private computers, tablets, mobile devices, software, data networks, or voice networks. If there is a security vulnerability in our or our vendors' infrastructure or networks that is successfully targeted, we could face increased costs, liability claims, government investigations, fines, penalties or forfeitures, class action litigation, reduced revenue, or harm to our reputation or competitive position.

We could be liable for breaches of security on our website, fraudulent, improper or illegal activities by our users, or the failure of third-party vendors to deliver credit card transaction processing services, which could result in claims, increase the cost of operations or otherwise harm our business and reputation.

A fundamental requirement for operating an Internet-based, worldwide cloud software solution and electronically billing our customers is the secure transmission of confidential information and media over public networks. Although we have developed systems and processes that are designed to protect consumer information and prevent fraudulent credit card transactions and other security breaches, failure to mitigate such fraud or breaches may subject us to costly breach notification and other mitigation obligations, class action lawsuits, investigations, fines, forfeitures or penalties from governmental agencies that could adversely affect our operating results.

The law relating to the liability of providers of online payment services is currently unsettled and states may enact their own rules with which we may not comply. We rely on third-party providers to process and guarantee payments made by our subscribers up to certain limits, and we may be unable to prevent our customers from fraudulently receiving goods and services. Our liability risk will increase if a larger fraction of transactions affected using our cloud-based services involves fraudulent or disputed credit card transactions.

We may also experience losses due to subscriber fraud and theft of service. Subscribers have, in the past, obtained access to our service without paying for monthly service and international toll calls by unlawfully using our authorization codes or by submitting fraudulent credit card information. If our existing anti-fraud procedures are not adequate or effective, consumer fraud and theft of service could have a material adverse effect on our business, financial condition, and operating results.

Similarly, bad actors may use our products to promote their goals and encourage users to engage in improper or illegal activities. There have been instances where improper or illegal content may have been shared on our platform without our knowledge. As a service provider, and as a matter of policy, we do not monitor user meetings. Our terms of service prohibit such conduct. While to date we have not been subject to legal or administrative actions as a result of improper or illegal content, the laws in this area are currently in a state of flux and vary widely between jurisdictions. Accordingly, it may be possible that in the future, we and our competitors may be subject to legal actions along with the users who shared such content. In addition, regardless of any legal liability we may face, if there is an incident generating extensive negative publicity about the content shared on our platform, our business and reputation could be harmed.

Failure to comply with laws and contractual obligations related to data privacy and protection could have a material adverse effect on our business, financial condition and operating results.

We process many types of data, including personal data in the course of our business. As such, we are subject to the data privacy and protection laws and regulations adopted by federal, state and foreign governmental agencies, including the EU's GDPR, the UK's Data Protection Act 2018, the CCPA/CPRA, and the Virginia Consumer Data Protection Act. Data privacy and protection is highly regulated in many jurisdictions and may become the subject of additional regulation in the future. For example, lawmakers and regulators worldwide are considering proposals that would require companies, like us, that encrypt users' data to ensure access to such data by law enforcement authorities. In addition, several additional states have comprehensive privacy laws that will become effective in 2023, including Colorado, Connecticut, and Utah. Privacy laws restrict our processing of personal information, provided to us by our customers as well as data we collect from our customers and employees. We strive to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, if we fail to comply, we may be subject to fines, penalties and lawsuits, statutory damages at both the federal and state levels in the United States, substantial fines and penalties under the EU's GDPR and the UK's Data Protection Act 2018, and class action lawsuits, and our reputation may suffer. We may also be required to make modifications to our data practices that could have an adverse impact on our business, including increasing our operating costs, which may cause us to increase our prices, making our services less competitive.

We are also subject to the privacy and data protection-related obligations in our contracts with our customers and other third parties. Any failure, or perceived failure, by us to comply with federal, state, or international laws, including laws and regulations regulating privacy, data, or consumer protection, or to comply with our contractual obligations related to privacy, could result in proceedings or actions against us by governmental entities, contractual parties, or others, which could result in significant liability to us, as well as harm our reputation. Additionally, third parties on which we rely enter into contracts to protect and safeguard our customers' data. Should such parties violate these agreements or suffer a breach, we could be subject to proceedings or actions against us by governmental entities, contractual parties, or others, which could result in significant liability to us as well as harm to our reputation.

Our products and services must comply with industry standards, FCC regulations, state, local, country-specific, and international regulations, and changes may require us to modify existing services, potentially increase our costs or prices we charge customers, and otherwise harm our business.

As a provider of interconnected VoIP services, we are subject to various international, federal, state, and local requirements applicable to our industry, including those that address, among other matters, acceptable marketing practices, the accessibility of 9-1-1 or other international emergency services, local number porting, robo-calling, and caller ID spoofing. The failure of our products and services to comply, or delays in compliance, with various existing and evolving standards could delay or interrupt our introduction of new products, subject us to fines or other imposed penalties, or harm our reputation, any of which would have a material adverse effect on our business, financial condition, or operating results.

Regulations to which we may be subject address the following matters, among others:

- license requirements that apply to providers of communications services in many jurisdictions;
- our obligation to contribute to various Universal Service Fund programs, including at the state level;
- monitoring on rural call completion rates;
- safeguarding and use of CPNI;
- rules concerning access requirements for users with disabilities;
- our obligation to offer 7-1-1 abbreviated dialing for access to relay services;
- requirements to enable access to services for disabled persons;
- compliance with the requirements of United States and foreign law enforcement agencies, including the Communications Assistance for Law Enforcement Act ("CALEA"), and cooperation with local authorities in conducting wiretaps, pen traps and other surveillance activities;
- the ability to dial 9-1-1 (or corresponding numbers in regions outside the United States), auto-locate E-911 calls (or corresponding equivalents) when required, and access emergency services;

- the transmission of telephone numbers associated with calling parties between carriers and service providers like us;
- regulations governing outbound dialing, including the Telephone Consumer Protection Act; and
- FCC and other regulators efforts to combat robo-calling and caller ID spoofing.

Regulation of our services as telecommunications services may require us to obtain authorizations or licenses to operate in foreign jurisdictions and comply with legal requirements applicable to traditional telephony providers. This regulation may impact our ability to differentiate ourselves from incumbent service providers and imposes substantial compliance costs on us. In addition, the reform of federal and state Universal Service Fund programs and payment of regulatory and other fees in international markets could increase the cost of our service to our customers, diminishing or eliminating any pricing advantage we may have.

Efforts to address robo-calling and caller ID spoofing could cause us competitive harm.

In June 2019, the FCC ruled that providers of voice services may by default (subject to opt-out by subscribers) block voice traffic based on reasonable analytics designed to identify unwanted calls. As of June 30, 2021, the FCC required all voice service providers to implement the STIR/SHAKEN caller ID authentication framework in the Internet Protocol ("IP") portions of their networks. 8x8 signs its originating traffic in the U.S. using the STIR/SHAKEN framework and is registered in the FCC Robocall Mitigation Database as signing its originating traffic using the STIR/SHAKEN framework. Canada has also required voice service providers to implement STIR/SHAKEN as of November 30, 2021. The STIR/SHAKEN framework will likely be used throughout the world. The standards to obtain STIR/SHAKEN signing authority in other countries will likely differ from the United States requirements. In addition, foreign regulators have allowed terminating voice service providers to block voice traffic to address robo-calling or other unwanted calls. If we do not have a solution in place for STIR/SHAKEN when STIR/SHAKEN becomes widely adopted, our business could be harmed, as we would be unable to authenticate originating calls from our subscriber's telephone numbers under STIR/SHAKEN. Call recipients would be less likely to answer non-authenticated calls. In addition, the terminating voice service providers may block calls that are not authenticated under STIR/SHAKEN, as the lack of authentication could be viewed as a reasonable indication that the call is unwanted by the recipient. Apart from STIR/SHAKEN, the analytics used by the terminating carrier to identify unwanted calls could lead to originating traffic from our customers being blocked. If our customers' originating traffic is blocked by terminating carriers, our service would be less desirable for our customers. Further, if we do not have STIR/SHAKEN caller ID authentication in place when required, we could be subject to regulatory enforcement action.

Risks Related to Intellectual Property

Our infringement of a third party's proprietary technology could disrupt our business.

If we are found to be infringing the intellectual property rights of any third-party in lawsuits or proceedings that may be asserted against us, we could be subject to monetary liabilities for such infringement, which could be material. We could also be required to refrain from using, manufacturing, or selling certain products or using certain processes, either of which could have a material adverse effect on our business and operating results. Our broad range of current and former technology, including IP telephony systems, digital and analog circuits, software, and semiconductors, increases the likelihood that third parties may claim infringement by us of their intellectual property rights. We have received and may continue to receive in the future, notices of claims of infringement, misappropriation, or misuse of other parties' proprietary rights. There can be no assurance that we will prevail in these discussions and actions or that other actions alleging infringement by us of third-party patents will not be asserted or prosecuted against us. Furthermore, lawsuits like these may require significant time and expense to defend, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Inability to protect our proprietary technology would disrupt our business.

We rely, in part, on patent, trademark, copyright, and trade secret law to protect our intellectual property in the United States and abroad. We seek to protect our software, documentation, and other written materials under trade secret and copyright law, which afford only limited protection. We currently have several United States patent applications pending. We cannot predict whether such pending patent applications will result in issued patents, and if they do, whether such patents will effectively protect our intellectual property. The intellectual property rights we obtain may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, infringed or misappropriated. We may not be able to protect our proprietary rights in the United States or internationally (where effective intellectual property protection may be unavailable or limited), and competitors may independently develop technologies that are similar or superior to our technology, duplicate our technology or design around any patent of ours.

Litigation may be necessary in the future to enforce our intellectual property rights, determine the validity and scope of our proprietary rights or the rights of others, or defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of management time and resources and could have a material adverse effect on our business, financial condition, and operating results. Any settlement or adverse determination in such litigation would also subject us to significant liability.

Our inability to use software licensed from third parties, or our use of open-source software under license terms that interfere with our proprietary rights, could disrupt our business.

Our technology platform incorporates software licensed from third parties, including some software, known as open-source software, which we use without charge. Although we monitor our use of open source software, the terms of many open source licenses to which we are subject have not been interpreted by United States or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide our platform to our customers. In the future, we could be required to seek licenses from third parties in order to continue offering our platform, which licenses may not be available on terms that are acceptable to us, or at all. Alternatively, we may need to re-engineer our platform or discontinue use of portions of the functionality provided by our platform. In addition, the terms of open-source software licenses may require us to provide software that we develop using such software to others on unfavorable license terms. Our inability to use third-party software could result in disruptions to our business, or delays in the development of future offerings or enhancements of existing offerings, which could impair our business.

Risks Related to our Debt, our Stock, and our Charter

We have a substantial amount of indebtedness, which could have important consequences to our business.

We have a substantial amount of indebtedness. During the second quarter of fiscal 2023, we entered into the following arrangements: (i) on August 10, 2022, we borrowed \$250.0 million in a senior secured term loan facility (the "Term Loan") under the Credit Agreement entered into on August 3, 2022, which term loans will mature on August 3, 2027 and initially bear interest at an annual rate equal to the Term SOFR (which will be subject to a floor of 1.00% and a credit spread adjustment of 0.10%), plus a margin of 6.50%; and (ii) on August 11, 2022, we issued approximately \$201.9 million aggregate principal amount of 4.00% convertible senior notes due February 1, 2028 (the "2028 Notes"), which bear interest at a rate of 4.00% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2023, and will mature on February 1, 2028, unless earlier converted, redeemed or repurchased, pursuant to the indenture for the 2028 Notes.

Our substantial indebtedness could have important consequences that could have a material adverse effect on our business, financial condition and results of operations, including the following:

- requiring us to comply with restrictive covenants in our senior secured debt facility, which limits the manner in which we conduct our business, and which obligations under the Credit Agreement are guaranteed by our wholly-owned subsidiaries. For example, our Credit Agreement contains a minimum adjusted cash Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) financial covenant, a minimum liquidity covenant and a maximum secured leverage ratio financial covenant and contains affirmative and negative covenants customary for transactions of this type, including limitations with respect to indebtedness, liens, investments, dividends, disposition of assets, change in business, and transactions with affiliates;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness;
- requiring us to dedicate a substantial portion of our cash flow from operations to debt service payments on our debt, which reduces the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in the industry in which we operate;
- placing us at a competitive disadvantage compared to any of our less-leveraged competitors;
- increasing our vulnerability to both general and industry-specific adverse economic conditions; and
- limiting our ability to obtain additional debt or equity financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

Servicing our debt, including the paying down of principal, requires the use of cash and liquidity of our clearing, cash management and custodial financial institutions, and we may not have sufficient cash flow from our business to pay down our debt.

As of March 31, 2023, we currently have outstanding approximately \$63.3 million aggregate principal amount of our 0.50% convertible senior notes due February 1, 2024 (the "2024 Notes"), approximately \$201.9 million aggregate principal amount of the 2028 Notes (together with the 2024 Notes, "our notes"), and the \$250.0 million Term Loan.

Our ability to make scheduled payments of the principal of, pay interest on, or refinance our indebtedness, including the amounts payable under the 2024 Notes, the 2028 Notes and the Term Loan, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control, such as recent and potential future disruptions in access to bank deposits or lending commitments due to bank failure, as well as in the event of sustained deterioration in the liquidity, or failure, of our clearing, cash management and custodial financial institutions. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt, including paying off the principal when due, and make necessary capital expenditures. Our notes are currently significantly out of the money, and our stock price would have to increase significantly for our notes to convert prior to maturity. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may not have the ability to raise the funds necessary to settle conversions of the new notes in cash or repurchase the new notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the new notes.

Holders of the 2028 Notes have the right to require us to repurchase the 2028 Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the 2028 Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the 2028 Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2028 Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the new Notes surrendered therefor or the new Notes being converted. In addition, our ability to repurchase the 2028 Notes or to pay cash upon conversions of the 2028 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase any of our Notes at a time when the repurchase is required by the applicable indenture or to pay any cash payable on future conversions of our Notes as required by the applicable indenture would constitute a default under such indenture. A default under an applicable indenture or the occurrence of the fundamental change may also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase our 2028 Notes or make cash payments upon conversions thereof.

The conditional conversion feature of our notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of our notes is triggered, holders of our notes will be entitled to convert such notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligations through the payment of cash, which could adversely affect our liquidity. In addition, even if holders of our notes do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of such notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

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

U.S. GAAP is subject to interpretation by the FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and will occur in the future. Changes to existing rules or the questioning of current practices may harm our reported financial results or the way we account for or conduct our business.

The current instability in the banking system could adversely impact our operations and operating results, including our cash and cash equivalents if the financial institutions in which we hold our cash and cash equivalents fail.

On March 10, 2023, the Federal Deposit Insurance Corporation ("FDIC") announced that Silicon Valley Bank ("SVB") had been closed by the California Department of Financial Protection and Innovation; on March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services; and on May 1, 2023, First Republic Bank, San Francisco, California, was closed by the California Department of Financial Protection and Innovation. We maintain cash balances at financial institutions which may be in excess of the FDIC insurance limit. Any failure of a depository institution to return any of our deposits, or any other adverse conditions in the financial or credit markets affecting depository institutions, could impact access to our invested cash or cash equivalents and could adversely impact our operations, liquidity and operating results.

Future sales of our common stock or equity-linked securities in the public market could lower the market price of our common stock.

In the future, we may sell additional shares of our common stock or equity-linked securities to raise capital. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options, upon the vesting and settlement of restricted stock units and performance units, stock purchases in connection with our Employee Stock Purchase Plan, and upon conversion of our notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock or equity-linked securities, or the perception that such issuances and sales may occur, could adversely affect the trading price of our notes and the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities.

Certain provisions in our charter documents and Delaware law could discourage takeover attempts.

Our restated certificate of incorporation and amended and restated by-laws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors, including, among other things:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by a majority vote of our board of directors or by stockholders holding a share of our common stock representing in the aggregate a majority of votes then outstanding, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the ability of our board of directors, by majority vote, to amend our by-laws, which may allow our board of directors to take additional actions to prevent a hostile acquisition and inhibit the ability of an acquirer to amend our by-laws to facilitate a hostile acquisition; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under the General Corporation Law of the State of Delaware (the "DGCL"). Under Section 203 of the DGCL, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or (a) our board of directors approves the transaction prior to the stockholder acquiring the 15% ownership position, (b) upon consummation of the transaction that resulted in the stockholder acquiring the 15% ownership position, the stockholder owns at least 85% of the outstanding voting stock (excluding shares owned by directors or officers and shares owned by certain employee stock plans) or (c) the transaction is approved by the board of directors and by the stockholders at an annual or special meeting by a vote of 66 2/3% of the outstanding voting stock (excluding shares held or controlled by the interested stockholder). These provisions in our restated certificate of incorporation and amended and restated by-laws and under Delaware law could discourage potential takeover attempts.

General Risk Factors

Current and future variants of COVID-19 and any economic difficulty they trigger could significantly harm our business.

The global spread of COVID-19 and its variants has created significant volatility, uncertainty, and economic disruption in the recent past, particularly for small and medium-sized businesses. Many of our existing and prospective customers have experienced or could experience economic hardship caused by current and future variants of COVID-19. This could reduce the demand for our cloud services, delay and lengthen sales cycles, increase customer churn, force us to lower the prices for our services and/or provide customers with service credits, and lead to slower growth or even a decline in our revenue, operating results, and cash flows. The ongoing impact of COVID-19 on future demand for our services depends on numerous evolving factors, including: the duration and extent of the global spread of current and future COVID-19 variants; governmental, business, and individual actions that have been and continue to be taken in response to the current and future COVID-19 variants in different countries globally; the rate of vaccinations globally and the efficacy of available vaccines on current and future variants of the virus; the effect on our customers and customer demand and their ability to pay for our services; disruptions to third-party data centers and Internet service providers; and any decline in the quality and/or availability of our services. It is possible that as businesses return to in-person work, the demand for some of our products could decline.

The ongoing impact of COVID-19 on macroeconomic conditions has at some periods also impacted the functioning of financial and capital markets, foreign currency exchange rates, and interest rates. Even after the COVID-19 pandemic has subsided, we may experience an adverse impact to our business as a result of COVID-19's global economic impact, including any recession that has occurred or may occur in the future, and we may need to access the capital markets at an unfavorable time. If we need to access the capital markets, there can be no assurance that financing may be available on attractive terms, if at all.

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

We may need to pursue financing in the future to make expenditures or investments to support the growth of our business (whether through acquisitions or otherwise) and may require additional capital to pursue our business objectives, respond to new competitive pressures, service our debt, and pay extraordinary expenses such as litigation settlements or judgments or fund growth, including through acquisitions, among other potential uses. Additional funds, however, may not be available when we need them on terms that are acceptable to us, or at all. We also face certain risks in the event of a sustained deterioration of

financial market liquidity, as well as in the event of sustained deterioration in the liquidity, or failure, of our clearing, cash management and custodial financial institutions. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow and support our business and to respond to business challenges could be significantly limited.

Natural disasters, war, terrorist attacks, global pandemics, or malicious conduct, among other unforeseen events, could adversely impact our operations, could degrade or impede our ability to offer services, and may negatively impact our financial condition, revenue, and costs going forward.

Our cloud communications services rely on uninterrupted connection to the Internet through data centers and networks. Any interruption or disruption to our network, or the third parties on which we rely, could adversely impact our ability to provide service. Our network could be disrupted by circumstances outside of our control, including natural disasters, acts of war, terrorist attacks, global pandemics or malicious acts, among other unforeseen events, including, but not limited to, cyberattacks. For example, our headquarters, global networks operations center, and one of our third-party data center facilities are located in the San Francisco Bay Area, a region known for seismic activity. Also, global pandemics, such as the one caused by COVID-19, may restrict travel by personnel, reduce the availability of materials required to maintain data centers that support our cloud communication services, and could require us or our partner data centers and Internet service providers to curtail operations in certain geographic regions. Such an event may also impede our customers' connections to our network, since these connections also occur over the Internet, and would be perceived by our customers as an interruption of our services, even though such interruption would be beyond our control. In addition, as a result of COVID-19, we have been experiencing changes to our normal business practices due to our employees now primarily few working from home in many of our office locations. As we implement modifications to employee travel and employee work locations in response to these orders, among other business modifications, these changes could, in the future, negatively impact our normal provision of services, particularly in the areas of sales and marketing to new and prospective customers. Any of these events could have a material adverse impact on our business, causing us to incur significant expenses, lose substantial amounts of revenue, suffer damage to our reputation, and lose customers.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal operations are located in Campbell, California. Outside the United States our operations are conducted primarily in leased office space located in the United Kingdom (primarily used for sales and customer support in Europe), Romania (primarily used for customer support, and research and development), Canada (primarily used for research and development), Portugal (primarily used for research and development) and Singapore (primarily used for regional sales and marketing, procurement, customer support, and CPaaS).

In addition, we lease space from third-party data center hosting facilities under co-location agreements in the United States, South America, Europe, and the Asia Pacific region.

For additional information regarding our obligations under leases, see Note 5, *Leases* in the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report.

ITEM 3. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 6, *Commitments and Contingencies* in the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report, under "Legal Proceedings", which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information for Common Stock

Since November 15, 2022, our common stock has been traded under the symbol "EGHT" and is listed on the Nasdaq Global Select Market of the Nasdaq Stock Market national securities exchange. Previously, from December 8, 2017 to November 14, 2022, our common stock traded under the symbol "EGHT" and was listed on the New York Stock Exchange (the "NYSE").

Dividend Policy

We have never paid cash dividends on our common stock and have no plans to do so in the foreseeable future.

Number of Common Stockholders

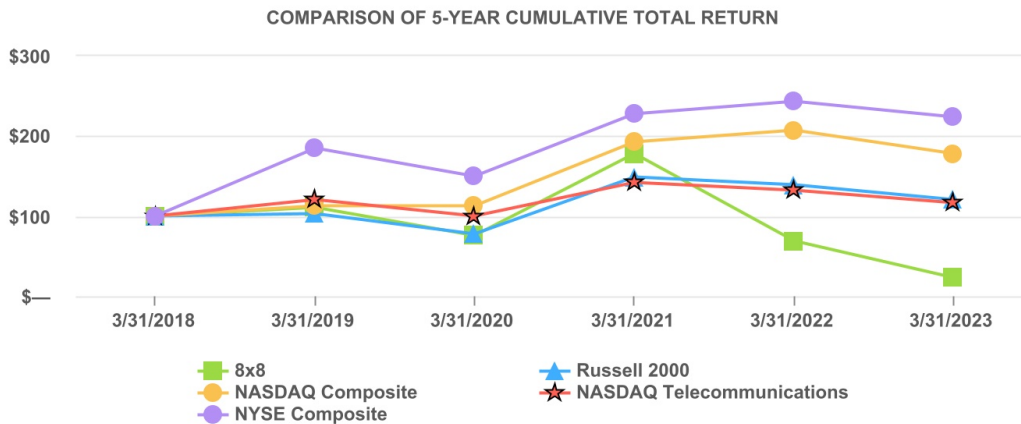
As of May 18, 2023, there were approximately 308 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

See Item 12 of Part III of this Annual Report regarding information about securities authorized for issuance under our equity compensation plans.

Stock Performance Graph

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of 8x8's common stock shall not be deemed "filed" with the SEC or "soliciting material" under the Exchange Act and shall not be incorporated by reference into any such filings.

The graph below shows the cumulative total stockholder return over a five-year period, assuming the investment of \$100 on March 31, 2018 in each of 8x8's common stock, the Nasdaq Composite Index NYSE Composite Index, the Russell 2000 Index, and the Nasdaq Telecommunications Index. The graph is furnished, not filed, and the historical return cannot be indicative of future performance. The NYSE Composite Index was added to the graph below because 8x8 changed the listing of its common stock to the NYSE from the Nasdaq in November 2022. In accordance with SEC rules, the performance graph presents both the indices used in the previous year and the newly selected index.



	March 31,					
	2018	2019	2020	2021	2022	2023
8x8	\$ 100.00	\$ 110.68	\$ 75.95	\$ 177.75	\$ 68.99	\$ 22.85
Russell 2000	100.00	103.16	77.26	148.78	138.70	120.77
Nasdaq Composite	100.00	112.51	112.08	192.82	206.99	177.90
Nasdaq Telecommunications	100.00	120.28	100.30	141.55	132.11	116.04
NYSE Composite	100.00	184.81	149.95	227.10	242.66	223.79

Issuer Issuances and Purchases of Equity Securities

Repurchases

In August 2022, the Company repurchased in privately negotiated transactions with a limited number of holders 10,695,000 shares of its common stock for approximately \$60.0 million, in connection with the Exchange Transaction and negotiation of the new secured term loan facility, as further described in Part II, Item 8, Note 7, *Convertible Senior Notes, Term Loan and Capped Calls*.

There was no activity under the 2017 Repurchase Plan for the year ended March 31, 2023. The value of shares that may yet be purchased under the 2017 Repurchase Plan is approximately \$7.1 million.

Issuances

On August 3, 2022, the Company agreed with its financial advisor, J. Wood Capital Advisors LLC, to settle 50% of its financial advisory fee for services provided in connection with the Exchange Transaction and negotiation of the new secured term loan facility, as further described in Part II, Item 8, Note 7, *Convertible Senior Notes, Term Loan and Capped Calls*, to the consolidated financial statements through the issuance of 1,015,024 shares of the Company's common stock, equivalent to approximately \$5.1 million. These shares were issued in a private placement in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act. The Company relied on this exemption based in part on representations made by the financial advisor in its engagement letter and related share payment letter .

ITEM 6. [Reserved]

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other information included elsewhere in this Annual Report. In addition to historical data, this discussion contains forward-looking statements about our business, results of operations, cash flows, financial condition and prospects based on current expectations that involve risks, uncertainties and assumptions. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this Annual Report. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

This section discusses items pertaining to and comparisons of financial results between fiscal 2023 and fiscal 2022. A discussion of fiscal 2022 items and comparisons between fiscal 2022 and fiscal 2021 financial results can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022 (the "2022 MD&A"), filed with the SEC on May 27, 2022.

OVERVIEW

We are a leading provider of software-as-a-service solutions for contact center, voice communications, video meetings, employee collaboration, and embeddable communication application program interfaces ("APIs"). Our solutions empower workforces worldwide by connecting individuals and teams so they can collaborate faster, work smarter, and better serve customers, from any location. The communications capabilities and advanced AI/ML (artificial intelligence/machine learning) technologies of our contact center, communication and collaboration solutions are integrated into a comprehensive cloud-based offering powered by our global communications platform, which together comprise our 8x8 XCaaS platform solution. The XCaaS platform delivers our unified communications (UCaaS), contact center (CCaaS) and communication APIs (CPaaS) services and includes AI-driven digital assistance, intuitive user interfaces, and real-time business analytics and intelligence, enabling organizations of all sizes to design, deploy and adapt tailored communications and workflows for differentiated employee and customer experiences.

The 8x8 XCaaS platform offers a complete cloud technology stack. It delivers the security, scalability, high availability, and ease-of-use of a modern cloud-based architecture while masking the complexity of a global communications infrastructure. A consistent data layer across the platform powers 8x8 AI/ML algorithms, as well as vertical-specific and purpose-built AI applications from our ecosystem of technology partners, to deliver data-driven business insights and intelligent integrated applications that drive employee productivity, resource optimization, and more effective end-customer interactions through simplified and automated workflows. Built from core cloud technologies that we own and manage internally and integrated with third-party applications from our technology partners, our XCaaS platform enables agile workplaces and fosters seamless communications and collaboration between an organization's customers, contact center agents, and employees, regardless of geographic location.

Our customers use our XCaaS platform to create tailored employee and customer experiences that increase productivity, improve responsiveness, and elevate customer and employee satisfaction and loyalty. Our service plans are structured with increasing levels of functionality and are designated as X1, X2, etc., through X8, based on the specific communication needs and customer engagement profile of each user.

Because our XCaaS platform includes UCaaS, CCaaS and CPaaS and serves as a single integration framework for communications across an organization, customers can reduce costs associated with provisioning and management, increase customization based on use cases, and facilitate compliance with security and data privacy requirements on a global scale. In fiscal 2023, we introduced platform-wide integration of generative AI from OpenAI, making it easier for organizations to unlock the potential of generative AI to personalize self-service, bot-based and agent-based customer engagements. The XCaaS platform also integrates with a growing ecosystem of third-party applications, ranging from purpose-built and vertically-focused AI-based applications to broadly deployed customer relationship management (CRM) platforms and leading customer engagement and workforce management software.

Our open approach to third party integrations and platform-wide enablement of generative AI, combined with flexibility to "mix and match" functionality based on users' communication requirements and customer engagement profiles, allows organizations of all sizes to design and deploy tailored user experiences previously reserved to very large enterprises.

Our customers range from small businesses to large enterprises across all vertical markets, with users in more than 180 countries. In recent years, we have increased our focus on mid-market, small and medium enterprise, and public sector customers because these organizations typically have more complex communication and contact center requirements compared to the needs of small business customers. Organizations in these sectors – typically with 500 to 10,000 employees -- are more likely to adopt multiple services and realize greater value from our unified, global communications platform and portfolio of AI-enabled solutions.

We generate service revenue from subscriptions to our communications services subscriptions and platform usage. We generate other revenue from professional services and the sale of office phones and other hardware equipment. We define a "customer" as one or more legal entities to which we provide services pursuant to a single contractual arrangement. In some cases, we may have multiple billing relationships with a single customer (for example, where we establish separate billing accounts for a parent company and each of its subsidiaries).

In January 2022, we acquired Fuze, Inc. ("Fuze"), a competitor in enterprise-grade unified communications-as-a-service (UCaaS), for approximately \$213.8 million in stock and cash. The acquisition of Fuze increased our installed base of enterprise customers and added research and development resources that enabled us to accelerate innovation on our XCaaS platform.

SUMMARY AND OUTLOOK

In fiscal 2023, our total revenue grew \$105.8 million, or approximately 16.6% year-over-year, to \$743.9 million. Excluding revenue from the Fuze customer base, our total revenue increased approximately 3% for the year ended March 31, 2023. Our service revenue grew \$107.7 million, or approximately 17.9% year-over-year, to \$710.0 million. Excluding revenue from Fuze customers, our service revenue grew approximately 4% for the year ended March 31, 2023.

As part of our long-term strategy to expand our enterprise customer base, grow our revenue, and increase our profitability and cash flow, we have focused on reducing the cost of delivering our services and improving our sales efficiency while increasing our investment in research and development. To improve our sales efficiency, we have focused our sales and marketing resources on mid-market and enterprise customers, since these customers are likely to derive the greatest benefit from our unified XCaaS platform. We have also expanded our partner programs to extend our reach within this market, placing increased emphasis on developing a community of value-added resellers who provide implementation services and Tier 1 customer support in addition to sales. To support our customers and partners, we are expanding our customer success organization and investing in improvements to our back-office processes in order to increase our operational efficiency over time.

We believe that continued innovation is a critical factor in attracting and retaining mid-market and enterprise customers and is an important variable in achieving sustainable growth. We are committed to maintaining a high level of investment in engineering to deliver product innovation across our XCaaS platform, expand our ecosystem of integrations, and maintain the high availability our customers require. Approximately two-thirds of our investment in research and development is focused on extending the contact center capabilities of our XCaaS platform, including AI integrations, advanced data capture and analytics.

We use annualized recurring and usage revenue ("ARR") to measure the success of our strategy to attract and retain customers. Total ARR at the end of fiscal 2023 was \$703 million and increased 2% from the end of fiscal 2022. ARR from mid-market and enterprise customers represented 76% of total ARR and increased 3% compared to the end of fiscal 2022. We define enterprise customers as customers generating more than \$100,000 in ARR, mid-market as customers with ARR between \$25,000 and \$100,000, and small business as customers with up to \$25,000 in ARR. Mid-market customers, often become enterprise customers over time as they expand their deployments and adopt more solutions from our XCaaS portfolio.

ARR from enterprise customers has increased steadily as a percentage of total ARR, increasing from 35% of total ARR in fiscal 2019 to 58% of total ARR at the end of fiscal 2023. We have increased our focus on mid-market and enterprise customers because these organizations typically have more complex communication and contact center requirements compared to the needs of small business customers.

ARR associated with small business customers was 24% of total ARR for fiscal 2023. We remain committed to retaining our installed base of small business customers but have reduced sales and marketing investment in attracting new small business UCaaS-only customers. See "Key Business Metrics" section below for further discussion on how we define ARR.

In August 2022, we refinanced approximately \$403.8 million of the \$500.0 million aggregate principal amount of 2024 Notes through an exchange for approximately \$201.9 million in 2028 Notes plus approximately \$181.8 million in cash. The cash payment was funded with the partial proceeds of a new \$250.0 million senior secured term loan due in 2027 entered into in August 2022. Concurrently with the issuance of the 2028 Notes, we repurchased 10,695,000 shares of our common stock for approximately \$60.0 million in privately negotiated transactions with a limited number of holders. In September 2022, December 2022 and February 2023, we repurchased \$6.0 million, \$21.8 million and \$5.0 million in aggregate principal amount of the 2024 Notes, respectively, in separate privately negotiated transactions. Approximately \$63.3 million of the 2024 Notes remained outstanding as of March 31, 2023. See *Note 7, Convertible Senior Notes, Term Loan and Capped Calls* to our condensed consolidated financial statements for details. In May 2023, we voluntarily prepaid \$25.0 million of principal on our senior secured term loan, reducing the total principal outstanding to \$225 million.

To align our resources with our long-term strategy to grow revenue and increase profits and cash flow through increased focus on mid-market and enterprise customers, we conducted two separate workforce reductions involving approximately 300 employees, primarily in the sales and marketing and general and administration functions. We expect these workforce reductions and accompanying organizational restructurings to align our resources to our critical areas of focus, including streamlining sales and marketing, enhancing customer support, accelerating innovation, and strengthening our financial position.

IMPACT OF COVID-19

The full extent of the impact of the COVID-19 pandemic on our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including those set forth under the section entitled "Risk Factors."

KEY BUSINESS METRICS

Our management periodically reviews certain key business metrics to evaluate our operations, allocate resources, and drive financial performance in our business.

Annualized Recurring Subscriptions and Usage Revenue

Our management measures the success of our strategy to attract and retain customers by analyzing trends in ARR and believes ARR may be useful to investors in evaluating our performance. Our management believes ARR is an important indicator for measuring the overall performance of the business because it encompasses new customer additions, add-on sales, renewals and customer churn in a single metric. Our management uses trends in total ARR and ARR by customer segment to assess our ongoing operations, allocate resources, and drive the financial performance of the business. We define ARR as equal to the sum of the most recent month of (i) recurring subscription amounts and (ii) platform usage charges for all CPaaS customers (subject to a minimum billings threshold for a period of at least six consecutive months), multiplied by 12.

We are not aware of any uniform standards for calculating ARR and caution that our presentation may not be consistent with that of other companies. For example, to the extent our ARR is used to evaluate trends in future revenue, such an evaluation would assume a sustained level of usage from existing customers which may fluctuate in future periods.

COMPONENTS OF RESULTS OF OPERATIONS

Service Revenue

Service revenue consists of communication services subscriptions, platform usage revenue, and related fees from our UCaaS, CCaaS, and CPaaS offerings. We plan to increase service revenue through a combination of new customer acquisition, cross-sell of additional products, including those resulting from our increased investment in innovation, to existing customers, geographic expansion of our customer base outside the United States, and innovation in product and technology, and through strategic acquisitions of technologies and businesses.

Other Revenue

Other revenue consists of revenue from professional services, primarily in support of deployment of our solutions and/or platform, and revenue from sales and rentals of IP telephones in conjunction with our cloud telephony service. Other revenue is dependent on the number of customers who choose to purchase or rent an IP telephone hardware in conjunction with our service instead of using the solution on their cell phone, computer, or other compatible device, and/or choose to engage our professional services organization for implementation and deployment of our cloud services.

Cost of Service Revenue

Cost of service revenue consists primarily of costs associated with network operations and related personnel, technology licenses, amortization of capitalized internal-use software, other communication origination and termination services provided by third-party carriers, outsourced customer service call center operations, and other costs such as customer service, and technical support costs. We allocate overhead costs, such as IT and facilities, to cost of service revenue, as well as to each of the operating expense categories, generally based on relative headcount. Our IT costs include costs for IT infrastructure and personnel. Facilities costs primarily consist of office leases and related expenses.

Cost of Other Revenue

Cost of other revenue consists primarily of direct and indirect costs associated with the purchase and shipping and handling of IP telephones as well as the scheduling, shipping and handling, personnel costs, and other expenditures incurred in connection with the professional services associated with the deployment and implementation of our products, and allocated IT and facilities costs.

Research and Development

Research and development expenses consist primarily of personnel and related costs, third-party development, software and equipment costs necessary for us to conduct our product, platform development and engineering efforts, as well as allocated IT and facilities costs.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel and related costs, sales commissions, including those to the channel, trade shows, advertising and other marketing, demand generation, and promotional expenses, as well as allocated IT and facilities costs.

General and Administrative

General and administrative expenses consist primarily of personnel and related costs, professional services fees, corporate administrative costs, tax and regulatory fees, and allocated IT and facilities costs.

Other Expense, Net

Other expense, net, consists primarily of interest expense related to our convertible notes and term loan, amortization of debt discount and issuance costs, offset by gains on debt extinguishment, as well as other income.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists primarily of foreign income taxes and state minimum taxes in the United States. As we expand the scale of our international business activities, any changes in the United States and foreign taxation of such activities may increase our overall provision for income taxes in the future. We have a valuation allowance for our United States deferred tax assets, including federal and state non-operating loss carryforwards. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized by way of expected future taxable income in the United States.

RESULTS OF OPERATIONS

Fiscal 2023 includes a full year of Fuze's results of operations. The results of operations for fiscal 2022, includes approximately ten weeks of Fuze's results of operations since its acquisition on January 18, 2022.

Revenue

Service revenue

	For the years ended March 31,		Change	
	2023	2022	2023 vs 2022	
Service revenue	\$710,044	\$602,357	\$	107,687
Percentage of total revenue	95.4 %	94.4 %		17.9 %

Service revenue increased for fiscal 2023, as compared to fiscal 2022, primarily due to a net increase in our installed base of mid-market and enterprise customers, expanded deployments by existing customers, and growth in related telecom usage by our customers. The increase in service revenue reflected increased sales of our UCaaS and CCaaS solutions, and increased adoption of our XCaaS integrated communication and collaboration platform. A substantial portion of the growth in service revenue for the year ended March 31, 2023 was attributable to Fuze, which contributed approximately an \$86.5 million increase compared to the year ended March 31, 2022. The increase was partially offset by a decrease in usage revenue generated by our CPaaS products, primarily in the Asia-Pacific region.

We expect our service revenue to grow over time with our diverse platform offering as we increase the features and functionality of our platform, acquire new customers, increase cross-selling to our existing customers, and expand geographically outside the United States.

Other revenue

	For the years ended March 31,		Change	
	2023	2022	2023 vs 2022	
Other revenue	\$33,894	\$35,773	\$	(1,879)
Percentage of total revenue	4.6 %	5.6 %		-5.3 %

Other revenue decreased by \$1.9 million in fiscal 2023, as compared to fiscal 2022, due to a decrease in professional service revenue.

Our business is diversified by vertical market and geography, and no single customer represented more than 10% of our total revenue during fiscal years 2023 and 2022.

Cost of Revenue

Cost of service revenue

	For the years ended March 31,		Change	
	2023	2022	2023 vs 2022	
Cost of service revenue	\$198,871	\$195,909	\$ 2,962	1.5 %
Percentage of service revenue	28.0 %	32.5 %		

Cost of service revenue increased in dollars but decreased as a percentage of service revenue as we achieved operating efficiencies. The increase in cost of service during fiscal 2023, as compared to fiscal 2022, was primarily due to increases of \$2.7 million in amortization of intangibles, \$2.6 million in employee and consulting costs, and \$1.5 million in software costs. These increases were partially offset by a decrease of \$3.4 million in amortization of capitalized software.

We expect cost of service revenue will increase in absolute dollars but generally remain consistent or decline as a percentage of revenue in future periods.

Cost of other revenue

	For the years ended March 31,		Change	
	2023	2022	2023 vs 2022	
Cost of other revenue	\$ 42,604	\$ 51,649	\$ (9,045)	(17.5)%
Percentage of other revenue	125.7 %	144.4 %		

Cost of other revenue decreased in dollars and as a percentage of other revenue in fiscal 2023, as compared to fiscal 2022, primarily due to decreases in product costs and efficiencies in our professional services.

Research and development

	For the years ended March 31,		Change	
	2023	2022	2023 vs 2022	
Research and development	\$ 146,220	\$ 112,387	\$ 33,833	30.1 %
Percentage of total revenue	19.7 %	17.6 %		

Research and development expenses increased in dollars and as percentage of revenue during fiscal 2023, as compared to fiscal 2022, primarily due to increases of \$23.8 million in employee and consulting costs, \$6.7 million in internally-developed software, \$4.8 million in software licenses, and \$3.6 million in public cloud hosting costs; primarily as a result of our acquisition of Fuze. These increases were partially offset by decreases of \$3.1 million in stock-based compensation and \$1.8 million in amortization of capitalized software.

We plan to continue to invest in research and development to accelerate our efforts to expand the capabilities and scope of our XCaaS platform to enhance our users' experience. While we expect to continue to improve our overall cost structure and achieve operational efficiencies, we expect that research and development expenses will increase in absolute dollars in future periods as we continue to invest in our development efforts and vary from period-to-period as a percentage of revenue as we continue to invest in our development efforts.

Sales and marketing

	For the years ended March 31,		Change	
	2023	2022	2023 vs 2022	
Sales and marketing	\$311,883	\$314,223	\$ (2,340)	(0.7)%
Percentage of total revenue	41.9 %	49.2 %		

Sales and marketing expenses decreased in dollars and as a percentage of revenue in fiscal 2023, as compared to fiscal 2022, primarily due to decreases of \$22.3 million in stock-based compensation expense, \$6.6 million in employee and consulting costs, and \$3.5 million in paid media and marketing services. These decreases were partially offset by increases of \$17.8 million in commissions, \$9.1 million in amortization of intangibles, and \$3.5 million in amortization of deferred commissions.

We expect sales and marketing costs as a percentage of revenue to decrease from fiscal 2023 to fiscal 2024 as we achieve continued efficiencies in sales and marketing.

General and administrative

	For the years ended March 31,		Change		
	2023	2022	2023 vs 2022		
General and administrative	\$110,652	\$118,103	\$	(7,451)	(6.3)%
Percentage of total revenue	14.9 %	18.5 %			

General and administrative expenses decreased both in dollars and as a percentage of revenue in fiscal 2023, as compared to fiscal 2022, primarily due to decreases of \$17.7 million in stock-based compensation expenses and \$13.2 million in acquisition and integration costs related to the Fuze acquisition in fiscal 2022. These decreases were partially offset by increases of \$13.1 million in personnel-related and consulting costs, \$6.3 million in professional services fees, and \$4.6 million in facilities and overhead costs.

We expect general and administrative expenses as a percentage of total revenue will decline over time as we achieve greater operational efficiencies.

Other expense, net

	For the years ended March 31,		Change		
	2023	2022	2023 vs 2022		
Other expense, net	\$(4,044)	\$(21,629)	\$	17,585	(81.3)%
Percentage of total revenue	(0.5) %	(3.4) %			

Other expense, net decreased by \$17.6 million in fiscal 2023, as compared to fiscal 2022, primarily due to a \$18.5 million gain from debt extinguishment from the 2024 Notes, \$16.2 million decrease in debt amortization expenses as a result of exchange and subsequent repurchase of the 2024 Notes, \$1.8 million gain from sale of intangibles, \$1.0 million gain from foreign exchange transactions, and \$0.4 million gain on remeasurement of the Warrants issued in connection with the Term Loan. Our decreases were partially offset by a \$20.7 million increase in interest expenses primarily related to our Term Loan.

Provision for (benefit from) income taxes

	For the years ended March 31,		Change		
	2023	2022	2023 vs 2022		
(Benefit from) provision for income taxes	\$ 2,807	\$(387)	\$	3,194	(825.3)%
Percentage of total revenue	0.4 %	(0.1) %			

For the year ended March 31, 2023, we recorded an income tax provision of \$2.8 million compared to an income tax benefit of \$0.4 million in fiscal 2022, primarily due to higher state and foreign income taxes. The higher state taxes were a result of change in U.S. tax laws requiring the capitalization and amortization of research and development costs, and the limitation of certain state net operating loss carryforwards that can be utilized to offset the additional taxable income. The higher foreign income taxes reflect the inclusion of the full year operational results of the foreign Fuze subsidiaries.

We record deferred taxes based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. In evaluating our ability to utilize our deferred tax assets, we consider available evidence, both positive and negative, in determining future taxable income on a jurisdiction-by-jurisdiction basis. We record a valuation allowance against deferred tax assets if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We continue to remain in a cumulative pretax loss position, and therefore, continue to maintain a full valuation allowance against our United States, United Kingdom, and Singapore deferred tax assets.

Liquidity and Capital Resources

As of March 31, 2023, we had \$137.6 million of cash and cash equivalents and short-term investments. In addition, we had \$1.3 million in restricted cash in support of letters of credit securing leases for office facilities and certain equipment.

Our primary requirements for liquidity and capital are working capital, research and development and marketing activities, principal and interest payments on our outstanding debt and other general corporate needs. Historically, these cash requirements have been met through cash provided by operating activities and cash and cash equivalents. Our current capital deployment strategy for fiscal 2024 is to invest excess cash on hand to support our continued growth initiatives into select markets and planned software development activities, and pay down our debt. As of March 31, 2023, we are not party to any off-balance sheet arrangements that have had or are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources. Significant cash requirements for the upcoming fiscal year include our operating lease obligations, interest payments related to our debt obligations, retirement of our 2024 Notes, and operating and capital purchase commitments. For information regarding our expected cash requirements and timing of payments related to leases and noncancellable purchase commitments, see Note 5, *Leases*, and Note 6, *Commitments and Contingencies*, respectively, to the consolidated financial statements. Additionally, refer to Note 7, *Convertible Senior Notes, Term Loan and Capped Calls*, to the consolidated financial statements for more information related to our debt obligations and applicable covenants.

We believe that our existing cash, cash equivalents and investment balances and our anticipated cash flows from operations will be sufficient to meet our working capital, expenditure, and contractual obligation requirements for the next 12 months and the foreseeable future. Although we believe we have adequate sources of liquidity for the next 12 months and the foreseeable future the success of our operations, the global economic outlook, and the pace of sustainable growth in our markets, in each case, in light of the market volatility and uncertainty as a result of the ongoing impact of the COVID-19 pandemic and Russia's invasion of Ukraine, among other factors, could impact our business and liquidity.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed into law, which amended portions of relevant tax laws and provided relief to certain qualifying entities. In connection with the CARES Act, the Company elected to defer certain employer payroll taxes, which reduced cash usage by approximately \$5.0 million through December 31, 2020, of which approximately \$2.5 million was remitted to tax authorities during the third quarter of fiscal 2022 and fiscal 2023. Other jurisdictions around the world have also provided similar tax relief, which the Company has elected to receive, where applicable; these benefits were not material to our cash flows during fiscal 2022.

Year over Year Changes

Net cash provided by operating activities for fiscal 2023 was \$48.8 million, as compared to \$34.7 million for fiscal 2022. Cash used in or provided by operating activities is primarily affected by:

- net income or loss;
- cash paid for interest expense associated with the outstanding Term Loan, 2024 Notes and 2028 Notes;
- non-cash expense items, such as depreciation, amortization, and impairments;
- non-cash expense associated with stock options and stock-based compensation and awards; and
- changes in working capital accounts, particularly related to the timing of collections from receivables and payments of obligations, such as commissions.

In fiscal 2023, net cash provided by operating activities was \$48.8 million, reflecting an adjustment of \$183.9 million in non-cash charges to our net loss, including stock-based compensation expense of \$89.5 million, depreciation and amortization of \$52.3 million, amortization of deferred sales commissions of \$38.2 million, operating lease expenses of \$12.0 million, and amortization of debt discount of \$4.3 million. These adjustments for non-cash charges were partially offset by \$62.0 million of working capital changes, including deferrals of sales commissions of \$31.1 million and \$24.4 million in accounts payable. In fiscal 2022, net cash provided by operating activities was a result of an adjustment of non-cash charges, such as stock-based compensation expense of \$133.3 million, amortization of capitalized internal-use software costs of \$28.9 million, amortization of debt discount of \$20.4 million, and operating lease expenses of \$13.5 million. These adjustments for non-cash charges were partially offset by cash outflow from sales commissions of \$9.5 million and other working capital changes.

Net cash provided by investing activities was \$6.1 million in fiscal 2023, as compared to \$160.0 million net cash used in fiscal 2022. Cash provided in investing activities during fiscal 2023 primarily related to net purchases of \$21.2 million of investments, capitalized internal-use software development costs of \$11.9 million, and purchases of property and equipment of \$3.0 million. Cash used in investing activities for fiscal 2022 was primarily related to the acquisition of Fuze for \$125.4 million and net purchase of investments of \$10.1 million.

Net cash used in financing activities was \$37.8 million in fiscal 2023, as compared to \$105.4 million cash provided by financing activities used in fiscal 2022. The cash used in financing activities in fiscal 2023 was primarily driven by \$217.3 million of net repayment of the 2024 Notes and \$60.2 million of shares repurchased, which were substantially offset by \$234.8 million of net proceeds from the Term Loan. Cash provided by financing activities in fiscal 2022 was primarily driven by \$134.6 million of net proceeds from the issuance of 2024 Notes and \$16.1 million from employee stock purchase plans and employee option exercises. These were partially offset by the \$45.0 million in repurchase of the Company's common stock from certain qualified investors in connection with the Fuze acquisition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with U.S. GAAP. Refer to Note 1, *The Company and Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in this Annual Report, which describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

We have identified the policies below as critical to our business and the understanding of our results of operations. These policies may involve a higher degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our consolidated financial statements. Although we believe our judgments and estimates are appropriate, actual future results may differ from our estimates. If different assumptions or conditions were to prevail, the results could be materially different from our reported results. The impact and any associated risks related to these policies on our business operations is discussed throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations", where such policies affect our reported and expected financial results.

Revenue Recognition

Significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of our revenue for any period if management made different judgments or utilized different estimates.

Revenue is recognized when performance obligations are satisfied, based on the transaction price. We generally bill our customers on a monthly basis. Contracts typically range from annual to multi-year agreements, generally with payment terms of net 30 days.

We record reductions to revenue for estimated sales returns and customer credits at the time the related revenue is recognized. Sales returns and customer credits are estimated based on our historical experience, current trends, and our expectations regarding future service delivery and platform performance. We monitor the accuracy of its sales reserve estimates by reviewing actual returns and credits and adjust them for its future expectations to determine the adequacy of its current and future reserve needs. If actual future returns and credits differ from past experience, additional reserves may be required.

Service Revenue Recognition

Service revenue from subscriptions to our cloud-based technology platform is recognized on a ratable basis over the contractual subscription term beginning on the date that the platform is delivered to the customer until the end of the contractual period. Payments received in advance of subscription services being rendered are recorded as deferred revenue; revenue recognized for services rendered in advance of payments received are recorded as contract assets. Usage fees, when bundled, are billed in advance and recognized over time on a ratable basis over the contractual subscription term. Non-bundled usage fees are recognized as actual usage occurs.

Other Revenue Recognition

Other revenue is primarily comprised of product revenue and professional services revenue. We recognize product revenue for telephony equipment at a point in time when transfer of control has occurred, which is generally upon shipment. Sales returns are recorded as a reduction to revenue estimated based on historical experience. Professional services for deployment, configuration, system integration, optimization, customer training or education are primarily billed on a fixed-fee basis and are performed by us directly. Professional services revenue is recognized as services are performed or upon completion of the deployment.

Allowance for Credit Losses

We account for allowances for credit losses under the current expected credit loss ("CECL") impairment model for our financial assets, including accounts receivable, and present the net amount of the financial instrument expected to be collected. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, which considers forecasts of future economic conditions in addition to information about past events and current conditions. Using this model, we estimate the adequacy of the allowance for credit losses at the end of each reporting period based on the aging of the receivable balance, current and historical customer trends, communications with customers, and macro-economic conditions. Amounts are written off after considerable collection efforts have been made and the amounts are determined to be uncollectible.

Acquisitions

Acquisitions are accounted for as business combinations, which treatment requires that the various assets acquired and liabilities assumed be recognized based on their fair value, accordingly, significant estimates and judgments are made to arrive at the fair values. The use of estimates involves uncertainty, therefore, the initial accounting for goodwill, intangible assets (and related amortization in future periods), property, plant and equipment, right of use assets (and related operating lease liabilities and amortization), prepaid and other current assets, accrued liabilities, deferred revenue, holdback consideration, and other liabilities are all subject to estimates. The actual results could be significantly different from the estimates.

Capitalized Internal-Use Software Costs

Certain software development costs for computer software developed internally or obtained for internal use are capitalized during the application development stage. We begin to capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. Once the project has been completed, these costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated to be three years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred and recorded in the applicable income statement category, typically research and development, in our consolidated statements of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Fluctuation Risk

We had cash, cash equivalents, and investments totaling \$137.6 million as of March 31, 2023. Cash equivalents and investments were invested primarily in money market funds, United States treasury, commercial paper, and corporate bonds. Our investment policy is focused on the preservation of capital and supporting our liquidity needs. Under the policy, we invest in highly rated securities, while limiting the amount of credit exposure to any one issuer other than the United States government. We do not invest in financial instruments for trading or speculative purposes, nor do we use leveraged financial instruments. We utilize external investment managers who adhere to the guidelines of our investment policy. A hypothetical 10% change in interest rates would not have a material impact on the value of our cash, cash equivalents, or available-for-sale investments.

As of March 31, 2023, we have \$265.2 million aggregate principal amount of the 2024 Notes and 2028 Notes, and \$250.0 million of the Term Loan outstanding. Subsequently, in May 2023, we voluntarily prepaid \$25.0 million of principal on the Term Loan, reducing the outstanding principal to \$225.0 million. The fair value of the 2024 Notes, 2028 Notes, and Term Loan is subject to interest rate risk, market risk, and other factors due to the conversion feature. The fair value of the 2024 Notes and 2028 Notes will generally increase as the Company's common stock price increases and will generally decrease as its common stock price declines. The interest and market value changes affect the fair value of the 2024 Notes and 2028 Notes but do not impact our financial position, cash flows, or results of operations, due to the fixed nature of the debt obligation. Additionally, we carry the 2024 Notes, 2028 Notes and Term Loan at face value, less unamortized discount, on our consolidated balance sheets, and we present the fair value for required disclosure purposes only.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the United States dollar, primarily the British Pound and Euro, causing both our revenue and our operating results to be impacted by fluctuations in the exchange rates.

Gains or losses from the revaluation of certain cash balances, accounts receivable balances and intercompany balances that are denominated in these currencies impact our net income (loss). A hypothetical decrease in all foreign currencies against the United States dollar of 10% would not result in a material foreign currency loss on foreign-denominated balances as of March 31, 2023. As our foreign operations expand, our results may be more impacted by fluctuations in the exchange rates of the currencies in which we do business.

At this time, we do not, but we may in the future, enter into financial instruments to hedge our foreign currency exchange risk.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
8x8, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of 8x8, Inc. (the "Company") as of March 31, 2023 and 2022, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2023, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for debt with conversion and other options and derivatives and hedging as of April 1, 2022, due to the adoption of Accounting Standards Update No. 2020-06.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the *Management's Report on Internal Control over Financial Reporting* included in Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Moss Adams LLP

Campbell, California
May 24, 2023

We have served as the Company's auditor since 2008.

8X8, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	As of March 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 111,400	\$ 91,205
Restricted cash, current	511	8,691
Short-term investments	26,228	44,845
Accounts receivable, net	62,307	57,400
Deferred sales commission costs, current	38,048	35,482
Other current assets	34,630	37,999
Total current assets	273,124	275,622
Property and equipment, net	57,871	79,016
Operating lease, right-of-use assets	52,444	63,415
Intangible assets, net	107,112	128,213
Goodwill	266,863	266,867
Restricted cash, non-current	818	818
Long-term investments	—	2,671
Deferred sales commission costs, non-current	67,644	75,668
Other assets, non-current	15,934	17,978
Total assets	\$ 841,810	\$ 910,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 46,802	\$ 49,721
Accrued compensation	29,614	36,319
Accrued taxes	29,570	32,573
Operating lease liabilities, current	11,504	15,485
Deferred revenue, current	34,909	34,262
Convertible senior notes, current	62,932	—
Other accrued liabilities	14,556	23,167
Total current liabilities	229,887	191,527
Operating lease liabilities, non-current	65,623	74,518
Deferred revenue, non-current	10,615	11,430
Convertible senior notes, non-current	196,821	447,452
Term loan	231,993	—
Other liabilities, non-current	6,965	2,975
Total liabilities	741,904	727,902
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock: \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding at both March 31, 2023 and 2022	—	—
Common stock: \$0.001 par value, 300,000,000 and 200,000,000 shares authorized, 114,659,255 shares and 117,862,807 shares issued and outstanding at March 31, 2023 and 2022, respectively	115	118
Additional paid-in capital	905,635	956,599
Accumulated other comprehensive loss	(12,927)	(7,913)
Accumulated deficit	(792,917)	(766,438)
Total stockholders' equity	99,906	182,366
Total liabilities and stockholders' equity	\$ 841,810	\$ 910,268

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

8X8, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	For the years ended March 31,		
	2023	2022	2021
Service revenue	\$ 710,044	\$ 602,357	\$ 495,985
Other revenue	33,894	35,773	36,359
Total revenue	<u>743,938</u>	<u>638,130</u>	<u>532,344</u>
Operating costs and expenses:			
Cost of service revenue	198,871	195,909	180,082
Cost of other revenue	42,604	51,649	50,068
Research and development	146,220	112,387	92,034
Sales and marketing	311,883	314,223	256,231
General and administrative	110,652	118,103	100,078
Total operating costs and expenses	<u>810,230</u>	<u>792,271</u>	<u>678,493</u>
Loss from operations	(66,292)	(154,141)	(146,149)
Other expense, net	(4,044)	(21,629)	(18,593)
Loss before provision for income taxes	<u>(70,336)</u>	<u>(175,770)</u>	<u>(164,742)</u>
Provision for (benefit from) income taxes	2,807	(387)	843
Net loss	<u>\$ (73,143)</u>	<u>\$ (175,383)</u>	<u>\$ (165,585)</u>
Net loss per share:			
Basic and diluted	\$ (0.63)	\$ (1.55)	\$ (1.57)
Weighted average number of shares:			
Basic and diluted	115,959	113,354	105,700

OTHER EXPENSE, NET DETAILS

(in thousands)

	For the years ended March 31,		
	2023	2022	2021
Interest expense	\$ (23,020)	\$ (2,271)	\$ (1,813)
Amortization of debt discount and issuance costs	(4,254)	(20,404)	(16,898)
Gain on debt extinguishment	18,545	—	—
Gain (loss) on sale of assets	1,821	(68)	(36)
Other income, net	2,864	1,114	154
Other expense, net	<u>\$ (4,044)</u>	<u>\$ (21,629)</u>	<u>\$ (18,593)</u>

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

8X8, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	For the years ended March 31,		
	2023	2022	2021
Net loss	\$ (73,143)	\$ (175,383)	\$ (165,585)
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on investments in securities	(184)	(571)	247
Foreign currency translation adjustment	(4,830)	(3,149)	7,736
Comprehensive loss	\$ (78,157)	\$ (179,103)	\$ (157,602)

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

8X8, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except shares)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance at March 31, 2020	103,178,621	\$ 103	\$ 625,474	\$ (12,176)	\$ (422,670)	\$ 190,731
Adjustment to opening balance for change in accounting principle	—	—	—	—	(2,800)	(2,800)
Issuance of common stock under stock plans, less withholding	6,067,672	6	13,263	—	—	13,269
Stock-based compensation expense	—	—	108,417	—	—	108,417
Forfeiture of common stock related to Wavecell acquisition	(111,554)	—	8,489	—	—	8,489
Unrealized investment gain	—	—	—	247	—	247
Foreign currency translation adjustment	—	—	—	7,736	—	7,736
Net loss	—	—	—	—	(165,585)	(165,585)
Balance at March 31, 2021	109,134,739	109	755,643	(4,193)	(591,055)	160,504
Issuance of common stock under stock plans, less withholding	6,969,809	7	15,915	—	—	15,922
Stock-based compensation expense	—	—	132,736	—	—	132,736
Stock-based compensation expense related to Fuze acquisition	53,498	—	828	—	—	828
Forfeiture of common stock related to Wavecell acquisition	(25,536)	—	—	—	—	—
Issuance of common stock related to Fuze acquisition	4,070,355	4	80,852	—	—	80,856
Share Repurchase	(2,340,058)	(2)	(44,974)	—	—	(44,976)
Equity component of convertible senior notes, net of issuance cost	—	—	15,599	—	—	15,599
Unrealized investment loss	—	—	—	(571)	—	(571)
Foreign currency translation adjustment	—	—	—	(3,149)	—	(3,149)
Net loss	—	—	—	—	(175,383)	(175,383)
Balance at March 31, 2022	117,862,807	118	956,599	(7,913)	(766,438)	182,366
Adjustment related to adoption of ASU 2020-06	—	—	(92,832)	—	46,672	(46,160)
Issuance of common stock under stock plans, less withholding	6,498,922	7	4,678	—	—	4,685
Stock-based compensation expense	—	—	92,065	—	—	92,065
Forfeiture of common stock related to Wavecell acquisition	(22,311)	—	—	—	—	—
Repurchase of capped calls	—	—	244	—	—	244
Share repurchases	(10,695,187)	(11)	(60,203)	—	—	(60,214)
Shares issued for debt issuance	1,015,024	1	5,084	—	—	5,085
Dissolution of investment in foreign subsidiary	—	—	—	—	(8)	(8)
Unrealized investment loss	—	—	—	(184)	—	(184)
Foreign currency translation adjustment	—	—	—	(4,830)	—	(4,830)
Net loss	—	—	—	—	(73,143)	(73,143)
Balance at March 31, 2023	114,659,255	\$ 115	\$ 905,635	\$ (12,927)	\$ (792,917)	\$ 99,906

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

8X8, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the years ended March 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net loss	\$ (73,143)	\$ (175,383)	\$ (165,585)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	10,464	11,374	11,297
Amortization of intangible assets	21,078	8,317	6,886
Amortization of capitalized internal-use software costs	20,739	28,863	26,934
Impairment of capitalized software	3,729		
Amortization of debt discount and issuance costs	4,254	20,404	16,898
Amortization of deferred sales commission costs	38,195	34,701	27,817
Allowance for credit losses	1,892	1,974	4,471
Operating lease expense, net of accretion	12,030	13,482	15,210
Stock-based compensation expense	89,536	133,331	107,638
Gain on debt extinguishment	(18,545)	—	—
Gain on remeasurement of warrants	(417)	—	—
Impairment of right-of-use assets	2,651	—	—
Gain on sale of assets	(1,821)	—	—
Other	101	3,726	1,521
Changes in assets and liabilities:			
Accounts receivable	(8,450)	6,867	(14,869)
Deferred sales commission costs	(31,086)	(44,224)	(52,960)
Other current and non-current assets	2,150	(4,022)	(3,963)
Accounts payable and accruals	(24,403)	(8,740)	(10,033)
Deferred revenue	(168)	4,010	14,672
Net cash provided by (used in) operating activities	48,786	34,680	(14,066)
Cash flows from investing activities:			
Purchases of property and equipment	(2,991)	(4,137)	(6,430)
Proceeds from sale of intangible assets	1,000	—	—
Capitalized internal-use software costs	(11,896)	(20,370)	(28,816)
Purchases of investments	(53,308)	(83,383)	(52,172)
Sales of investments	8,296	13,299	1,018
Proceeds from maturities of investments	66,199	60,023	60,479
Acquisition of businesses, net of cash acquired	(1,250)	(125,410)	(10,400)
Net cash provided by (used in) investing activities	6,050	(159,978)	(36,321)
Cash flows from financing activities:			
Finance lease payments	—	(15)	(78)
Tax-related withholding of common stock	—	(310)	(69)
Proceeds from issuance of common stock under employee stock plans	4,679	16,107	13,339
Repurchase of capped calls	244	—	—
Repurchase of common stock	(60,214)	(44,976)	—
Repayment of convertible senior notes	(217,299)	—	—
Proceeds from issuance of convertible notes	—	134,619	—
Net proceeds from term loan	234,806	—	—
Net cash (used in) provided by financing activities	(37,784)	105,425	13,192

Effect of exchange rate changes on cash	(5,037)	(585)	1,956
Net decrease in cash, cash equivalents and restricted cash	12,015	(20,458)	(35,239)
Cash, cash equivalents and restricted cash, beginning of year	100,714	121,172	156,411
Cash, cash equivalents and restricted cash, end of year	\$ 112,729	\$ 100,714	\$ 121,172

Supplemental and non-cash disclosures:

	For the years ended March 31,		
	2023	2022	2021
Right-of-use assets obtained in exchange for new and modified operating lease liabilities	\$ —	\$ —	\$ —
Right-of-use assets acquired in connection with Fuze acquisition	\$ —	\$ 7,261	\$ —
Shares consideration in connection with Fuze acquisition	\$ —	\$ 80,856	\$ —
Payables for fixed assets	\$ 38	\$ 88	\$ —
Issuance of 2028 convertible senior notes in exchange of 2024 convertible senior notes	\$ 201,914	\$ —	\$ —
Warrants issued in connection with term loan	\$ 5,915	\$ —	\$ —
Shares issued in connection with term loan and convertible senior notes	\$ 5,084	\$ —	\$ —
Interest paid	\$ 22,162	\$ 2,156	\$ 1,813
Income taxes paid	\$ 1,530	\$ 1,320	\$ 555

Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets:

	As of March 31,		
	2023	2022	2021
Cash and cash equivalents	\$ 111,400	\$ 91,205	\$ 112,531
Restricted cash, current	511	8,691	8,179
Restricted cash, non-current	818	818	462
Total cash, cash equivalents and restricted cash	\$ 112,729	\$ 100,714	\$ 121,172

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

8x8, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

8x8, Inc. ("8x8" or the "Company") was incorporated in California in February 1987 and was reincorporated in Delaware in December 1996. The Company trades under the symbol "EGHT" on the Nasdaq Global Select Market.

The Company is a leading software-as-a-service provider of contact center, voice, video, chat, and enterprise-class API solutions powered by one global cloud communications platform. 8x8 empowers workforces worldwide by connecting individuals and teams so they can collaborate faster and work smarter from anywhere. 8x8 provides real-time business analytics and intelligence, giving its customers unique insights across all interactions and channels on its platform, so they can support a distributed and hybrid working model while delighting their end-customers and accelerating their business. A majority of all revenue is generated from communication services subscriptions and platform usage. The Company also generates revenue from sales of hardware and professional services, which are complementary to the delivery of its integrated technology platform.

BASIS OF PRESENTATION AND CONSOLIDATION

The Company's fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in these Notes to Consolidated Financial Statements refers to the fiscal year ended March 31 of the calendar year indicated (for example, fiscal 2023 refers to the fiscal year ended March 31, 2023).

All dollar amounts herein are in thousands of United States Dollars ("Dollars") unless otherwise noted.

The consolidated financial statements include the accounts of 8x8 and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

ACQUISITIONS

In January 2022, the Company completed the acquisition of all equity interests in Fuze, Inc. ("Fuze"), a provider of cloud-based, unified communications and contact center services. The acquisition is expected to accelerate 8x8 XCaaS™ (eXperience Communications as a Service™) innovation and expand 8x8's enterprise customer base and global presence.

See Note 12, *Acquisitions*, in the Notes to Consolidated Financial Statements for further discussion.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with United States generally accepted accounting principles generally ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including, but not limited to, those related to current expected credit losses, returns reserve for expected cancellations, fair value of and/or potential impairment of goodwill and intangible assets, capitalized internal-use software costs, benefit period for deferred commissions, stock-based compensation, incremental borrowing rate used to calculate operating lease liabilities, income and sales tax liabilities, convertible senior notes fair value, litigation, and other contingencies. The Company bases its estimates on known facts and circumstances, historical experience, and various other assumptions. Actual results could differ from those estimates under different assumptions or conditions.

REVENUE RECOGNITION

As described below, significant management judgments and estimates must be made and used in connection with the recognition of revenue. Material differences may result in the amount and timing of our revenue if management were to make different judgments or utilize different estimates.

The Company recognizes revenue using the five-step model prescribed by U.S. GAAP, as follows:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company identifies performance obligations in contracts with customers, which may include subscription services and related usage, product revenue, and professional services. The transaction price is determined based on the amount we expect

to be entitled to receive in exchange for transferring the promised services or products to the customer. The transaction price in the contract is allocated to each distinct performance obligation in an amount that represents the relative amount of consideration expected to be received in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied, based on the transaction price, excluding amounts collected on behalf of third parties such as sales and telecommunication taxes, which are collected on behalf of and remitted to governmental authorities. We generally bill our customers on a monthly basis. Contracts typically range from annual to multi-year agreements with payment terms of net 30 days. We occasionally allow a 30-day period to cancel a subscription and return products shipped for a full refund.

The Company records reductions to revenue for estimated sales returns and customer credits at the time the related revenue is recognized. Sales returns and customer credits are estimated based on historical experience, current trends, and expectations regarding future experience. The Company monitors the accuracy of its sales reserve estimates by reviewing actual returns and credits and adjusts them for its future expectations to determine the adequacy of its current and future reserve needs. If actual future returns and credits differ from past experience, additional reserves may be required.

When the Company's services do not meet certain service level commitments, customers are entitled to receive service credits, and in certain cases, refunds, each representing a form of variable consideration. The Company historically has not experienced any significant incidents affecting the defined levels of reliability and performance as required by its subscription contracts. Accordingly, the amount of any estimated refunds related to these agreements in the consolidated financial statements is not material during the periods presented.

Judgments and Estimates

The estimation of variable consideration for each performance obligation requires the Company to make subjective judgments. The Company has service-level agreements with customers warranting defined levels of uptime reliability and performance. Customers may get credits or refunds if the Company fails to meet such levels. If the services do not meet certain criteria, fees are subject to adjustment or refund representing a form of variable consideration. The Company may impose minimum revenue commitments ("MRC") on its customers at the inception of the contract. Thus, in estimating variable consideration for each of these performance obligations, the Company assesses both the probability of MRC occurring and the collectability of the MRC, both of which represent a form of variable consideration.

The Company enters into contracts with customers that regularly include promises to transfer multiple services and products, such as subscriptions, products, and professional services. For arrangements with multiple services, the Company evaluates whether the individual services qualify as distinct performance obligations. In its assessment of whether a service is a distinct performance obligation, the Company determines whether the customer can benefit from the service on its own or with other readily available resources, and whether the service is separately identifiable from other services in the contract. This evaluation requires the Company to assess the nature of each individual service offering and how the services are provided in the context of the contract, including whether the services are significantly integrated, highly interrelated, or significantly modify each other, which may require judgment based on the facts and circumstances of the contract.

When agreements involve multiple distinct performance obligations, the Company allocates arrangement consideration to all performance obligations at the inception of an arrangement based on the relative standalone selling prices ("SSP") of each performance obligation. Usage fees deemed to be variable consideration meet the allocation exception for variable consideration. Where the Company has standalone sales data for its performance obligations which are indicative of the price at which the Company sells a promised good or service separately to a customer, such data is used to establish SSP. In instances where standalone sales data is not available for a particular performance obligation, the Company estimates SSP by the use of observable market and cost-based inputs. The Company continues to review the factors used to establish list price and will adjust standalone selling price methodologies as necessary on a prospective basis.

Service Revenue

Service revenue from subscriptions to the Company's cloud-based technology platform is recognized ratably over the contractual subscription term, beginning on the date that the platform is delivered to the customer until the end of the contractual period. Payments received in advance of subscription services being rendered are recorded as deferred revenue; revenue recognized for services rendered in advance of payments received are recorded as contract assets. Usage fees, when bundled, are billed in advance and recognized over time on a ratable basis over the contractual subscription term, which is usually the monthly contractual billing period. Non-bundled usage fees are recognized as actual usage occurs.

Other Revenue

Other revenue comprises primarily of product revenue and professional services revenue.

The Company recognizes product revenue for telephony equipment at the point in time when transfer of control has occurred, which is generally upon shipment. Sales returns are recorded as a reduction to revenue estimated based on historical experience. Professional services for deployment, configuration, system integration, optimization, customer training, or education are primarily billed on a fixed-fee basis and are performed by the Company directly. Professional services revenue is recognized as services are performed or upon completion of the deployment.

Contract Assets

Contract assets are recorded for contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services or equipment for a reduced consideration at the onset of an arrangement, for example, when the initial month's services or equipment are discounted. Contract assets are included in other current assets or other assets in the Company's consolidated balance sheets, depending on if their reduction will be recognized during the succeeding twelve-month period or beyond.

Deferred Revenue

Deferred revenue represents billings or payments received in advance of revenue recognition and are recognized upon transfer of control. Balances consist primarily of annual plan subscription services and professional and training services not yet provided as of the balance sheet date. Revenue that will be recognized during the twelve-month period in which the Company is providing services are recorded as deferred revenue, current in the consolidated balance sheets, with the remainder recorded as other liabilities, non-current in the Company's consolidated balance sheets.

Deferred Sales Commission Costs

Sales commissions are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized as deferred sales commission costs and amortized on a straight-line basis over the anticipated benefit period of five years. The benefit period was estimated by taking into consideration the length of customer contracts, technology lifecycle, and other factors. This amortization expense is recorded in sales and marketing expense within the Company's consolidated statement of operations.

The Company applies a practical expedient that permits it to apply an anticipated benefit period to a portfolio of contracts, instead of on a contract-by-contract basis, as they are similar in their characteristics, and the financial statement effects of that application to the portfolio would not differ materially from applying it to the individual contracts within that portfolio.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments in debt securities are classified as available-for-sale and reported at fair value, based either upon quoted prices in active markets, quoted prices in less active markets, or quoted market prices for similar investments, with unrealized gains and losses, net of related tax, if any, included in other comprehensive income (loss) and disclosed as a separate component of stockholders' equity. Realized gains and losses on sales of all such investments are reported within the caption of other income (expense), net in the consolidated statements of operations and computed using the specific identification method. The Company classifies its investments as short-term or long-term based on the nature of the investments and their availability for use in current operations.

The Company's investments in debt securities are monitored on a periodic basis for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis for the investment is established. These available-for-sale investments are primarily held in the custody of two major financial institutions.

ALLOWANCE FOR CREDIT LOSSES

The Company accounts for allowance for credit losses under the current expected credit loss ("CECL") impairment model for its financial assets, including accounts receivable, and presents the net amount of the financial instrument expected to be collected. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, which considers forecasts of future economic conditions in addition to information about past events and current conditions. Based on this model, the Company estimates the amount of uncollectible accounts receivable at the end of each reporting period based on the aging of the receivable balance, current and historical customer trends, communications with its customers, and macro-economic conditions. Amounts are written off after considerable collection efforts have been made and the amounts are determined to be uncollectible.

OPERATING LEASE, RIGHT-OF-USE ASSETS, AND LEASE LIABILITIES

The Company primarily leases facilities for office and data center space under non-cancellable operating leases for its United States and international locations that expire at various dates through 2030. For leases with a term greater than 12 months, the Company recognizes a right-of-use asset and a lease liability based on the present value of lease payments over the lease term. Variable lease payments are not included in the lease payments to measure the lease liability and are expensed as incurred.

The Company's leases have remaining terms of one to eight years. Some of the leases include a Company option to extend the lease term for less than 12 months to five years, or more, which if reasonably certain to be exercised, the Company includes in the determination of lease payments. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide a readily determinable implicit rate, the Company uses its incremental borrowing rate at lease commencement, which is determined using a portfolio approach, based on the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Company uses the implicit rate when a rate is readily determinable. Operating lease expense is recognized on a straight-line basis over the lease term.

Leases with an initial term of 12 months or less are not recognized on the Company's consolidated balance sheets, and the expense for these short-term leases is recognized on a straight-line basis over the lease term.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method. Estimated useful lives of three years are used for equipment, capitalized internal-use software, and software development costs, and five years for furniture and fixtures. Amortization of leasehold improvements is computed using the shorter of the remaining facility lease term or the estimated useful life of the improvements.

Maintenance, repairs, and ordinary replacements are charged to expense. Expenditures for improvements that extend the physical or economic life of the property are capitalized. Gains or losses on the disposition of property and equipment are recorded in the consolidated statements of operations.

Construction in progress primarily relates to costs to acquire or internally develop internal-use software not fully completed as of March 31, 2023 and 2022.

CAPITALIZED INTERNAL-USE SOFTWARE COSTS

Certain costs of software developed or obtained for internal use is capitalized during the application development stage. The Company begins to capitalize costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, it is probable that the project will be completed, and the software will be used as intended.

Capitalized internal-use software development costs are included in property and equipment. Once the project has been completed, these costs are amortized to cost of service revenue on a straight-line basis over the estimated useful life of the related asset, generally estimated to be between three and four years. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded in research and development expense. The Company tests capitalized internal-use software development costs for impairment on an annual basis, or as events occur or circumstances change that could impact the recoverability of the capitalized costs.

ACCOUNTING FOR LONG-LIVED ASSETS

The Company reviews the recoverability of its long-lived assets, such as property and equipment, right-of-use assets, definite lived intangibles, or capitalized internal-use software costs, when events or changes in circumstances occur that indicate that the carrying value of the asset or asset group may not be recoverable. Examples of such events could include the disposal of a significant portion of such asset, an adverse change in the market involving the business employing the related asset, or a significant change in the operation or use of an asset. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset or asset group, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate the fair value of long-lived assets and asset groups through future cash flows.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess fair value of consideration transferred over the fair value of net assets acquired in business combinations. Goodwill and intangible assets with indefinite useful lives are not amortized but are tested annually for impairment and more often if there is an indicator of impairment.

The Company performs testing for impairment of goodwill on an annual basis, or as events occur or circumstances change that would more likely than not reduce the fair value of the Company's single reporting unit below its carrying amount. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value.

Intangible assets, consisting of acquired developed technology, domain names, and customer relationships, acquired in business combinations were initially measured at fair value and were determined to have definite lives. Thereafter, intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense related to developed technology is included in cost of revenue. Amortization expense related to customer relationships and domain names are included in sales and marketing expense. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable.

CONVERTIBLE SENIOR NOTES

In accounting for the issuance of the 0.50% Convertible Senior Notes due 2024 and the 4% Convertible Senior Notes due 2028 (collectively, the "Notes"), the Company recorded the Notes as liabilities, as the conversion features do not require bifurcation and recognition as embedded derivatives.

The excess of the principal amount of the liability over its carrying amount ("debt discount") is amortized to interest expense over the term of the Notes.

The Company recorded the issuance costs as a reduction to the liability portion of the Notes, which are amortized as interest expense over the term of the Notes.

WARRANT LIABILITIES

Warrants to purchase shares of the Company's common stock are classified as a liability on the consolidated balance sheets and held at fair value, as the warrants contain certain terms that could result in cash settlement as a result of events outside of the Company's control. The warrants are subject to remeasurement to fair value at each balance sheet date, and any change in fair value is recognized in the consolidated statements of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist primarily of personnel and related costs, third-party development and related work, software and equipment costs necessary for us to conduct our product and platform development and engineering efforts, and allocated information technology ("IT") and facilities costs. Research and development costs are expensed as incurred.

ADVERTISING COSTS

Advertising costs are expensed as incurred and were \$1.5 million, \$3.4 million, and \$9.0 million for the years ended March 31, 2023, 2022, and 2021, respectively.

FOREIGN CURRENCY TRANSLATION

The Company has determined that the functional currency of each of its foreign subsidiaries is the subsidiary's local currency. The Company believes that this most appropriately reflects the current economic facts and circumstances of the subsidiaries' operations. The assets and liabilities of the subsidiaries are translated at the applicable exchange rate as of the end of the balance sheet period and revenue and expense amounts are translated at an average rate over the period presented. Resulting currency translation adjustments are recorded as a component of accumulated other comprehensive income or loss within the stockholder's equity.

SEGMENT INFORMATION

The Company has determined that its chief executive officer is the chief operating decision maker (the "CODM"). The chief executive officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources.

The Company continued to conclude that it has one reporting unit, and it operates in a single reportable segment.

CONCENTRATIONS

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, and trade accounts receivable. The Company has cash equivalents and investment policies that limit the amount of credit exposure to any one financial institution and restrict placement of these funds to financial institutions evaluated as highly credit-worthy. Although the Company deposits its cash with multiple financial institutions, its deposits may exceed federally insured limits. The Company has not experienced any material losses relating to its investments.

The Company sells its products to customers and distributors. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral from its customers. As of March 31, 2023 and 2022, no customer accounted for more than 10% of accounts receivable. For the years ended March 31, 2023, 2022, and 2021, no customer accounted for more than 10% of revenue.

The Company purchases all of its hardware products from suppliers that manufacture the hardware directly and from their distributors. The inability of any supplier to fulfill supply requirements of the Company could materially impact future operating results, financial position, or cash flows.

The Company also relies primarily on third-party network service providers to provide telephone numbers and public switched telephone network ("PSTN") call termination and origination services for its customers. If these service providers failed to perform their obligations to the Company, such failure could materially impact future operating results, financial position, and cash flows.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal market or the most advantageous market in which it would transact.

The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability developed based on the best information available in the circumstances.

The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value by requiring that the most observable inputs be used when available. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 applies to assets or liabilities for which fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including the Company's own assumptions.

The estimated fair value of financial instruments is determined by the Company using available market information and valuation methodologies considered to be appropriate. The carrying amounts of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values due to their short maturities. The Company's investments are recorded at fair value and the Notes and the Term Loan (as defined in Note 7, *Convertible Senior Notes, Term loan and Capped Calls*) are recorded at net carrying value.

STOCK-BASED COMPENSATION

The Company accounts for the fair value of restricted stock units ("RSUs") using the closing market price of the Company's common stock on the date of the grant. For new-hire grants and annual refresh grants, one-third of the RSUs typically vest on the first anniversary of the grant date, and the remainder vest on a one-eighth basis quarterly over the subsequent two years.

Stock-based compensation cost for RSUs is measured at the grant date based on the estimated fair value of the award and is recognized as expense over the requisite service period (generally the vesting period), net of forfeitures.

The Company accounts for the fair value of performance stock units ("PSUs") using Monte Carlo simulations.

The Company estimates the fair value of the rights to acquire stock under its 1996 Employee Stock Purchase Plan (the "ESPP") using the Black-Scholes option pricing formula. The ESPP provides for consecutive six-month offering periods with a one-year look-back period and the Company uses its own historical volatility data in the valuation of shares that are purchased under the ESPP.

COMPREHENSIVE LOSS

Comprehensive loss, as defined, includes all changes in equity (net assets) during a period. The difference between net loss and comprehensive loss is due to foreign currency translation adjustments and unrealized gains or losses on investments classified as available-for-sale.

NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss available to common stockholders (numerator) by the weighted average number of vested, unrestricted common shares outstanding during the period (denominator). Diluted net loss per share is computed on the basis of the weighted average number of shares of common stock, plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method unless their effect is anti-dilutive. Dilutive potential common shares include outstanding stock options, ESPP, RSUs and PSUs.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"), and in January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848), which refines the

scope of Topic 848 and clarifies some of its guidance. Effective April 1, 2022, the Company adopted ASU 2020-04 on a prospective basis. The impact of the adoption was immaterial to the Company's consolidated financial statements.

In August 2020, the FASB issued 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Effective April 1, 2022, the Company adopted ASU 2020-06 using a modified retrospective approach. Adoption of the new standard resulted in a decrease to accumulated deficit of \$46.7 million, a decrease to additional paid-in capital of \$92.8 million, and an increase to convertible senior notes, net of \$ 46.2 million.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Other recent accounting pronouncements that may be applicable to the Company are not expected to have a material impact on its present or future financial statements.

2. REVENUE RECOGNITION

Disaggregation of Revenue

The Company disaggregates its revenue by geographic region. See Note 11, *Geographical Information*.

Contract Balances

The following table provides amounts of receivables, contract assets, and deferred revenue from contracts with customers:

	March 31, 2023	March 31, 2022
Accounts receivable, net	\$ 62,307	\$ 57,400
Contract assets, current	11,581	10,514
Contract assets, non-current	11,141	15,171
Deferred revenue, current	34,909	34,262
Deferred revenue, non-current	10,615	11,430

Contract assets, current, contract assets, non-current, and deferred revenue, non-current are recorded on the Consolidated Balance Sheets in *Other current assets*, *Other assets*, and *Other liabilities, non-current*, respectively.

The change in contract assets was primarily driven by the recognition of revenue that has not yet been billed. The increase in deferred revenue was due to billings made in advance of performance obligations being satisfied. During the year ended March 31, 2023, the Company recognized revenue of approximately \$33.7 million that were included in deferred revenue at the beginning of the fiscal year.

Remaining Performance Obligations

The Company's subscription terms typically range from one to five years. Contract revenue from the remaining performance obligations that had not yet been recognized as of March 31, 2023 was approximately \$775.0 million. This amount excludes contracts with an original expected length of less than one year. The Company expects to recognize revenue on approximately 85% of the remaining performance obligations over the next 24 months and approximately 15% over the remainder of the subscription period. For purposes of this disclosure, the Company excludes contracts with an original expected length of less than one year.

Deferred Sales Commission Costs

Amortization of deferred sales commission costs for the years ended March 31, 2023, 2022, and 2021 was \$ 38.2 million, \$34.7 million, and \$27.8 million, respectively. There were no material write-offs during the years ended March 31, 2023, 2022, and 2021.

3. FAIR VALUE MEASUREMENTS

Cash, cash equivalents, and available-for-sale investments were as follows:

As of March 31, 2023	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	Cash and Cash Equivalents	Restricted Cash (Current & Non-current)	Short-Term Investments	Long-Term Investments
Cash	\$ 95,828	\$ —	\$ —	\$ 95,828	\$ 95,828	\$ —	\$ —	\$ —
Level 1:								
Money market funds	8,935	—	—	8,935	8,935	—	—	—
Treasury securities	1,599	4	(1)	1,602	—	—	1,602	—
Subtotal	106,362	4	(1)	106,365	104,763	—	1,602	—
Level 2:								
Certificates of deposit	1,329	—	—	1,329	—	1,329	—	—
Commercial paper	8,610	—	(2)	8,608	6,637	—	1,971	—
Corporate debt	22,625	55	(25)	22,655	—	—	22,655	—
Subtotal	32,564	55	(27)	32,592	6,637	1,329	24,626	—
Total assets	\$ 138,926	\$ 59	\$ (28)	\$ 138,957	\$ 111,400	\$ 1,329	\$ 26,228	\$ —

As of March 31, 2022	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	Cash and Cash Equivalents	Restricted Cash (Current & Non-current)	Short-Term Investments	Long-Term Investments
Cash	\$ 70,095	\$ —	\$ —	\$ 70,095	\$ 70,095	\$ —	\$ —	\$ —
Level 1:								
Money market funds	12,865	—	—	12,865	12,865	—	—	—
Treasury securities	4,573	—	(7)	4,566	—	—	4,566	—
Subtotal	87,533	—	(7)	87,526	82,960	—	4,566	—
Level 2:								
Certificates of deposit	9,509	—	—	9,509	—	9,509	—	—
Commercial paper	23,950	—	(34)	23,916	7,445	—	16,471	—
Corporate debt	27,442	—	(163)	27,279	800	—	23,808	2,671
Subtotal	60,901	—	(197)	60,704	8,245	9,509	40,279	2,671
Total assets	\$ 148,434	\$ —	\$ (204)	\$ 148,230	\$ 91,205	\$ 9,509	\$ 44,845	\$ 2,671

Certificates of deposit represents the Company's letter of credits securing leases for office facilities, the balance of which is included in Restricted cash, current and Restricted cash, non-current on the Company's Consolidated Balance Sheet.

The Company considers its investments available to support its current operations and has classified investments in debt securities as available-for-sale securities. The Company does not intend to sell any of its investments that are in unrealized loss positions and, as of March 31, 2023, has determined that it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis.

The Company regularly reviews the changes to the rating of its securities at the individual security level by rating agencies and reasonably monitors the surrounding economic conditions to assess the risk of expected credit losses. As of March 31, 2023, the Company did not record any allowance for credit losses on its investments.

The following table presents additional information about valuation techniques and inputs used for the Warrants (see Note 7, *Convertible Senior Notes, Term Loan and Capped Calls*) that are measured at fair value and categorized within Level 3 as of March 31, 2023 (fair value amounts in thousands):

	Fair Value	Valuation Technique	Unobservable Inputs	Inputs value
Warrants	\$5,497	Black-Scholes option-pricing model	Stock volatility	67.2%
			Risk-free rate	3.6%
			Expected term	4.4

As of March 31, 2023 and March 31, 2022, the estimated fair value of the 2024 Notes was \$ 57.3 million and \$470.5 million, respectively. As of March 31, 2023, the estimated fair value of the 2028 Notes (refer to Note 7, *Convertible Senior Notes, Term Loan and Capped Calls*) was \$183.0 million. The fair value of the 2024 Notes and 2028 Notes was determined based on the closing price for the 2024 Notes and 2028 Notes, respectively, on the last trading day of the reporting period and is considered to be Level 2 in the fair value hierarchy due to limited trading activity of the 2024 Notes and 2028 Notes. As of March 31, 2023, the estimated fair value of the Term Loan was \$226.4 million. The fair value of the Term Loan was estimated based on the quoted market prices for the same issues or on the current rates offered for debt of similar remaining maturities.

4. INTANGIBLE ASSETS AND GOODWILL

The carrying value of intangible assets consisted of the following:

	March 31, 2023			March 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology	\$ 46,461	\$ (28,361)	\$ 18,100	\$ 46,727	\$ (19,852)	\$ 26,875
Customer relationships	105,836	(16,824)	89,012	105,827	(4,889)	100,938
Trade names and domains	584	(584)	—	583	(183)	400
Total acquired identifiable intangible assets	\$ 152,881	\$ (45,769)	\$ 107,112	\$ 153,137	\$ (24,924)	\$ 128,213

As of March 31, 2023, the weighted average remaining useful life for technology and customer relationships was 2.3 years and 7.7 years, respectively, and trade names and domains are fully amortized.

Amortization expense for related intangible assets was \$ 21.1 million, \$8.3 million, and \$6.9 million for the years ended March 31, 2023, 2022, and 2021, respectively.

During the year ended March 31, 2022, the Company wrote off approximately \$ 13.2 million of fully amortized intangible assets and the corresponding accumulated amortization. There were no write-offs during the year ended March 31, 2023. In November 2022, the Company sold certain intangible assets with net book value of less than \$0.3 million for \$1.8 million. The gain of approximately \$ 1.8 million was recorded as Other income in the Statement of Operations and includes \$ 0.3 million to be received as future services.

At March 31, 2023, annual amortization of intangible assets, based upon existing intangible assets and current useful lives, is estimated to be the following:

	Amount
2024	\$ 20,395
2025	19,095
2026	13,895
2027	11,757
2028 and thereafter	41,970
Total	\$ 107,112

The following table provides a summary of the changes in the carrying amounts of goodwill:

	Total
Balance at March 31, 2021	\$ 131,520
Additions due to acquisitions	136,117
Foreign currency translation	(770)
Balance at March 31, 2022	266,867
Foreign currency translation	(4)
Balance at March 31, 2023	\$ 266,863

The Company conducted its annual impairment tests of goodwill in the fourth quarter of fiscal 2023, 2022, and 2021, and determined that no adjustment to the carrying value of goodwill was required.

5. LEASES

The components of lease expense were as follows:

	For the years ended March 31,		
	2023	2022	2021
Operating lease expense	\$ 12,030	\$ 13,482	\$ 15,210
Variable lease expense	\$ 6,378	\$ 3,837	\$ 2,462
Cash outflows from operating leases	\$ 18,985	\$ 17,310	\$ 9,878

Short-term lease expense was immaterial during the years ended March 31, 2023 and 2022. The Company continues to evaluate its lease for potential impairments. During fiscal 2023, certain leases were impaired. As a result, \$2.7 million of right of use assets were written off.

The following table presents supplemental lease information:

	March 31, 2023	March 31, 2022
Weighted average remaining lease term	7.0 years	7.4 years
Weighted average discount rate	4.1%	4.0%

The following table presents maturity of lease liabilities under the Company's non-cancellable operating leases as of March 31, 2023:

2024	\$ 14,277
2025	13,126
2026	12,026
2027	10,712
2028	10,002
Thereafter	28,659
Total lease payments	88,802
Less: imputed interest	(11,675)
Present value of lease liabilities	\$ 77,127

6. COMMITMENTS AND CONTINGENCIES

Indemnifications

In the normal course of business, the Company may agree to indemnify other parties, including customers, lessors, and parties to other transactions with the Company with respect to certain matters, such as breaches of representations or covenants or intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors.

It is not possible to determine the maximum potential amount of the Company's exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material impact on

the Company's operating results, financial position, or cash flows. Under some of these agreements, however, the Company's potential indemnification liability might not have a contractual limit.

Legal Proceedings

The Company may be involved in various claims, lawsuits, investigations, and other legal proceedings, including intellectual property, commercial, regulatory compliance, securities, and employment matters that arise in the normal course of business. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company regularly evaluates current information to determine whether any accruals should be adjusted and whether new accruals are required. Actual claims could settle or be adjudicated against the Company in the future for materially different amounts than the Company has accrued due to the inherently unpredictable nature of litigation. Legal costs are expensed as incurred.

The Company believes it has recorded adequate provisions for any such lawsuits and claims and proceedings as of March 31, 2023. The Company believes that damage amounts claimed in these matters are not meaningful indicators of potential liability. Some of the matters pending against the Company involve potential compensatory, punitive, or treble damage claims or sanctions, that, if granted, could require the Company to pay damages or make other expenditures in amounts that could have a material adverse effect on its Consolidated Financial Statements. Given the inherent uncertainties of litigation, the ultimate outcome of the ongoing matters described herein cannot be predicted, and the Company believes it has valid defenses with respect to the legal matters pending against it. Nevertheless, the Consolidated Financial Statements could be materially adversely affected in a particular period by the resolution of one or more of these contingencies.

Operating Leases

The Company's lease obligations consist of the Company's principal facility and various leased facilities under operating lease agreements. See Note 5, *Leases*, for more information on the Company's leases and the future minimum lease payments.

Purchase Obligations

The Company's purchase obligations include contracts with third-party customer support vendors and third-party network service providers. These contracts include minimum monthly commitments and the requirements to maintain the service level for several months. The total contractual minimum commitments were approximately \$70.0 million as of March 31, 2023.

State and Local Taxes and Surcharges

From time to time, the Company has received inquiries from a number of state and local taxing agencies with respect to the remittance of sales, use, telecommunications, excise, and income taxes. Several jurisdictions currently are conducting tax audits of the Company's records. The Company collects and/or accrues for all taxes and surcharges that it believes are required. The amounts that have been remitted have historically been within the accruals established by the Company. The Company adjusts its accrual when facts relating to specific exposures warrant such adjustment. During the second quarter of fiscal 2019, the Company conducted a periodic review of the taxability of its services and determined that certain services may be subject to sales, use, telecommunications or other similar indirect taxes in certain jurisdictions. A similar review was performed on the taxability of services provided by Fuze and it was determined that certain services may be subject to sales, use, telecommunications or other similar indirect taxes in certain jurisdictions. Accordingly, the Company recorded contingent indirect tax liabilities. As of March 31, 2023 and 2022, the Company had accrued contingent indirect tax liabilities of \$13.5 million and \$17.2 million, respectively.

7. CONVERTIBLE SENIOR NOTES, TERM LOAN AND CAPPED CALLS

2024 Notes

In February 2019, the Company issued \$287.5 million aggregate principal amount of 0.50% convertible senior notes due 2024 (the "Initial 2024 Notes") in a private placement, including the exercise in full of the initial purchasers' option to purchase additional notes. The total net proceeds from the debt offering, after deducting initial purchase discounts, debt issuance costs, and costs of the capped call transactions described below, were approximately \$245.8 million.

In November 2019, the Company issued an additional \$75.0 million aggregate principal amount of 0.50% convertible senior notes due 2024 (the "First Additional 2024 Notes") in a registered offering under the same indenture as the Initial 2024 Notes. The total net proceeds from the First Additional 2024 Notes, after deducting underwriting discounts, debt issuance costs, and costs of the capped call transactions described below, were approximately \$64.6 million.

In December 2021, the Company issued an additional \$ 137.5 million aggregate principal amount of its currently outstanding 0.50% convertible senior notes due 2024 (the "Second Additional 2024 Notes", and together with the Initial 2024 Notes and the First Additional 2024 Notes, the "2024 Notes") in a private placement under the same indenture as the Initial 2024 Notes and the First Additional 2024 Notes. The total net proceeds from the Second Additional 2024 Notes, after deducting initial purchase discounts and debt issuance costs, were approximately \$134.3 million. The Company did not enter into any capped calls in connection with this transaction. Both the First Additional 2024 Notes and Second Additional 2024 Notes constitute a further issuance of, and form a single series with, the Initial 2024 Notes. Immediately after giving effect to the issuance of the Second Additional 2024 Notes, the Company had \$500.0 million aggregate principal amount of convertible senior notes. For details on the net carrying amount and fair value of the liability component of the 2024 Notes, as well as the interest expense recognized related to the 2024 Notes, see the section entitled "Exchange Transaction and 2028 Notes" below.

The 2024 Notes are senior unsecured obligations of the Company and interest is payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2019. The Notes will mature on February 1, 2024, unless earlier repurchased, redeemed, or converted.

Each \$1,000 principal amount of the 2024 Notes is initially convertible into 38.9484 shares of the Company's common stock, par value \$ 0.001, which is equivalent to an initial conversion price of approximately \$25.68 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid interest. In addition, upon the occurrence of certain corporate events that occur prior to the maturity date or following the Company's issuance of a notice of redemption, in each case as described in the Indenture, the Company will, in certain circumstances, increase the conversion rate for a holder that elects to convert its Notes in connection with such a corporate event or during the relevant redemption period.

Prior to the close of business on the business day immediately preceding October 1, 2023, the 2024 Notes will be convertible only under the following circumstances:

1. At any time during any calendar quarter commencing after the fiscal quarter ending on June 30, 2019 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
2. During the five business day period immediately after any ten consecutive trading day period (the measurement period), if the trading price per \$1,000 principal amount of the 2024 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the common stock on each such trading day and the conversion rate on each such trading day;
3. If the Company calls any or all of the Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
4. Upon the occurrence of specified corporate events (as set forth in the indenture governing the 2024 Notes).

On or after October 1, 2023, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2024 Notes, regardless of the foregoing circumstances. Upon conversion, the Company will satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of common stock, or a combination of cash and shares of common stock, at the Company's election. The Company's current intent is to settle the principal amount of the 2024 Notes in cash upon conversion. During the year ended March 31, 2023, the conditions allowing holders of the 2024 Notes to convert were not met.

Under the terms of the 2024 Notes, the Company could not redeem the 2024 Notes prior to February 4, 2022. On or after February 4, 2022, the Company may redeem for cash all or part of the 2024 Notes at the redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if the last reported sale price of the common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides a redemption notice. If a fundamental change (as defined in the indenture governing the notes) occurs at any time, holders of 2024 Notes may require the Company to repurchase for cash all or any portion of their 2024 Notes at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest, but excluding, the fundamental change repurchase date.

The 2024 Notes are senior unsecured obligations and will rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 2024 Notes; equal in right of payment with the Company's existing and future liabilities that are not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of current or future subsidiaries of the Company.

Prior to April 1, 2022, the Company accounted for the 2024 Notes as separate liability and equity components. On issuance, the carrying amount of the equity components was recorded as a debt discount and subsequently amortized to interest expense. Effective April 1, 2022, the Company adopted ASU 2020-06 using a modified retrospective approach. As a result, the 2024 Notes are accounted for as a single liability measured at its amortized cost, as no other embedded features require bifurcation and

recognition as derivatives. Adoption of the new standard resulted in a decrease to accumulated deficit of \$ 46.7 million, a decrease to additional paid-in capital of \$92.8 million and an increase to convertible senior notes, net of \$46.2 million. The 2024 Notes have no original issuance discounts. Unamortized debt discount and issuance costs will be amortized over the remaining life of the 2024 Notes, which is approximately nine months.

Capped Calls

In connection with the pricing of the Initial 2024 Notes and the First Additional 2024 Notes, the Company entered into privately negotiated capped call transactions (the "Capped Calls") with certain counterparties. The Capped Calls each have an initial strike price of approximately \$25.68 per share, subject to certain adjustments, which correspond to the initial conversion price of the Initial 2024 Notes and the First Additional 2024 Notes. The Capped Calls have initial cap prices of \$39.50 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 14.1 million shares of the Company's common stock. In February 2023, the Company unwound the Capped Calls and received \$0.2 million in cash, which was recorded as Additional Paid in Capital.

Term Loan and Warrants

On August 10, 2022, the Company borrowed \$250.0 million in a senior secured term loan facility (the "Term Loan") under a term loan credit agreement (the "Credit Agreement") entered into on August 3, 2022 with Wilmington Savings Fund Society, FSB, as administrative agent, and certain affiliates of Francisco Partners ("FP"), with aggregate debt issuance costs and discount of approximately \$20.0 million, including \$2.8 million paid in the form of shares of the Company's common stock. The Term Loan matures on August 3, 2027 and will initially bear interest at an annual rate equal to the term Standard Overnight Financing Rate ("Term SOFR") (which will be subject to a floor of 1.00% and a credit spread adjustment of 0.10%), plus a margin of 6.50%.

The obligations under the Credit Agreement will be guaranteed by the Company's wholly-owned subsidiaries, subject to certain customary exceptions, and secured by a perfected security interest in substantially all of the Company's tangible and intangible assets, as well as substantially all of the tangible and intangible assets of the guarantors.

Mandatory prepayments of the Term Loan are required to be made upon the occurrence of certain events, including, without limitation, (i) sales of certain assets, (ii) receipt of certain casualty and condemnation awards proceeds, and (iii) the incurrence of non-permitted indebtedness, subject to certain thresholds and reinvestment rights. Voluntary prepayments are permitted at any time, subject to certain prepayment premiums.

The Credit Agreement contains a minimum adjusted cash Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) financial covenant, a minimum liquidity covenant and a maximum secured leverage ratio financial covenant and contains affirmative and negative covenants customary for transactions of this type, including limitations with respect to indebtedness, liens, investments, dividends, disposition of assets, change in business, and transactions with affiliates.

The Company used the proceeds from the issuance of the Term Loan to fund the cash portion of an exchange of the Company's approximately \$ 403.8 million principal amount of the 2024 Notes for cash plus approximately \$201.9 million of the 2028 Notes (defined below), and the concurrent repurchase of approximately \$ 60.0 million of the Company's common stock with the counterparties to such exchange.

In connection with the Credit Agreement, the Company issued detachable warrants (the "Warrants") to affiliates of FP to purchase an aggregate of 3.1 million shares of the Company's common stock with a five-year term and an exercise price of \$ 7.15 per share (subject to adjustment) that represents a 27.5% premium over the closing price per share of the Company's common stock on August 3, 2022. The Warrants are classified as liabilities as the Warrants contain certain terms that could result in cash settlement as a result of events outside of the Company's control. Accordingly, the Company recognizes the Warrants as liabilities at fair value initially and adjusts the Warrants to fair value at each reporting period. The fair value of the Warrants was \$5.9 million upon issuance, and \$5.5 million at March 31, 2023, and was recorded within Other liabilities, non-current on the condensed consolidated balance sheets with a corresponding debt discount recorded against the Term Loan. The subsequent changes in fair value were recorded through Other income (expense), net on the Company's condensed consolidated statement of operations.

The debt discount and debt issuance costs are amortized to interest expense over the term of the Term Loan at an effective interest rate of 11.0%.

The following table presents the net carrying amount of the Term Loan:

	March 31, 2023
Principal	\$ 250,000
Unamortized debt discount and issuance costs	(18,007)
Net carrying amount	<u>\$ 231,993</u>

Interest expense recognized related to the Term Loans was as follows:

	Year Ended
	March 31, 2023
Contractual interest expense	\$ 17,816
Amortization of debt discount and issuance costs	2,012
Total interest expense	\$ 19,828

Exchange Transaction and 2028 Notes

Exchange Transaction

On August 11, 2022, the Company issued approximately \$ 201.9 million aggregate principal amount of its 4.00% convertible senior notes due 2028 (the "2028 Notes"), pursuant to an indenture, dated as of August 11, 2022 (the "2028 Notes Indenture"), by and between the Company and Wilmington Trust, National Association, as trustee (the "Trustee").

The Company used the proceeds from the issuance of the 2028 Notes, together with approximately \$ 181.8 million in cash consideration from borrowing of the Term Loan, in exchange for approximately \$403.8 million aggregate principal amount of the Company's outstanding 2024 Notes pursuant to privately negotiated agreements (the "Exchange Agreements") with a limited number of existing holders of the 2024 Notes (the "Exchange Transaction"). In connection with the Exchange Transaction, the Company purchased an aggregate of approximately \$60.0 million of the Company's common stock in privately negotiated transactions from existing holders of the 2024 Notes who participated in the Exchange Transaction.

The Exchange Transaction was treated as a debt extinguishment. The difference between the consideration used to extinguish the 2024 Notes and the carrying value of the 2024 Notes (including unamortized debt discount and issuance costs) subject to the Exchange Transaction resulted in an extinguishment gain of \$16.1 million recorded through Other income (expense), net on the Company's condensed consolidated statement of operations.

The Capped Calls were not modified or settled as part of the Exchange Transaction and continued to be classified in stockholders' equity as long as they continued to meet the conditions for equity classification. These were subsequently unwound in February 2023.

2028 Notes

As part of the Exchange Transaction, the Company issued \$ 201.9 million aggregate principal amount of the 2028 Notes, with debt issuance costs of approximately \$5.6 million, of which 50% was paid in the form of shares of the Company's common stock.

The 2028 Notes are senior obligations of the Company that accrue interest, payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2023. The 2028 Notes will mature on February 1, 2028, unless earlier converted, redeemed or repurchased. The initial conversion rate is 139.8064 shares of the Company's common stock per \$1,000 principal amount of the 2028 Notes (equivalent to an initial conversion price of approximately \$7.15 per share), subject to customary adjustments. Upon conversion of the 2028 Notes, the Company may elect to satisfy the conversion obligation by cash, shares of the Company's common stock or a combination of cash and shares of the Company's stock.

Prior to the close of business on the business day immediately preceding November 15, 2027, the 2028 Notes will be convertible only under the following circumstances:

1. At any time during any fiscal quarter commencing after the fiscal quarter ending on December 31, 2022 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
2. During the five business day period immediately after any five consecutive trading day period (the measurement period), if the trading price per \$1,000 principal amount of the 2028 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate on each such trading day;
3. If the Company calls any or all of the 2028 Notes for redemption prior to the close of business on the business day immediately preceding November 15, 2027; or
4. Upon the occurrence of specified corporate events (as set forth in the 2028 Notes Indenture).

On or after November 15, 2027, holders of the 2028 Notes may convert their 2028 Notes at their option at any time until the close of business on the second Scheduled Trading Day immediately preceding the maturity date.

Under the terms of the 2028 Notes, the Company cannot redeem the 2028 Notes prior to August 6, 2025. On or after August 6, 2025, the Company may, at its option, redeem for cash all or any portion of the 2028 Notes at a redemption price equal to 100% of the principal amount, plus accrued unpaid interest, only upon the satisfaction of certain conditions and during certain periods,

including if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides a redemption notice.

If a fundamental change (as defined in the 2028 Notes Indenture) occurs at any time prior to February 1, 2028, holders of 2028 Notes may require the Company to repurchase for cash all or any portion of their 2028 Notes at a repurchase price equal to 100% of the principal amount of the 2028 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. In addition, in connection with certain corporate events or if the Company issues a notice of redemption, a fundamental change will, under certain circumstances, increase the conversion rate for holders who elect to convert their 2028 Notes in connection with such corporate event or during the relevant redemption period.

The 2028 Notes Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or holders of no less than 25% in aggregate principal amount of the 2028 Notes then outstanding may declare the entire principal amount of all the 2028 Notes, and the interest accrued on such 2028 Notes, if any, to become immediately due and payable. Upon events of default in connection with specified bankruptcy events involving the Company, the 2028 Notes will become due and payable immediately.

The debt discount and debt issuance costs are amortized to interest expense over the term of the 2028 Notes at an effective interest rate of 4.7%.

The following table presents the net carrying amount of the 2028 Notes:

	March 31, 2023
Principal	\$ 201,914
Unamortized debt discount and issuance costs	(5,093)
Net carrying amount	<u>\$ 196,821</u>

Interest expense recognized related to the 2028 Notes was as follows:

	Year Ended March 31, 2023
Contractual interest expense	\$ 4,027
Amortization of debt discount and issuance costs	548
Total interest expense	<u>\$ 4,575</u>

Repayment of 2024 Notes

In addition to the Exchange Transaction, the Company completed three repurchases of the 2024 Notes during fiscal 2023 for a total of approximately \$ 32.9 million in aggregate principal amount.

On September 28, 2022, the Company repurchased an aggregate principal amount of \$ 6.0 million of the 2024 Notes through a privately negotiated transaction with one of the remaining 2024 Notes holders for an aggregate purchase price of \$5.3 million. The aggregate purchase price was paid in cash and only partially settled the outstanding 2024 Notes with the holder; accordingly, the repurchase consideration was accounted for as a debt modification with no extinguishment gain or loss.

On December 9, 2022, the Company repurchased an aggregate principal amount of \$ 21.8 million of the 2024 Notes through privately negotiated transactions with two of the remaining 2024 Notes holders for an aggregate purchase price of \$20.1 million in cash. The repurchase consideration was accounted for as a debt extinguishment, resulting in a \$2.1 million gain.

On February 23, 2023, the Company repurchased an aggregate principal amount of \$ 5.0 million of the 2024 Notes through a privately negotiated transaction with one of the remaining 2024 Notes holders for an aggregate purchase price of \$4.7 million in cash. The repurchase consideration was accounted for as a debt extinguishment, resulting in a \$0.3 million gain.

The following table presents the net carrying amount and fair value of the liability component of the 2024 Notes:

	March 31, 2023	March 31, 2022
Principal	\$ 63,295	\$ 500,000
Unamortized debt discount ⁽¹⁾ and issuance costs	(363)	(52,548)
Net carrying amount	<u>\$ 62,932</u>	<u>\$ 447,452</u>

(1) The debt discount as of March 31, 2022 represents the discount resulting from the allocation of the equity component (conversion option) from the liability component of the 2024 Notes, net of issuance premium, prior to the adoption of ASU 2020-06 on April 1, 2022. Upon the adoption of ASU 2020-06, the equity component was reversed. As a result, the March 31, 2023 debt discount represents only the issuance premium.

The debt discount and debt issuance costs are amortized to interest expense over the term of the 2024 Notes at an effective interest rate of 1.2%.

Interest expense recognized related to the 2024 Notes was as follows:

	Years Ended March 31,		
	2023	2022	2021
Contractual interest expense	\$ 1,177	\$ 2,271	\$ 1,813
Amortization of debt discount and issuance costs	1,694	20,404	16,898
Total interest expense	\$ 2,871	\$ 22,675	\$ 18,711

8. STOCK-BASED COMPENSATION AND STOCKHOLDERS' EQUITY

2012 Equity Incentive Plan

In June 2012, the Company's board of directors approved the 2012 Equity Incentive Plan (the "2012 Plan"). The Company's stockholders subsequently adopted the 2012 Plan in July 2012, which became effective in August 2012. The Company reserved 4.1 million shares of the Company's common stock for issuance under this plan. In August 2014, 2016, 2018 and 2019, the 2012 Plan was amended to allow for an additional 6.8 million shares, 4.5 million shares, 16.3 million shares, and 12.0 million shares reserved for issuance, respectively. The 2012 Plan provided for granting incentive stock options to employees and non-statutory stock options to employees, directors or consultants, and granting of stock appreciation rights, restricted stock, restricted stock units and performance units, qualified performance-based awards, and stock grants. The stock option price of incentive stock options granted was not permitted to be less than the fair market value on the effective date of the grant. Other types of options and awards under the 2012 Plan could be granted at any price approved by the administrator. Options, restricted stock, and restricted stock units generally vest over three or four years and expire ten years after grant. The 2012 Plan expired in June 2022. As of March 31, 2023, there were no shares available for future grants under the 2012 Plan.

2013 New Employee Inducement Incentive Plan

In September 2013, the Company's board of directors approved the 2013 New Employee Inducement Incentive Plan (the "2013 Plan"). The Company reserved 1.0 million shares of the Company's common stock for issuance under this plan. In November 2014, the 2013 Plan was amended to allow for an additional 1.2 million shares reserved for issuance. In July 2015, the 2013 Plan was amended to allow for an additional 1.2 million shares reserved for issuance. In connection with its approval of the August 2016 amendments to the 2012 Plan, the Company's board of directors has approved the suspension of future grants under the 2013 Plan, which became effective immediately upon stockholder approval of the proposed 2012 Plan amendments in August 2016. In addition, the 2013 Plan was amended to reduce the number of shares reserved for issuance under the 2013 Plan to the number of shares that were then subject to outstanding awards under the 2013 Plan, leaving no shares available for future grant. The 2013 Plan provided for granting non-statutory stock options, stock appreciation rights, restricted stock, restricted stock and performance units, and stock grants solely to newly hired employees as a material inducement to accepting employment with the Company. Options were granted at market value on the grant date under the 2013 Plan, unless determined otherwise at the time of grant by the administrator. Grants generally vested over four years and expire ten years after grant.

2017 New Employee Inducement Incentive Plan

In October 2017, the Company's board of directors approved the 2017 New Employee Inducement Incentive Plan (the "2017 Plan"). The Company reserved 1.0 million shares of the Company's common stock for issuance under this plan. In January 2018, the 2017 Plan was amended to allow for an additional 1.5 million shares to be reserved for issuance. In December 2020, the 2017 Plan was further amended to allow for an additional 1.4 million shares to be reserved for issuance. In February 2022, the 2017 Plan was further amended to allow for an additional 1.5 million shares to be reserved for issuance. The 2017 Plan provides for granting non-statutory stock options, stock appreciation rights, restricted stock, and performance units and stock grants solely to newly hired employees as a material inducement to accepting employment with the Company. Options are granted at market value on the grant date under the 2017 Plan, unless determined otherwise at the time of grant by the administrator, which generally will be the compensation committee of the board of directors. Grants generally vest over three years and expire ten years after grant. As of March 31, 2023, 1.5 million shares remained available for future grants under the 2017 plan.

2022 Equity Incentive Plan

On May 26, 2022, the Company's board of directors approved the 2022 Equity Incentive Plan (the "2022 Plan"). The Company's stockholders subsequently approved the 2022 Plan on July 12, 2022. The Company reserved 8.0 million shares of the Company's common stock for issuance under the 2022 Plan plus the number of shares subject to awards that were outstanding under the 2012 Plan (as defined below) as of 12:01 a.m. Pacific Time on June 22, 2022 (the "Prior Plan Expiration Time"), to the extent that, after the Prior Plan Expiration Time, such shares would have recycled back to the 2012 Plan in connection with the awards' expiration, termination, cancellation, forfeiture, or repurchase, and in each case, subject to adjustment upon certain changes in the Company's capitalization. The 2022 Plan provides for the granting of incentive stock options to employees and non-statutory stock options to employees, directors or consultants, and granting of stock appreciation rights, restricted stock,

restricted stock units and performance units, and stock grants. The stock option price of incentive stock options granted cannot be less than the fair market value on the effective date of the grant. Options, restricted stock, and restricted stock units generally vest over three or four years and expire ten years after the grant. As of March 31, 2023, 4.1 million shares remained available for future grants under the 2022 Plan.

Stock-Based Compensation

The following table presents stock-based compensation expense:

	Years Ended March 31,		
	2023	2022	2021
Cost of service revenue	\$ 9,236	\$ 8,815	\$ 8,811
Cost of other revenue	3,531	4,717	4,384
Research and development	29,581	32,655	31,641
Sales and marketing	24,921	47,202	33,869
General and administrative	22,267	39,942	28,933
Total	\$ 89,536	\$ 133,331	\$ 107,638

Stock Options

The total intrinsic value of options exercised in the years ended March 31, 2023, 2022, and 2021, was \$ 40,000, \$15.3 million and \$8.0 million, respectively.

As of March 31, 2023, there was no unrecognized compensation cost related to stock options.

The Company did not grant any stock options during fiscal years 2023, 2022, or 2021.

Stock Purchase Rights

There were no activities related to stock purchase rights during the years ended March 31, 2023, 2022, and 2021.

As of March 31, 2023, there was no unrecognized compensation cost related to stock purchase rights.

Restricted Stock Units

The following table presents the RSU activity during the years ended March 31, 2023, 2022, and 2021 (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in Years)
Balance at March 31, 2020	8,112	\$ 19.43	1.96
Granted	6,256	18.73	
Vested and released	(4,579)	18.90	
Forfeited	(1,143)	18.96	
Balance at March 31, 2021	8,646	19.27	1.85
Granted	8,333	21.37	
Vested and released	(5,146)	19.82	
Forfeited	(2,458)	20.85	
Balance at March 31, 2022	9,375	20.41	2.11
Granted	13,297	5.71	
Vested and released	(5,275)	19.18	
Forfeited	(4,404)	12.46	
Balance at March 31, 2023	12,993	\$ 8.56	1.84

As of March 31, 2023, there was \$ 69.8 million of total unrecognized compensation cost related to RSUs.

Performance Stock Units

PSUs are issued to a group of executives with vesting that is contingent on both market performance and continued service. The PSUs generally vest over periods ranging from one to three years based on Total Shareholder Return ("TSR"), as measured relative to specified market indices during the period from grant date through vesting date. A 2x multiplier will be applied for each percentage point of positive or negative relative TSR, such that the number of shares of common stock earned will increase or decrease by 2% of the target number of shares, subject to a maximum of 200% of the target number of shares. In the event that the Company's relative TSR performance is less than negative 30%, relative to the specified index, no shares will be earned for the applicable performance period. All PSU awards vest at the end of the respective performance periods for those executives with continued service.

The following table presents the PSU activity during the years ended March 31, 2023, 2022, and 2021 (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in Years)
Balance at March 31, 2020	1,079	\$ 22.05	1.40
Granted	1,013	29.00	
Granted for performance achievement ¹	43	29.00	
Vested and released	(350)	19.05	
Forfeited	(209)	22.38	
Balance at March 31, 2021	1,576	27.33	1.24
Granted	497	30.41	
Granted for performance achievement ¹	20	30.41	
Vested and released	(250)	17.15	
Forfeited	(817)	23.45	
Balance at March 31, 2022	1,026	35.36	0.89
Granted	853	7.31	
Granted for performance achievement ¹	24	7.31	
Vested and released	(128)	25.65	
Forfeited	(1,151)	28.11	
Balance at March 31, 2023	624	11.30	1.45

¹ Represents additional PSUs awarded as a result of the achievement of performance goals above the performance targets established at grant.

As of March 31, 2023, there was \$ 9.0 million of total unrecognized compensation cost related to PSUs.

The PSUs granted were valued for compensation expense purposes at weighted average share price determined by the Monte Carlo simulations using volatility factors and risk-free rates as follows:

Year ended March 31,	Value per Weighted Average Share	Volatility Range	Risk Free Interest Rate Range
2023	\$ 7.05	51.96 % — 69.30%	3.15 % — 4.42 %
2022	\$ 30.98	58.65 % — 59.67%	0.34 % — 0.40 %
2021	\$ 29.07	55.66 % — 60.68%	0.15 % — 0.18 %

1996 Employee Stock Purchase Plan

The Company's Amended and Restated 1996 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") was adopted in June 1996 and became effective upon the closing of the Company's initial public offering in July 1997. In May 2006, the Company's board of directors approved a ten-year extension of the Employee Stock Purchase Plan. Stockholders approved the ten-year extension of the Employee Stock Purchase Plan at the 2006 Annual Meeting of Stockholders held September 2006. The Company's board of directors then approved the Second Amended and Restated 1996 Stock Purchase Plan in May 2017 which (i) eliminated the expiration date of the plan and (ii) approved a ten-year "evergreen provision" which would increase annually the number of shares available for issuance by up to 500,000 on the first day of each fiscal year. Stockholders approved these changes in August 2017. In May 2020, the Company's board of directors approved the Amended and Restated 1996 Employee Stock Purchase Plan which (i) eliminated the "evergreen provision" and (ii) reserved for issuance 3,000,000 additional shares. At the 2020 Annual Meeting of Stockholders in August 2020, these changes were approved. As a result of these

amendments, the Employee Stock Purchase Plan is effective until terminated by the Company's board of directors. In May 2022, the Company's board of directors approved amendments to the Employee Stock Purchase Plan, including an amendment that reserved for issuance of an additional 3,600,000 shares, which were approved by the stockholders in July 2022 at the 2022 Annual Meeting. During fiscal 2023, 2022 and 2021, approximately 1.1 million, 0.7 million, and 0.7 million shares, respectively, were issued under the Amended and Restated Employee Stock Purchase Plan.

The Employee Stock Purchase Plan permits eligible employees to purchase common stock through payroll deductions at a price equal to 85% of the fair market value of the common stock at the beginning of each one-year offering period or the end of each six-month purchase period, whichever is lower. When the Employee Stock Purchase Plan was reinstated in fiscal 2005, the offering period was reduced from two years to one year. Commencing with the purchase period beginning in August 2020, the contribution amount may not exceed 20% of an employee's base compensation, including commissions and standard incentive cash bonuses, but not including non-standard bonuses and overtime wages. Prior to the August 2020 purchase period, the contribution amount was limited to 10% of an employee's base compensation, including commissions, but not including bonuses and overtime wages. In the event of a merger of the Company with or into another corporation or the sale of all or substantially all of the assets of the Company, the Employee Stock Purchase Plan provides that a new exercise date will be set for each purchase right under the plan which exercise date will occur before the date of the merger or asset sale.

As of March 31, 2023, there was approximately \$ 1.2 million of unrecognized compensation cost related to employee stock purchases. This cost is expected to be recognized over a weighted average period of 0.4 years.

The estimated fair value of stock purchase rights granted under the Employee Stock Purchase Plan was estimated using the Black-Scholes pricing model with the following weighted-average assumptions:

	Years Ended March 31,		
	2023	2022	2021
Expected volatility	72%	45%	84%
Expected dividend yield	—	—	—
Risk-free interest rate	3.30%	0.57%	0.11%
Weighted average expected term (in years)	0.8 years	0.8 years	0.7 years
Weighted average fair value of rights granted	\$2.09	\$5.81	\$8.00

Stock Repurchases

In May 2017, the Company's board of directors authorized the Company to purchase \$ 25.0 million of its common stock from time to time under the 2017 Repurchase Plan (the "Repurchase Plan"). The Repurchase Plan expires when the maximum purchase amount is reached, or upon the earlier revocation or termination by the Company's board of directors. The remaining amount available under the Repurchase Plan as of March 31, 2023 was approximately \$7.1 million.

In December 2021, in a private placement, the Company's board of directors authorized the Company to repurchase approximately \$ 45.0 million of its common stock from certain qualified investors in connection with the issuance of \$137.5 million in additional aggregate principal amount of the 2024 Notes.

In August 2022, the Company repurchased in privately negotiated transactions with a limited number of holders 10,695,000 shares of its common stock for approximately \$60 million, in connection with the Exchange Transaction and negotiation of the Term Loan, as further described in Note 7, *Convertible Senior Notes, Term Loan and Capped Calls*.

9. INCOME TAXES

For the years ended March 31, 2023, 2022, and 2021, the Company recorded a provision (benefit) for income taxes of \$ 2.8 million, \$0.4 million, and \$0.8 million, respectively. The components of the consolidated provision for income taxes for fiscal 2023, 2022, and 2021 consisted of the following:

	March 31,		
	2023	2022	2021
Current:			
Federal	\$ 423	\$ —	\$ —
State	1,331	145	31
Foreign	1,053	721	812
Total current tax provision	<u>2,807</u>	<u>866</u>	<u>843</u>
Deferred			
Federal	—	(984)	—
State	—	(269)	—
Foreign	—	—	—
Total deferred tax provision	<u>—</u>	<u>(1,253)</u>	<u>—</u>
Income tax provision (benefit)	<u>\$ 2,807</u>	<u>\$ (387)</u>	<u>\$ 843</u>

The Company's loss from continuing operations before income taxes included \$2.7 million, \$12.9 million, and \$15.3 million of foreign subsidiary income for the years ended March 31, 2023, 2022, and 2021, respectively. The Company is permanently reinvesting the earnings of its profitable foreign subsidiaries to facilitate expansion of overseas operations. If the Company were to remit these earnings, the tax impact would be immaterial.

For the year ended March 31, 2022, the Company recorded a deferred tax benefit of \$ 1.2 million related to the release of an existing valuation allowance as a result of change in circumstances caused by the acquisition of Fuze.

Deferred tax assets and (liabilities) were comprised of the following:

	March 31,	
	2023	2022
Deferred tax assets		
Net operating loss carryforwards	\$ 317,035	\$ 350,242
Research and development and other credit carryforwards	29,237	26,127
Stock-based compensation	9,257	14,877
Reserves and allowances	16,050	23,880
Lease liability	18,236	20,614
Capitalized IRC 174 costs	31,207	—
Fixed assets and intangibles	5,728	836
Gross deferred tax assets	<u>426,750</u>	<u>436,576</u>
Valuation allowance	(360,274)	(349,093)
Total deferred tax assets	<u>\$ 66,476</u>	<u>\$ 87,483</u>
Deferred tax liabilities		
Intangibles	(23,781)	(28,529)
Deferred sales commissions	(30,607)	(32,857)
Convertible debt	—	(12,066)
Lease asset	(12,202)	(14,145)
Net deferred taxes	<u>\$ (114)</u>	<u>\$ (114)</u>

The Company assesses the realizability of deferred tax assets based on the available evidence, including a history of taxable income and estimates of future taxable income. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that all or some portion of deferred tax assets will not be realized. For the year ended March 31, 2023, the Company continues to maintain a full valuation allowance against its deferred tax assets as it considered the cumulative losses in recent periods to be substantial negative evidence. At March 31, 2023, management determined that a valuation allowance of approximately \$360.3 million was needed, compared with approximately \$349.1 million as of March 31, 2022.

At March 31, 2023, the Company had federal net operating loss carryforwards of approximately \$ 1,199.1 million, of which \$361.0 million are related to years prior to fiscal 2019 and begin to expire in 2023. The remaining \$838.1 million carry forward indefinitely but can only be used to apply to 80% of the Company's taxable income for a given tax year. As of March 31, 2023, the Company has state net operating loss carry-forwards of \$978.7 million, the majority of which expire at various dates between 2024 and 2043. In addition, at March 31, 2023, the Company had research and development credit carryforwards for federal and California

tax reporting purposes of approximately \$18.5 million and \$21.8 million, respectively. The federal income tax credit carryforwards will expire at various dates between 2024 and 2043, while the California income tax credits will carry forward indefinitely. A reconciliation of the Company's provision (benefit) for income taxes to the amounts computed using the statutory United States federal income tax rate is as follows:

	Years Ended March 31,		
	2023	2022	2021
Tax benefit at statutory rate	\$ (15,075)	\$ (36,909)	\$ (34,492)
State income taxes before valuation allowance, net of federal effect	(3,088)	(7,754)	(7,445)
Foreign tax rate differential	492	(2,056)	(2,206)
Research and development credits	(2,513)	(3,362)	(4,078)
Change in valuation allowance	(1,708)	49,620	47,225
Compensation/option differences	16,858	(6,788)	(5,045)
Non-deductible compensation	4,397	7,606	6,194
Other	3,444	(744)	690
Total income tax provision (benefit)	<u>\$ 2,807</u>	<u>\$ (387)</u>	<u>\$ 843</u>

For the years ended March 31, 2023, 2022, and 2021, the statutory federal rate was 21%.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years ended March 31,		
	2023	2022	2021
Balance at beginning of year	\$ 9,850	\$ 7,053	\$ 6,115
Gross increases - tax position in prior period	163	1,918	—
Gross increases - tax position related to the current year	158	951	1,140
Settlements	—	(63)	—
Lapse of statute of limitations	(34)	(19)	(202)
Currency	(24)	10	—
Balance at end of year	<u>\$ 10,113</u>	<u>\$ 9,850</u>	<u>\$ 7,053</u>

At March 31, 2023, the Company had unrecognized tax benefits of \$10.1 million, all of which, if recognized, would favorably affect the Company's effective tax rate. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company's policy for recording interest and penalties associated with tax examinations is to record such items as a component of operating expense income before taxes. For the year ended March 31, 2023 and 2022, the Company recognized \$0.1 million and \$0.2 million, respectively, in penalty and interest related to unrecognized tax benefits. The Company did not recognize any interest or penalties related to unrecognized tax benefits for the year ended March 31, 2021.

Utilization of the Company's net operating loss and tax credit carryforwards can become subject to a substantial annual limitation due to the ownership change limitations provided by Section 382 of the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration or elimination of the net operating loss and tax credit carryforwards before utilization. The Company has performed an analysis of its changes in ownership under Section 382 of the Internal Revenue Code as well as with respect to the net operating loss and tax credit carryforwards inherited as part of the Fuze acquisition. The Company currently expects the Section 382 limitation to apply with respect to the Fuze carryforwards and limit the Company's ability to fully utilize the Fuze net operating loss carryforwards, prior to their expiration.

The Company files United States federal and state income tax returns in jurisdictions with varying statutes of limitations. Due to the Company's net operating loss and tax credit carryforwards, the fiscal years 2003 and forward generally remain subject to examination by federal and most state tax authorities.

10. NET LOSS PER SHARE

The following is a reconciliation of the weighted average number of common shares outstanding used in calculating basic and diluted net loss per share (*dollars in thousands, except per share data*):

	For the years ended March 31,		
	2023	2022	2021
Net loss	\$ (73,143)	\$ (175,383)	\$ (165,585)
Weighted average common shares outstanding - basic and diluted (in thousands)	115,959	113,354	105,700
Net loss per share - basic and diluted	\$ (0.63)	\$ (1.55)	\$ (1.57)

The following potentially dilutive common shares were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive since the Company is in a net loss position (*shares in thousands*):

	For the years ended March 31,		
	2023	2022	2021
Stock options	685	867	1,813
Restricted stock units and Performance stock units	13,617	10,401	10,221
Potential shares attributable to the ESPP	1,261	761	555
Warrants to purchase common stock	3,100	—	—
Total anti-dilutive shares	18,663	12,029	12,589

11. GEOGRAPHICAL INFORMATION

The following tables set forth the geographic information for each period:

	Revenue for the Years Ended March 31,		
	2023	2022	2021
United States	\$ 536,678	\$ 443,118	\$ 390,758
International	207,260	195,012	141,586
Total revenue	\$ 743,938	\$ 638,130	\$ 532,344

	Property and Equipment as of March 31,	
	2023	2022
United States	\$ 54,191	\$ 73,967
International	3,680	5,049
Total property and equipment, net	\$ 57,871	\$ 79,016

12. ACQUISITIONS

Wavecell

On July 17, 2019, the Company acquired Wavecell, by acquiring all of the outstanding shares for a total purchase price of \$ 117.1 million, comprised of \$72.8 million in cash and \$44.3 million in shares of the common stock of the Company. The acquisition was accounted for as a business combination under the acquisition method and, accordingly, the total purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair value on the acquisition date. The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of Wavecell and is not expected to be deductible for income tax purposes.

Fuze

On January 18, 2022, the Company acquired 100% of the outstanding shares of common stock of Fuze for a total consideration of \$ 213.8 million, which consisted of \$132.9 million in cash and \$80.9 million in shares of common stock of the Company (based on \$ 15.48 closing price of the Company's stock on January 18, 2022), of which approximately \$1.3 million in cash and up to 1,153,523 shares were held back in accordance with the merger agreement, and 346,053 shares were held back (pursuant to indemnity obligations) and reserved for later issuance. Subsequently, in May 2022, approximately \$1.3 million in cash that was held back, was released as part of the working capital adjustment, and in April 2023, approximately 1,038,171 shares that were held back as part of the transaction indemnity holdback were released. The results of Fuze's operations have been included in the Company's consolidated financial statements in fiscal 2023 and in fiscal 2022 since the acquisition.

13. SUPPLEMENTAL FINANCIAL INFORMATION

Property and equipment, net consisted of the following:

	March 31,	
	2023	2022
Computer equipment	\$ 56,106	\$ 46,037
Software development costs	109,590	103,190
Software licenses	10,175	8,103
Leasehold improvements	33,269	29,064
Furniture and fixtures	11,994	5,013
Construction in progress	5,030	5,303
Total property and equipment	226,164	196,710
Less: accumulated depreciation and amortization	(168,293)	(117,694)
Total property and equipment, net	\$ 57,871	\$ 79,016

Depreciation and amortization expense was \$36.8 million, \$42.1 million, and \$39.0 million for the years ended March 31, 2023, 2022, and 2021, respectively.

During the year ended March 31, 2023, the Company abandoned and wrote off certain internally-developed software with a net book value of \$ 3.7 million.

Other current assets consisted of the following:

	March 31,	
	2023	2022
Prepaid expense	\$ 18,546	\$ 24,220
Contract assets, current	11,581	10,514
Other current assets	4,503	3,265
Total other current assets	\$ 34,630	\$ 37,999

14. RELATED PARTY TRANSACTIONS

The Company has been doing business with an outside sales and marketing vendor since December 2017, which became a related party in July 2022 when a member of the Company's board of directors joined the vendor's board of directors. The Company has a two-year contract with this vendor valued at \$ 1.4 million and paid \$0.5 million during fiscal 2023.

15. SUBSEQUENT EVENTS

On May 9, 2023, the Company voluntarily prepaid \$ 25.0 million of principal and \$0.2 million interest on the Term Loan, reducing total principal outstanding to \$ 225 million. This payment had no impact on the Company's compliance with the Term Loan covenants.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting despite the fact that most of our employees are working remotely due to the ongoing COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of March 31, 2023. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2023, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on criteria established in the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment, management has concluded that its internal control over financial reporting was effective as of March 31, 2023.

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

Moss Adams LLP, an independent registered public accounting firm, has audited and reported on the consolidated financial statements of 8x8 and on the effectiveness of our internal control over financial reporting. The report of Moss Adams LLP is contained in Item 8 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K. The Registrant will file its definitive Proxy Statement for its Annual Meeting of Stockholders pursuant to Regulation 14A of the Exchange Act, not later than 120 days after the end of the fiscal year covered by this Annual Report, and certain information included in the 2023 Proxy Statement is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors and corporate governance will be presented in our definitive proxy statement for our 2023 Annual Meeting of Stockholders to be held on or about July 28, 2023, which information is incorporated into this Annual Report by reference. However, certain information regarding current executive officers found under the heading "Information About Our Executive Officers" in Item 1 of Part I hereof is also incorporated by reference in response to this Item 10.

We have adopted a Code of Conduct and Ethics that applies to our principal executive officer, principal financial officer, and all other employees at 8x8, Inc. This Code of Conduct and Ethics is posted in the corporate governance section of our website at <http://investors.8x8.com>. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Conduct and Ethics by posting such information in the corporate governance section on our website at <http://investors.8x8.com>.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation will be presented in our definitive proxy statement for our 2023 Annual Meeting of Stockholders to be held on or about July 28, 2023, which information is incorporated into this Annual Report by reference.

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

Information relating to securities authorized for issuance under equity compensation plans and other information required to be provided in response to this item will be presented in our definitive proxy statement for our 2023 Annual Meeting of Stockholders to be held on or about July 28, 2023, which information is incorporated into this Annual Report by reference. In addition, descriptions of our equity compensation plans are set forth in Note 8, *Stock-Based Compensation and Stockholders' Equity*, in the Notes to Consolidated Financial Statements included in this Annual Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required to be provided in response to this item will be presented in our definitive proxy statement for our 2023 Annual Meeting of Stockholders to be held on or about July 28, 2023, which information is incorporated into this Annual Report by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required to be provided in response to this item will be presented in our definitive proxy statement for our 2023 Annual Meeting of Stockholders to be held on or about July 28, 2023, which information is incorporated into this Annual Report by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) *Financial Statements*. The information required by this item is included in Item 8.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(Dollars in Thousands)

Description	Balance at Beginning of Year	Additions Charged to Expenses	Deductions (a)	Balance at End of Year
Total Allowance for Credit Losses:				
Year ended March 31, 2021 (b):	\$ 3,106	\$ 7,374	\$ (2,302)	\$ 8,178
Year ended March 31, 2022:	\$ 8,178	\$ 1,997	\$ (3,658)	\$ 6,517
Year ended March 31, 2023:	\$ 6,517	\$ 3,204	\$ (4,942)	\$ 4,779

(a) The deductions related to allowance for credit losses represent financial assets which were written off.

(b) In fiscal 2021, the Company adopted ASU 2016-13, Financial Instruments—Credit Losses. For the year ended March 31, 2021, *Additions Charged to Expenses* includes \$2.8 million, which was the cumulative effect adjustment for the change in accounting principle to the opening balance of fiscal 2021 retained earnings.

(a)(3) Exhibits. The following exhibits are included herein or incorporated herein by reference.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Company Form	Filing Date	Exhibit Number	
2.1	Agreement and Plan of Merger, dated as of November 30, 2021, by and among 8x8, Inc., Eagle Merger Sub, LLC, Fuze, Inc. and Shareholder Representative Services LLC, as the Seller Agent+ Restated Certificate of Incorporation of Registrant, dated August 22, 2012	8-K	12/1/2021	2.1	
3.1	Certificate of Amendment to the Restated Certificate of Incorporation of Registrant, dated as of July 12, 2022.	10-K	5/28/2013	3.1	
3.2	Amended and Restated By-Laws of 8x8, Inc.	8-K	7/13/2022	3.1	
3.3	Description of Capital Stock	8-K	7/28/2015	3.2	
4.1	Indenture, dated as of February 19, 2019, between 8x8, Inc. and Wilmington Trust, National Association, as trustee (including form of Note)				X
4.2	Indenture, dated as of August 11, 2022, by and between 8x8 Inc. and Wilmington Trust, National Association, as trustee.	8-K	2/19/2019	4.1	
4.3	Form of 4.00% Convertible Senior Notes due 2028 (included in Exhibit 4.1)	8-K	8/16/2022	4.1	
4.4	Form of Indemnification Agreement for Directors and Certain Officers*	8-K	8/16/2022	4.2	
10.1	Amended and Restated 2017 Executive Change-In-Control and Severance Policy*	10-Q	7/31/2015	10.3	
10.2	8x8, Inc. 2022 Equity Incentive Plan*	10-Q	8/5/2021	10.1	
10.3	Form of Stock Option Agreement under the 8x8, Inc. 2022 Equity Incentive Plan*	S-8	7/15/2022	10.1	
10.4	Form of Notice of Grant of Restricted Stock Unit Award and Agreement under the 8x8, Inc. 2022 Equity Incentive Plan*	S-8	7/15/2022	10.2	
10.5	8x8, Inc. Amended and Restated 2012 Equity Incentive Plan, effective July 27, 2020*	S-8	7/15/2022	10.3	
10.6	Form of Stock Option Agreement under the 8x8, Inc. Amended and Restated 2012 Equity Incentive Plan*	10-Q	10/29/2020	10.1	
10.7	Form of Notice of Grant of Restricted Stock Unit Award and Agreement under the 8x8, Inc. Amended and Restated 2012 Equity Incentive Plan*	S-8	8/28/2012	10.20	
10.8	8x8, Inc. Amended and Restated 1996 Employee Stock Purchase Plan, approved by stockholders on July 12, 2022*	10-Q	10/29/2020	10.21	
10.9	8x8, Inc. Amended and Restated 2017 New Employee Inducement Incentive Plan*	S-8	7/15/2022	10.4	
10.10	Form of Stock Option Agreement under the 8x8, Inc. Amended and Restated 2017 New Employee Inducement Incentive Plan*	S-8	2/4/2022	10.1	
10.11	Form of Notice of Grant of Restricted Stock Unit Award and Agreement under the 8x8, Inc. Amended and Restated 2017 New Employee Inducement Incentive Plan*	S-8	11/2/2017	10.24	
10.12	8x8, Inc. 2006 Stock Plan, as amended*	10-K	5/26/2009	10.7	
10.13	Form of Stock Option under the 8x8, Inc. 2006 Stock Plan, as amended*	10-Q	2/7/2007	10.1	
10.14	8x8, Inc. Amended and Restated 2013 New Employee Inducement Incentive Plan*	10-Q	10/29/2020	10.34	
10.15	Form of Stock Option Agreement under the 8x8, Inc. Amended and Restated 2013 New Employee Inducement Incentive Plan*	S-8	9/10/2013	10.24	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Company Form	Filing Date	Exhibit Number	
10.17	Form of Notice of Grant of Restricted Stock Unit Award and Agreement under the 8x8, Inc. Amended and Restated 2013 New Employee Inducement Incentive Plan*	S-8	9/10/2013	10.25	
10.18	Promotion Letter, dated November 30, 2022, between 8x8, Inc. and Samuel Wilson*	8-K	11/30/2022	10.1	
10.19	Promotion Letter, dated November 30, 2022, between 8x8, Inc. and Kevin Kraus*	8-K	11/30/2022	10.2	
10.20	Promotion Letter, dated December 8, 2022, between 8x8, Inc. and Laurence Denny*				X
10.21	Employment Agreement, dated April 6, 2022, between 8x8, Inc. and Suzy Seandel*				X
10.22	8x8, Inc. Equity Incentive Plan*	8-K	7/15/2022	10.1	
10.23	Form of Stock Option Agreement under the 8x8 Inc. 2022 Equity Incentive Plan*	8-K	7/15/2022	10.2	
10.24	Form of Notice of Grant of Restricted Stock Unit Award and Agreement under the 8x8, Inc. 2022 Equity Incentive Plan*	8-K	7/15/2022	10.3	
10.25	Form of Exchange Agreement for the 4.00% Convertible Senior Notes due 2028	8-K	8/4/2022	10.1	
10.26	Term Loan Credit Agreement, dated as of August 3, 2022, by and among 8x8, Inc., Wilmington Savings Fund Society, FSB	8-K	8/4/2022	10.2	
10.27	Form of Warrants to Purchase Common Stock	8-K	8/4/2022	10.3	
21.1	Subsidiaries of 8x8, Inc.				X
23.1	Consent of Independent Registered Public Accounting Firm				X
24.1	Power of Attorney (included in signature page)				X
31.1	Certification of Interim Chief Executive Officer of the Registrant pursuant to Rule 13a-14				X
31.2	Certification of Interim Chief Financial Officer of the Registrant pursuant to Rule 13a-14				X
32.1	Certification of Interim Chief Executive Officer of the Registrant pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Interim Chief Financial Officer of the Registrant pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended March 31, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Loss, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags XBRL Instance Document				X
104	The cover page from the Company's Annual Report on Form 10-K for the year ended March 31, 2023, formatted in Inline XBRL				X

+ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission on request.

* Indicates management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, 8x8, Inc., a Delaware corporation, has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Campbell, State of California, on May 24, 2023.

8X8, INC.
By: /s/ Samuel Wilson
Samuel Wilson
Interim Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints David Sipes and Samuel Wilson and, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the date indicated:

Signature	Title	Date
<u>/s/ Samuel Wilson</u> Samuel Wilson	Interim Chief Executive Officer and Director (Principal Executive Officer)	May 24, 2023
<u>/s/ Kevin Kraus</u> Kevin Kraus	Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	May 24, 2023
<u>/s/ Jaswinder Pal Singh</u> Jaswinder Pal Singh	Chairman and Director	May 24, 2023
<u>/s/ Monique Bonner</u> Monique Bonner	Director	May 24, 2023
<u>/s/ Todd Ford</u> Todd Ford	Director	May 24, 2023
<u>/s/ Alison Gleeson</u> Alison Gleeson	Director	May 24, 2023
<u>/s/ Eric Salzman</u> Eric Salzman	Director	May 24, 2023
<u>/s/ Elizabeth Theophille</u> Elizabeth Theophille	Director	May 24, 2023