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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2022**

**OR**

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

**For the transition period from __________ to __________**

**Commission File Number: 001-40465**

# Marqeta, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **27-4306690** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **180 Grand Avenue, 6th Floor, Oakland, California** | **94612** |
| (Address of principal executive offices) | (Zip Code) |

**(888) 462-7738**
(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Class A common stock, $0.0001 par value per share** | **MQ** | **The Nasdaq Stock Market LLC (Nasdaq Global Select Market)** |

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

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

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

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

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

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

As of May 6, 2022, there were 432,784,327 shares of the registrant's Class A common stock, par value $0.0001 per share, outstanding and 111,656,849 shares of the registrant's Class B common stock, par value $0.0001 per share, outstanding.

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## Note About Forward-Looking Statements

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which are statements that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "shall," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:*

- *the effect of the COVID-19 pandemic on global economies, our business, results of operations, financial condition, demand for our Platform, sales cycles and Customer retention;*
- *our future financial performance, including our net revenue, costs of revenue and operating expenses and our ability to achieve future profitability;*
- *our ability to effectively manage or sustain our growth and expand our operations;*
- *our ability to enhance our Platform and develop and expand its capabilities;*
- *our ability to further attract, retain, diversify, and expand our Customer base;*
- *our expectations as to live events in 2022;*
- *our ability to maintain our relationships with our Issuing Banks and Card Networks;*
- *our strategies, plans, objectives, and goals;*
- *our plans to expand internationally;*
- *our ability to compete in existing and new markets and offerings;*
- *our estimated market opportunity;*
- *economic and industry trends, projected growth, or trend analysis;*
- *our ability to develop and protect our brand;*
- *our ability to comply with laws and regulations;*
- *our ability to successfully defend litigation brought against us;*
- *our ability to attract and retain qualified employees and key personnel;*
- *our ability to maintain effective disclosure controls and internal controls over financial reporting; and*
- *the increased expenses associated with being a public company.*

*We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, results of operations, financial condition, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements. The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. Unless otherwise indicated or unless the context requires otherwise, all references in this document to "Marqeta", the "Company", the "Registrant," "we", "us", "our", or similar references are to Marqeta, Inc. Capitalized terms used and not defined above are defined elsewhere within this Quarterly Report on Form 10-Q.*

## PART I - Financial Information

### Item 1. Financial Statements

**Marqeta, Inc.**
**Condensed Consolidated Balance Sheets**
**(in thousands, except share and per share amounts)**
**(unaudited)**

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,197,257 | $ 1,247,581 |
| Restricted cash | 7,800 | 7,800 |
| Marketable securities | 447,046 | 452,875 |
| Accounts receivable, net | 9,017 | 13,187 |
| Settlements receivable, net | 9,093 | 11,266 |
| Network incentives receivable | 45,721 | 30,399 |
| Prepaid expenses and other current assets | 43,789 | 35,617 |
| Total current assets | 1,759,723 | 1,798,725 |
| Property and equipment, net | 9,120 | 9,687 |
| Operating lease right-of-use assets, net | 10,748 | 11,296 |
| Equity method investment | 8,036 | 8,384 |
| Other assets | 5,856 | 2,286 |
| **Total assets** | $ 1,793,483 | $ 1,830,378 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,698 | $ 2,693 |
| Revenue share payable | 130,045 | 121,179 |
| Accrued expenses and other current liabilities | 102,146 | 114,096 |
| Total current liabilities | 233,889 | 237,968 |
| Operating lease liabilities, net of current portion | 11,618 | 12,427 |
| Other liabilities | 4,344 | 6,557 |
| Total liabilities | 249,851 | 256,952 |
| Commitments and contingencies (Note 7) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value; 100,000,000 and 100,000,000 shares authorized, no shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively | — | — |
| Common stock, $0.0001 par value: 1,500,000,000 and 1,500,000,000 Class A shares authorized, 431,305,181 and 421,792,153 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively. 600,000,000 and 600,000,000 Class B shares authorized, 112,302,435 and 119,591,365 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively | 54 | 54 |
| Additional paid-in capital | 2,029,745 | 1,993,055 |
| Accumulated other comprehensive loss | (8,116) | (2,230) |
| Accumulated deficit | (478,051) | (417,453) |
| Total stockholders' equity | 1,543,632 | 1,573,426 |
| **Total liabilities and stockholders' equity** | $ 1,793,483 | $ 1,830,378 |

See accompanying notes to condensed consolidated financial statements.

# Marqeta, Inc.
## Condensed Consolidated Statements of Operations and Comprehensive Loss
**(in thousands, except share and per share amounts)**
**(unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Net revenue | $ 166,102 | $ 107,983 |
| Costs of revenue | 91,376 | 58,126 |
| Gross profit | 74,726 | 49,857 |
| Operating expenses: | | |
| Compensation and benefits | 100,348 | 46,904 |
| Technology | 11,384 | 5,626 |
| Professional services | 4,770 | 4,196 |
| Occupancy | 1,115 | 1,086 |
| Depreciation and amortization | 979 | 907 |
| Marketing and advertising | 559 | 495 |
| Other operating expenses | 4,843 | 1,295 |
| Total operating expenses | 123,998 | 60,509 |
| Loss from operations | (49,272) | (10,652) |
| Other income (expense), net | (11,677) | (2,167) |
| Loss before income tax expense | (60,949) | (12,819) |
| Income tax expense (benefit) | (351) | 19 |
| Net loss | $ (60,598) | $ (12,838) |
| Other comprehensive income (loss), net of taxes: | | |
| Change in foreign currency translation adjustment | (19) | (14) |
| Change in unrealized gain (loss) on marketable securities | (5,867) | (31) |
| Net other comprehensive income (loss) | (5,886) | (45) |
| Comprehensive loss | $ (66,484) | $ (12,883) |
| Net loss per share attributable to common stockholders, basic and diluted | $ (0.11) | $ (0.10) |
| Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted | 542,565,992 | 130,841,306 |

See accompanying notes to condensed consolidated financial statements.

## Marqeta, Inc.
## Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
**(in thousands, except share amounts)**
**(unaudited)**

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance as of December 31, 2021** | — | $ — | 541,383,518 | $ 54 | $ 1,993,055 | $ (2,230) | $ (417,453) | $ 1,573,426 |
| Issuance of common stock upon exercise of options | — | — | 1,604,022 | — | 2,285 | — | — | 2,285 |
| Repurchase of early exercised stock options | — | — | (22,751) | — | — | — | — | — |
| Issuance of common stock upon net settlement of restricted stock units | — | — | 642,827 | — | (4,702) | — | — | (4,702) |
| Vesting of common stock warrants | — | — | — | — | 2,102 | — | — | 2,102 |
| Share-based compensation expense | — | — | — | — | 37,005 | — | — | 37,005 |
| Change in other comprehensive income (loss) | — | — | — | — | — | (5,886) | — | (5,886) |
| Net loss | — | — | — | — | — | — | (60,598) | (60,598) |
| **Balance as of March 31, 2022** | — | $ — | 543,607,616 | $ 54 | $ 2,029,745 | $ (8,116) | $ (478,051) | $ 1,543,632 |

| | Redeemable Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (loss) | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance as of December 31, 2020** | 351,844,340 | $ 501,881 | 130,312,838 | $ 13 | $ 39,769 | $ 25 | $ (253,524) | $ (213,717) |
| Issuance of common stock upon exercise of vested options | — | — | 1,904,186 | — | 1,410 | — | — | 1,410 |
| Issuance of common stock upon early exercise of unvested options | — | — | 319,883 | — | — | — | — | — |
| Repurchase of early exercised stock options | — | — | (18,567) | — | — | — | — | — |
| Vesting of early exercised stock options | — | — | — | — | 223 | — | — | 223 |
| Share-based compensation expense | — | — | — | — | 11,392 | — | — | 11,392 |
| Change in other comprehensive income (loss) | — | — | — | — | — | (45) | — | (45) |
| Net loss | — | — | — | — | — | — | (12,838) | (12,838) |
| **Balance as of March 31, 2021** | 351,844,340 | $ 501,881 | 132,518,340 | $ 13 | $ 52,794 | $ (20) | $ (266,362) | $ (213,575) |

See accompanying notes to condensed consolidated financial statements.

**Marqeta, Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(in thousands)**
**(unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (60,598) | $ (12,838) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 979 | 907 |
| Share-based compensation expense | 37,005 | 11,392 |
| Non-cash operating leases expense | 548 | 522 |
| Amortization of premium on marketable securities | 184 | 360 |
| Impairment of other financial instruments | 11,616 | — |
| Other | 282 | 2,324 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 4,223 | 5,032 |
| Settlements receivable | 2,173 | 1,509 |
| Network incentives receivable | (15,322) | (12,055) |
| Prepaid expenses and other assets | (21,256) | (426) |
| Accounts payable | (801) | (43) |
| Revenue share payable | 8,866 | 14,122 |
| Accrued expenses and other liabilities | (13,937) | 7,750 |
| Operating lease liabilities | (721) | (686) |
| Net cash (used in) provided by operating activities | (46,759) | 17,870 |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (612) | (604) |
| Purchases of marketable securities | (10,022) | (7,002) |
| Maturities of marketable securities | 9,800 | 16,366 |
| Net cash (used in) provided by investing activities | (834) | 8,760 |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options, including early exercised stock options, net of repurchase of early exercised unvested options | 1,971 | 1,711 |
| Taxes paid related to net share settlement of restricted stock units | (4,702) | — |
| Payment of deferred offering costs | — | (1,144) |
| Net cash (used in) provided by financing activities | (2,731) | 567 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (50,324) | 27,197 |
| Cash, cash equivalents, and restricted cash- Beginning of period | 1,255,381 | 228,233 |
| Cash, cash equivalents, and restricted cash - End of period | $ 1,205,057 | $ 255,430 |

See accompanying notes to condensed consolidated financial statements.

# Marqeta, Inc.
## Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Reconciliation of cash, cash equivalents, and restricted cash** | | |
| Cash and cash equivalents | $ 1,197,257 | $ 247,630 |
| Restricted cash | 7,800 | 7,800 |
| Total cash, cash equivalents, and restricted cash | $ 1,205,057 | $ 255,430 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for income taxes | $ 9 | $ — |
| **Supplemental disclosures of non-cash investing and financing activities:** | | |
| Purchase of property and equipment accrued and not yet paid | $ 997 | $ 140 |
| Deferred offering costs not yet paid | $ — | $ 894 |

See accompanying notes to condensed consolidated financial statements.

## 1. Business Overview and Basis of Presentation

Marqeta, Inc., or the Company, creates digital payment technology for innovation leaders. The Company's modern card issuing platform, or the Platform, places control over payment transactions into the hands of its customers, or Customers, enabling them to develop modern, state-of-the-art product experiences.

The Company provides all of its Customers with issuer processor services and for most of its Customers it also acts as a card program manager. The Company primarily earns revenue from processing card transactions for its Customers.

The Company was incorporated in the state of Delaware in 2010 and is headquartered in Oakland, California, with offices in the United States, United Kingdom, and Australia and a presence in Singapore as of March 31, 2022.

### *Initial Public Offering*

In June 2021, the Company completed an initial public offering, or the IPO, in which the Company issued and sold 52,272,727 shares of its newly authorized Class A common stock, which included 6,818,181 shares that were offered and sold pursuant to the full exercise of the underwriters' option to purchase additional shares at a price of $27.00 per share. The Company received aggregate net proceeds of $1.3 billion after deducting underwriting discounts and commissions of $91.6 million and offering costs of $7.5 million.

Immediately prior to the completion of the IPO, the Company filed its Amended and Restated Certificate of Incorporation authorizing a total of 1,500,000,000 shares of Class A common stock which entitles holders to one vote per share, 600,000,000 shares of Class B common stock which entitles holders to 10 votes per share, and 100,000,000 shares of undesignated preferred stock. All shares of common stock then outstanding were reclassified as Class B common stock and all redeemable convertible preferred stock then outstanding were converted into 351,844,340 shares of common stock on a one-for-one basis and reclassified into Class B common stock. In addition, 2,569,528 shares of common stock warrants were converted to an equivalent number of shares of Class B common stock warrants and 203,610 shares of convertible preferred stock warrants were converted to an equivalent number of shares of Class B common stock warrants.

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP, and the applicable rules and regulations of the Securities and Exchange Commission, or the SEC, for interim reporting. Certain information and note disclosures included in our annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet as of December 31, 2021 has been derived from our audited consolidated financial statements, which are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on March 11, 2022. The accompanying condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments of a normal, recurring nature considered necessary for a fair presentation of the Company's consolidated financial position, results of operations, comprehensive loss, and cash flows for the interim periods presented. The interim results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022, or for any other future annual or interim period.

***Use of Estimates***

The preparation of the financial statements requires management to make estimates and assumptions relating to reported amounts of assets and liabilities, disclosure of contingent liabilities, and reported amounts of revenue and expenses. Significant estimates and assumptions relate to the fair value of equity awards and warrants, share-based compensation, the estimation of variable consideration in contracts with Customers, the reserve for contract contingencies and processing errors, the fair value of equity method investments and a purchase call option to acquire the remaining interest in the equity method investee, the incremental borrowing rate used to determine operating lease liabilities, the useful lives of property and equipment, and the collectability of accounts receivable. Actual results could differ materially from these estimates.

***Business Risks and Uncertainties***

The Company has incurred net losses since its inception. For the three months ended March 31, 2022, the Company incurred net losses of $60.6 million, and had an accumulated deficit of $478.1 million as of March 31, 2022. The Company expects losses from operations to continue for the foreseeable future as it incurs costs and expenses related to creating new products for Customers, acquiring new Customers, developing its brand, expanding into new geographies and developing the existing Platform infrastructure. The Company believes that its cash and cash equivalents of $1.2 billion and marketable securities of $447.0 million as of March 31, 2022 are sufficient to fund its operations through at least the next twelve months from the issuance of these financial statements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Since then, the COVID-19 pandemic has continued to spread throughout the United States and the world. The prolonged disruption to the economy and the long-term financial impact of the pandemic cannot be reasonably estimated. The Company continues to monitor the situation and may take actions that alter its operations and business practices as may be required by federal, state, or local authorities or that the Company determines are in the best interests of its Customers, vendors, and employees.

## 2. Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in "Consolidated Financial Statements — Note 2. Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There have been no significant changes to these policies during the three months ended March 31, 2022.

***Segment Information***

The Company operates as a single operating segment. The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, allocating resources, and evaluating the Company's financial performance.

For the three months ended March 31, 2022 and 2021, revenue outside of the United States, based on the billing address of the Customer, was not material. As of March 31, 2022 and December 31, 2021, long-lived assets located outside of the United States were not material.

***Restricted Cash***

Restricted cash consists of deposits with financial institutions that issue payment cards (credit, debit, or prepaid) either on their own behalf or on behalf of businesses that issue customized card products to their end users, or Issuing Banks, to provide the Issuing Bank collateral in the event that Customers' funds are not deposited at the Issuing Banks in time to settle Customers' transactions with the networks that provide the infrastructure for settlement and card payment information flows, or Card Networks. Restricted cash also includes cash used to secure a letter of credit for the Company's lease of its office headquarters in Oakland, California.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

### *New Accounting Standards Not Yet Adopted*

As an emerging growth company, the Jumpstart Our Business Startups Act, or the JOBS Act, allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption date discussed below reflects this election.

In June 2016, the FASB issued ASU No. 2016-13, *Financial instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the incurred loss model with the current expected credit loss, or CECL, model to estimate credit losses for financial assets measured at amortized cost and certain off-balance sheet credit exposures. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The CECL model requires a company to estimate credit losses expected over the life of the financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance will be effective for the Company beginning January 1, 2023. The amendment requires a modified retrospective approach by recording a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Early adoption is permitted. The Company is still evaluating the impact this ASU will have on its condensed consolidated financial statements.

## 3. Revenue

### *Disaggregation of Revenue*

The following table provides information about disaggregated revenue from Customers:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Platform services revenue, net | $ 160,999 | $ 106,453 |
| Other services revenue | 5,103 | 1,530 |
| Total net revenue | $ 166,102 | $ 107,983 |

### *Contract Balances*

The following table provides information about contract assets and deferred revenue:

| Contract balance | Balance sheet line reference | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Contract assets - current | Prepaid expenses and other current assets | $ 627 | $ 950 |
| Contract assets - non-current | Other assets | 827 | 927 |
| Total contract assets | | $ 1,454 | $ 1,877 |
| Deferred revenue - current | Accrued expenses and other current liabilities | $ 18,839 | $ 19,060 |
| Deferred revenue - non-current | Other liabilities | 3,894 | 6,107 |
| Total deferred revenue | | $ 22,733 | $ 25,167 |

Net revenue recognized during the three months ended March 31, 2022 and 2021 that was included in the deferred revenue balances at the beginning of the respective periods was $4.5 million and $0.8 million, respectively.

### *Remaining Performance Obligations*

The Company has performance obligations associated with commitments in Customer contracts for future stand-ready obligations to process transactions throughout the contractual term.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

As of March 31, 2022 and December 31, 2021, $4.4 million and $4.2 million of the deferred revenue balance represents a material right for discounted revenue share rates provided to a Customer as part of a contractual renewal option, respectively.

## 4. Marketable Securities

The amortized cost, unrealized gain (loss), and estimated fair value of the Company's investments in securities available for sale consisted of the following:

| | March 31, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value |
| **Marketable securities** | | | | |
| U.S. government securities | $ 420,277 | $ — | $ (7,824) | $ 412,453 |
| Commercial paper | 15,972 | — | — | 15,972 |
| Asset-backed securities | — | — | — | — |
| Corporate debt securities | 18,793 | — | (172) | 18,621 |
| Total marketable securities | $ 455,042 | $ — | $ (7,996) | $ 447,046 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value |
| **Marketable securities** | | | | |
| U.S. government securities | $ 420,392 | $ — | $ (2,107) | $ 418,285 |
| Commercial paper | 13,878 | — | — | 13,878 |
| Asset-backed securities | 2,003 | — | (1) | 2,002 |
| Corporate debt securities | 18,731 | 3 | (24) | 18,710 |
| Total marketable securities | $ 455,004 | $ 3 | $ (2,132) | $ 452,875 |

The Company had nineteen and eight separate marketable securities in unrealized loss positions as of March 31, 2022 and December 31, 2021, respectively. The Company did not identify any marketable securities that were other-than-temporarily impaired as of March 31, 2022 and December 31, 2021. The Company does not intend to sell any marketable securities that have unrealized losses on March 31, 2022 and it is not more likely than not that the Company will be required to sell such securities before any anticipated recovery.

The following table summarizes the stated maturities of the Company's marketable securities:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Due within one year | $ 167,575 | $ 165,767 | $ 64,914 | $ 64,879 |
| Due after one year through two years | 287,467 | 281,279 | 390,090 | 387,996 |
| Total | $ 455,042 | $ 447,046 | $ 455,004 | $ 452,875 |

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

## 5. Fair Value Measurements

The Company's financial instruments consist of cash equivalents, marketable securities, accounts receivable, unbilled Customers' receivable, settlements receivable, accounts payable, and accrued liabilities. Cash equivalents are stated at amortized cost, which approximates fair value at the balance sheet dates, due to the short period of time to maturity. Marketable securities are carried at fair value. Accounts receivable, unbilled Customers' receivable, settlements receivable, accounts payable, and accrued liabilities are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date.

The following tables present the fair value hierarchy for assets and liabilities measured at fair value:

| | March 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Cash equivalents** | | | | |
| Money market funds | $ 1,155,612 | $ — | $ — | $ 1,155,612 |
| **Marketable securities** | | | | |
| U.S. government securities | 412,453 | — | — | 412,453 |
| Commercial paper | — | 15,972 | — | 15,972 |
| Asset-backed securities | — | — | — | — |
| Corporate debt securities | — | 18,621 | — | 18,621 |
| Total assets | $ 1,568,065 | $ 34,593 | $ — | $ 1,602,658 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Cash equivalents** | | | | |
| Money market funds | $ 1,213,543 | $ — | $ — | $ 1,213,543 |
| **Marketable securities** | | | | |
| U.S. government securities | 418,284 | — | — | 418,284 |
| Commercial paper | — | 13,878 | — | 13,878 |
| Asset-backed securities | — | 2,002 | — | 2,002 |
| Corporate debt securities | — | 18,711 | — | 18,711 |
| Total assets | $ 1,631,827 | $ 34,591 | $ — | $ 1,666,418 |

The Company classifies money market funds, commercial paper, U.S. government securities, asset-backed securities and corporate securities within Level 1 or Level 2 of the fair value hierarchy because the Company values these investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

There were no transfers of financial instruments between the fair value hierarchy levels during the three months ended March 31, 2022 and the year ended December 31, 2021.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

## 6. Certain Balance Sheet Components

### *Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consisted of the following:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Prepaid hosting and data costs | $ 22,599 | $ 2,455 |
| Prepaid expenses | 7,408 | 6,492 |
| Inventory | 4,942 | 3,940 |
| Prepaid insurance | 1,955 | 3,546 |
| Card program deposits | 2,128 | 2,167 |
| Contract assets | 627 | 950 |
| Other financial instruments | — | 11,616 |
| Other current assets | 4,130 | 4,451 |
| Prepaid expenses and other current assets | $ 43,789 | $ 35,617 |

In 2021, the Company acquired a preferred equity interest in a private company that is accounted for under the equity method of accounting. Concurrent with this investment, the Company also acquired an option that gives the Company the right, but not the obligation, to purchase all of the remaining equity interests of the private company. During the three months ended March 31, 2022, the Company recorded an impairment of $11.6 million related to this option.

### *Property and Equipment, net*

Property and equipment consisted of the following:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Leasehold improvements | $ 8,110 | $ 8,110 |
| Computer equipment | 8,921 | 8,581 |
| Furniture and fixtures | 2,459 | 2,459 |
| Internally developed and purchased software | 2,993 | 2,954 |
| | 22,483 | 22,104 |
| Accumulated depreciation and amortization | (13,363) | (12,417) |
| Property and equipment, net | $ 9,120 | $ 9,687 |

Depreciation and amortization expense was $1.0 million and $0.9 million for the three months ended March 31, 2022 and 2021, respectively.

The Company did not capitalize any material internal-use software costs during the three months ended March 31, 2022 and 2021 because development costs meeting capitalization criteria were not material during the respective periods.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

### *Accrued Expenses and Other Current Liabilities*

Accrued expenses and other current liabilities consisted of the following:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Accrued costs of revenue | $ 46,726 | $ 41,339 |
| Accrued compensation and benefits | 17,718 | 32,954 |
| Deferred revenue | 18,839 | 19,060 |
| Reserve for contract contingencies and processing errors | 3,764 | 3,386 |
| Operating lease liabilities, current portion | 3,109 | 3,021 |
| Accrued professional services | 3,785 | 2,454 |
| Other accrued liabilities | 8,205 | 11,882 |
| Accrued expenses and other current liabilities | $ 102,146 | $ 114,096 |

### *Other Liabilities*

Other liabilities consisted of the following:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Deferred revenue, net of current portion | $ 3,894 | $ 6,107 |
| Other long-term liabilities | 450 | 450 |
| Other liabilities | $ 4,344 | $ 6,557 |

## 7. Commitments and Contingencies

### *Operating Leases*

In 2016, the Company entered into a lease agreement for its corporate headquarters in Oakland, California for 19,000 square feet of office space, which was subsequently amended in 2018 and 2019, resulting in a total of 63,000 square feet of office space being leased. The non-cancellable operating lease expires in February 2026 and includes options to extend the lease term, generally at the then-market rates. The Company excludes extension options that are not reasonably certain to be exercised from its lease terms. The Company's lease payments consist primarily of fixed rental payments for the right to use the underlying leased assets over the lease terms. The Company is responsible for operating expenses that exceed the amount of base operating expenses as defined in the original lease agreement.

The Company's operating lease costs are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Operating lease cost | $ 843 | $ 869 |
| Variable lease cost | 157 | 112 |
| Short-term lease cost | 113 | 72 |
| Total lease cost | $ 1,113 | $ 1,053 |

The Company does not have any sublease income and the Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

The weighted average remaining operating lease term and the weighted average discount rate used in the calculation of the Company's lease assets and lease liabilities were as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Weighted average remaining operating lease term (in years) | 3.8 | 4.1 |
| Weighted average discount rate | 7.7% | 7.7% |

Maturities of operating lease liabilities by year are as follows as of March 31, 2022:

| | | |
|---|---|---|
| Remainder of 2022 | $ | 3,096 |
| 2023 | | 4,239 |
| 2024 | | 4,472 |
| 2025 | | 4,599 |
| 2026 | | 780 |
| Total lease payments | | 17,186 |
| Less imputed interest | | (2,459) |
| Total operating lease liabilities | $ | 14,727 |

Supplemental cash flow information related to the Company's operating leases was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Cash paid for operating lease liabilities | $ 1,016 | $ 1,033 |
| Operating lease right-of-use assets obtained in exchange for new operating lease liabilities | $ — | $ — |

### *Letters of Credit*

In connection with the lease for its corporate headquarters office space, the Company is required to provide the landlord a letter of credit in the amount of $1.5 million. The Company has secured this letter of credit by depositing $1.5 million with the issuing financial institution, which deposit is classified as restricted cash in the condensed consolidated balance sheets.

### *Purchase Obligations*

As of March 31, 2022, the Company had non-cancellable purchase commitments with certain service providers and Issuing Banks of $227.6 million, payable over the next 5 years. These purchase obligations include $219.0 million related to minimum commitments as part of a cloud-computing service agreement. The remaining obligations are related to various service providers and Issuing Banks processing fees over the fixed, non-cancellable respective contract terms.

### *Defined Contribution Plans*

The Company maintains defined contribution plans for eligible employees, including a 401(k) plan that covers substantially all of its U.S. based employees and to which the Company provides a matching contribution of 50% of the first 6% of compensation that an employee contributes. The matching contribution vests after one year of service. During the three months ended March 31, 2022 and 2021, the Company contributed a total of $2.2 million and $0.8 million to its defined contribution plans, respectively.

***Legal Contingencies***

From time to time in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings. As of March 31, 2022 and December 31, 2021, there were no legal contingency matters, either individually or in aggregate, that would have a material adverse effect on the Company's financial position, results of operations, or cash flows. Given the unpredictable nature of legal proceedings, the Company bases its assessment on the information available at the time. As additional information becomes available, the Company reassesses the potential liability and may revise the estimate.

***Settlement of Payment Transactions***

Generally, Customers deposit a certain amount of pre-funding into accounts maintained at Issuing Banks to settle their payment transactions. Such pre-funding amounts may only be used to settle Customers' payment transactions and are not considered assets of the Company. As such, the funds held in Customers' accounts at Issuing Banks are not reflected on the Company's condensed consolidated balance sheets. If a Customer fails to deposit sufficient funds to settle a transaction, the Company is liable to the Issuing Bank to settle the transaction and would therefore incur losses if such amounts cannot be subsequently recovered from the Customer.

***Indemnifications***

In the ordinary course of business, the Company enters into agreements of varying scope and terms pursuant to which it agrees to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. With respect to Issuing Banks, the Company indemnifies the Issuing Bank for losses the Issuing Bank may incur for non-compliance with applicable law and regulation, if those losses resulted from the Company's failure to perform under its program agreement with the Issuing Bank.

In addition, the Company has entered into indemnification agreements with its directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements and there are no claims that the Company is aware of that could have a material effect on its condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss, or condensed consolidated statements of cash flows.

The Company also includes service level commitments to its Customers warranting certain levels of performance and permitting those Customers to receive credits in the event the Company fails to meet the levels specified.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

## 8. Stock Incentive Plans

The Company has granted share-based awards to employees, non-employee directors, and other service providers of the Company under the Amended and Restated 2011 Equity Incentive Plan (2011 Plan) and the 2021 Stock Option and Incentive Plan (2021 Plan), collectively, the Plans. The 2011 Plan was terminated in June 2021 in connection with the IPO but continues to govern the terms of outstanding awards that were granted prior to the IPO. Additionally, the Company offers an employee stock purchase plan (ESPP), which allows employees to purchase shares of common stock at 85% of the fair value of the Company's Class A common stock on the first or last day of the offering period, whichever is lower. The offering periods are six months long and start in May and November of each year.

The following table presents the share-based compensation expense recognized in the periods presented:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Restricted stock units | $ 15,345 | $ — |
| Stock options | 7,659 | 5,505 |
| CEO Long-Term Performance Award | 13,121 | — |
| Employee Stock Purchase Plan | 880 | — |
| Secondary sales of common stock | — | 5,887 |
| Total | $ 37,005 | $ 11,392 |

### *Restricted Stock Units*

Commencing in 2020, the Company began granting restricted stock units, or RSUs, to employees. RSUs granted prior to April 1, 2021 vest upon the satisfaction of both a service condition and a liquidity condition, which was deemed satisfied in connection with the Company's IPO on June 8, 2021. The service condition for these awards is satisfied over four years. Because the liquidity condition had not been satisfied as of March 31, 2021, the Company had not recorded any share-based compensation expense for the RSUs at that date.

RSUs granted on or after April 1, 2021, vest upon the satisfaction of a service condition. The service condition for these awards is satisfied over four years. In the three months ended March 31, 2022, the Company recognized $15.3 million of share-based compensation expense related to these RSUs.

A summary of the Company's RSU activity under the Plans was as follows:

| | Number of Restricted Stock Units | Weighted-average grant date fair value per share |
|---|---|---|
| Balance as of December 31, 2021 | 9,001,949 | $ 18.30 |
| Granted | 10,514,709 | 10.70 |
| Vested | (994,910) | 14.27 |
| Canceled and forfeited | (1,854,776) | 15.43 |
| Balance as of March 31, 2022 | 16,666,972 | $ 14.07 |

During the three months ended March 31, 2022, share-based compensation expense recognized for RSUs was $15.3 million. As of March 31, 2022, unrecognized compensation costs related to unvested RSUs was $204.5 million. These costs are expected to be recognized over a period of 3.3 years.

**Marqeta, Inc.**
**Notes to Condensed Consolidated Financial Statements**
**(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)**
**(unaudited)**

***Stock Options***

Under the 2011 Plan and the 2021 Plan, the exercise price of a stock option shall not be less than the fair market value per share of the Company’s common stock on the date of grant (and not less than 110% of the fair market value per share of common stock for grants to stockholders owning more than 10% of the total combined voting power of all classes of stock of the Company, or a 10% Stockholder). Options are exercisable over periods not to exceed ten years from the date of grant (five years for incentive stock options granted to 10% Stockholders).

A summary of the Company's stock option activity under both stock incentive plans was as follows:

| | Number of Options | Weighted-Average Exercise Price per Share | Weighted-Average Remaining Contractual Life | Aggregate Intrinsic Value[1] |
|---|---|---|---|---|
| Balance as of December 31, 2021[2] | 44,185,488 | $ 13.31 | 8.46 years | $ 279,242 |
| Granted | 2,326,800 | 10.55 | | |
| Exercised | (1,604,022) | 1.25 | | |
| Canceled and forfeited | (1,194,748) | 5.79 | | |
| Balance as of March 31, 2022[2] | 43,713,518 | $ 13.81 | 8.32 years | $ 140,555 |
| Vested as of March 31, 2022 | 9,629,103 | $ 1.98 | 6.44 years | $ 89,837 |

(1) Intrinsic value is calculated based on the difference between the exercise price of in-the-money-stock options and the fair value of the common stock as of the respective balance sheet dates.

(2) The 2011 Plan allows for early exercise of stock options and these balances include all exercisable stock options regardless of vesting status.

As of March 31, 2022, aggregate unrecognized compensation costs related to unvested outstanding stock options, excluding the CEO Long-Term Performance Award, was $88.6 million. These costs are expected to be recognized over a period of 2.6 years.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model and the following weighted average assumptions:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Dividend yield | 0.0% | 0.0% |
| Expected volatility | 58.62% | 49.93% |
| Expected term (in years) | 6.08 | 6.02 |
| Risk-free interest rate | 1.99% | 0.36% |

Subsequent to the completion of the IPO, the fair value of the Company’s common stock is determined by the closing price, on the date of grant, of its Class A common stock, which is traded on the Nasdaq Global Select Market.

*CEO Long-Term Performance Award*

In April and May 2021, the Company’s board of directors granted the Company’s Chief Executive Officer equity incentive awards in the form of performance-based stock options covering 19,740,923 and 47,267 shares of our Class B common stock with an exercise price of $21.49 and $23.40 per share, respectively, or collectively, the CEO Long-Term Performance Award. The CEO Long-Term Performance Award vests upon the satisfaction of a service condition and the achievement of certain stock price hurdles over a seven year performance period following the expiration of the lock-up period associated with the IPO. The stock price hurdle will be achieved if the average closing price of a share of our Class A common stock during any 90 consecutive trading day period during the performance period equals or exceeds the Company stock price hurdle set forth in the table below.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

The CEO Long-Term Performance Award is divided into seven equal tranches which vest upon the achievement of the following Company stock price hurdles:

| Tranche | Company Stock Price Hurdle | Number of Options Eligible to Vest |
|---|---|---|
| 1 | $67.50 | 2,826,884 |
| 2 | $78.98 | 2,826,884 |
| 3 | $92.40 | 2,826,884 |
| 4 | $108.11 | 2,826,884 |
| 5 | $126.49 | 2,826,884 |
| 6 | $147.99 | 2,826,884 |
| 7 | $173.15 | 2,826,884 |
| Total | | 19,788,188 |

The grant date fair value of the CEO Long-Term Performance Award was estimated using a Monte Carlo simulation model that incorporated multiple stock price paths and probabilities that the Company stock price hurdles are met. The weighted-average grant date fair value of the seven tranches of the CEO Long-Term Performance Award was estimated to be $10.53 per option share.

As of March 31, 2022, the aggregate unrecognized compensation cost of the CEO Long-Term Performance Award was $157.1 million, which is expected to be recognized over the remaining derived service period of 3.8 years.

### *Secondary Sales of Common Stock*

Prior to the completion of the IPO, certain economic interest holders acquired outstanding common stock from current or former employees for a purchase price greater than the Company's estimated fair value at the time of the transactions. During the three months ended March 31, 2022, the Company did not record any share-based compensation expense related to secondary sales of common stock. During the three months ended March 31, 2021, the Company recorded share-based compensation expense for the difference between the price paid and the estimated fair value on the date of the transaction of $5.9 million.

## 9. Warrants to Purchase Common Stock

In 2021 and 2020, the Company issued warrants to Customers to purchase up to 1,150,000 and 750,000 shares of the Company’s common stock, respectively. These warrants vest based on certain performance conditions that include issuing a specific percentage of new cards on the Company’s Platform over a defined measurement period and reaching certain annual transaction count thresholds over the contract term, respectively. All warrants have an exercise price of $0.01 per share. These warrants are classified as equity instruments and are treated as consideration payable to a Customer. The grant date fair values of these warrants are recorded as a reduction to net revenue over the term of the respective Customer contract based on the expected pattern of processing volume generated by the Customer and the probability of vesting conditions being met. The aggregate fair values of the warrants issued in 2021 and 2020 were $26.4 million and $5.7 million, respectively. As of March 31, 2022, 392,171 warrants were vested, and the Company recorded $1.6 million as a reduction of revenue during the three months then ended related to these warrants. The Company recorded an immaterial amount as a reduction of revenue during the three months ended March 31, 2021. Upon vesting, the fair value of the vested warrants are recorded into the Company’s additional paid-in capital. Timing differences caused by the pattern of processing volume generated by the Customer over the term of the contract and the vesting schedules of the warrants can cause differences in the amount of grant date fair value that is credited to additional paid in capital upon vesting and the amount recorded as a reduction in net revenue during any particular reporting period.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

The fair values of the warrants were estimated using the Black-Scholes option pricing model and the following assumptions as of the grant date of each warrant:

| | March 31, 2021 | September 30, 2020 |
|---|---|---|
| Dividend yield | 0.0% | 0.0% |
| Expected volatility | 50.0% | 50.0% |
| Contract term (in years) | 4.0 | 5.0 |
| Risk-free interest rate | 0.6% | 0.3% |

## 10. Net Loss Per Share Attributable to Common Stockholders

The Company presents basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for participating securities. Prior to the completion of the IPO, all series of redeemable convertible preferred stock were considered participating securities. Immediately prior to the completion of the IPO, all shares of redeemable convertible preferred stock then outstanding were converted into shares of Class B common stock. The Company has not allocated net loss attributable to common stockholders to redeemable convertible preferred stock in any period presented because the holders of its redeemable convertible preferred stock were not contractually obligated to share in losses.

The Company calculates basic net loss per share attributable to common stockholders by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share attributable to common stockholders gives effect to all potential shares of common stock, including common stock issuable upon conversion of redeemable convertible preferred stock and redeemable convertible preferred stock warrants, stock options, RSUs and common stock warrants to the extent these are dilutive.

The Company calculated basic and diluted net loss per share attributable to common stockholders as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Numerator** | | |
| Net loss attributable to Class A and Class B common stockholders | $ (60,598) | $ (12,838) |
| **Denominator** | | |
| Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders, basic and diluted | 542,565,992 | 130,841,306 |
| Net loss per share attributable to Class A and Class B common stockholders, basic and diluted | $ (0.11) | $ (0.10) |

Basic net loss per share is the same as diluted net loss per share because the Company reported a net loss for the three months ended March 31, 2022 and 2021.

The rights, including the liquidation and dividend rights, of the holders of Class A common stock and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical for Class A common stock and Class B common stock, the undistributed earnings are allocated on a proportionate basis and the resulting loss per share will, therefore, be the same for both Class A common stock and Class B common stock on an individual or combined basis.

The Company considered its proportionate share of the potentially dilutive shares issued by its equity method investee in its dilutive net loss per share calculation. All potentially dilutive shares of its equity method investee were excluded from the computation as they would have an anti-dilutive effect.

(Tabular Amounts in Thousands, Except Share and Per Share Amounts, Ratios, or as Noted)

Potentially dilutive securities that were excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect were as follows:

| | As of March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Redeemable convertible preferred stock, all series | — | 351,844,340 |
| Warrants to purchase redeemable convertible preferred stock | — | 203,610 |
| Warrants to purchase Class B common stock | 1,900,000 | 2,569,528 |
| Stock options outstanding, including early exercise of options | 43,713,518 | 24,332,915 |
| Unvested RSUs outstanding | 16,666,972 | 6,503,203 |
| Shares committed under the ESPP | 372,775 | — |
| Stock options and RSUs available for future grants | 79,545,451 | 2,493,159 |
| Total | 142,198,716 | 387,946,755 |

## 11. Income Tax

The income tax expense (benefit) and the associated effective tax rates were not significant for all periods presented. The effective tax rate was lower than the U.S. federal statutory rate primarily because of the domestic valuation allowances.

## 12. Concentration Risks and Significant Customers

Financial instruments that potentially expose the Company to concentration of credit risk consist of cash and cash equivalents, marketable securities, accounts receivable and unbilled Customers' receivable, or collectively, Customers' receivables, and settlements receivable. Cash on deposit with financial institutions may, at times, exceed federally insured limits. Management believes that these financial institutions are financially sound and, accordingly, minimal credit risk exists. Cash and cash equivalents as of March 31, 2022 and December 31, 2021 include $1.2 billion and $1.2 billion, respectively, of investments in three money market mutual funds, which invest primarily in securities issued by the U.S. Government or U.S. Government agencies.

As of March 31, 2022, marketable securities were $447.0 million, and there was no concentration of securities of the same issuer with an aggregate fair value greater than 5% of the total balance, except for U.S. Treasuries, which amounted to $412.5 million, or 92% of the marketable securities. All debt securities within the Company's portfolio are investment grade.

As of December 31, 2021, marketable securities were $452.9 million, and there was no concentration of securities of the same issuer with an aggregate fair value greater than 5% of the total balance, except for U.S. Treasuries, which amounted to $418.3 million, or 92% of the marketable securities. All debt securities within the Company's portfolio are investment grade.

A significant portion of the Company's payment transactions are settled through one Issuing Bank, Sutton Bank. For the three months ended March 31, 2022 and 2021, 86% and 94% of Total Processing Volume, which is the total dollar amount of payments processed through the Company’s Platform, net of returns and chargebacks, was settled through Sutton Bank, respectively.

A significant portion of the Company's revenue is derived from one Customer. For the three months ended March 31, 2022 and 2021, this Customer accounted for 66% and 73% of the Company’s net revenue, respectively. As of March 31, 2022, two customers accounted for 10% and 11% of the Company’s accounts receivable, respectively.

## 13. Related Party Transactions

The Company may enter into transactions with related parties.

Prior to the completion of the IPO, DFS Services LLC, a holder of more than 5% of the Company's outstanding capital stock pre-IPO, was a related party. During the three months ended March 31, 2021, the Company incurred $11.0 million in Card Network fees, net, recorded within costs of revenue, to PULSE Network LLC, an entity affiliated with DFS Services LLC.

The Company has an equity method investment in a private company, which is a related party. During the three months ended March 31, 2022, the Company earned net revenue of $1.8 million from the private company and had $5.1 million in revenue share payable to this private company as of March 31, 2022.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. As discussed in the section titled “Note About Forward Looking Statements”, our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under the section titled “Risk Factors” under Part II, Item 1A below.*

### Overview

Marqeta’s modern card issuing platform, or our Platform, empowers our customers, or our Customers, to create customized payment cards that provide innovative payment experiences for their customers, shoppers, and end users. We serve customers in multiple industry verticals including financial services, buy-now-pay-later, and on demand services. Before the rise of modern card issuing, creating cards was slow, complex, and subject to mistakes. Marqeta helps solve these problems. Our Platform, powered by open APIs, enables businesses to develop modern, frictionless payment card experiences for consumer and commercial use cases that are either the core of, or in support of, their core business.

Our modern architecture allows for flexibility, a high degree of configurability, and accelerated product development, democratizing access to card issuing technology. Marqeta’s open APIs provide instant access to our highly scalable, cloud-based, and configurable payment infrastructure that enables our Customers to launch and manage their own card programs, issue cards, and authorize and settle payments transactions.

### Impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a significant impact on the U.S. economy and the markets in which we operate. While the rate of vaccinations continues to improve, the potential for new variants and subvariants contributes to the continuing worldwide public health concern of the COVID-19 virus.

In response to the COVID-19 pandemic, we implemented measures to focus on employee safety and Customer support, while at the same time seeking to mitigate any negative impact on our financial position and operations. We implemented remote working capabilities for our entire company and, to date, there has been minimal disruption to our operations.

We believe the COVID-19 pandemic intensified the consumer need for virtual and contactless forms of payments, the need for greater flexibility with purchases, and for easy online financing options. Many of the providers of these services are our Customers and they are experiencing accelerated adoption of technologies that enable such payment experiences.

There remains uncertainty about the pace of economic recovery, including uncertainty related to the labor market, inflation, and fiscal and monetary policy responses from the federal government. Businesses continue to face difficulty in hiring and meeting consumer demand, and certain portions of the global supply chain remain challenged by shortages and delays that first occurred due to the initial COVID-19 outbreak.

It is uncertain how the COVID-19 pandemic will evolve and what effect the lifting of pandemic-related restrictions, and the levels of infection, will have on our processing volumes, and on our future results of operations. We continue to monitor the situation and may take actions that alter our operations and business practices as may be required by federal, state, or local authorities or that we determine are in the best interests of our Customers, vendors, and employees.

## Key Operating Metric and Non-GAAP Financial Measures

We review a number of operating and financial metrics, including the key operating metric set forth below, to help us evaluate our business and growth trends, establish budgets, evaluate the effectiveness of our investments, and assess operational efficiencies. In addition to the results determined in accordance with GAAP, the following table sets forth a key operating metric and non-GAAP financial measures that we consider useful in evaluating our operating performance.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Total Processing Volume (TPV) (in millions) | $ 36,626 | $ 23,998 |
| | | |
| Net revenue (in thousands) | $ 166,102 | $ 107,983 |
| Gross profit (in thousands) | $ 74,726 | $ 49,857 |
| Gross margin | 45 % | 46 % |
| Net loss (in thousands) | $ (60,598) | $ (12,838) |
| Net loss margin | (36)% | (12)% |
| | | |
| Adjusted EBITDA (in thousands) | $ (10,453) | $ 1,647 |
| Adjusted EBITDA margin | (6)% | 2 % |

***Total Processing Volume (TPV) -*** TPV represents the total dollar amount of payments processed through our Platform, net of returns and chargebacks. We believe that TPV is a key operating metric and a principal indicator of the market adoption of our Platform, growth of our brand, growth of our Customers' businesses and scale of our business.

***Adjusted EBITDA -*** Adjusted EBITDA is a non-GAAP financial measure that is calculated as net income (loss) adjusted to exclude depreciation and amortization; share-based compensation expense; payroll tax related to share-based compensation; legal, financial, and tax due diligence costs related to potential acquisitions; income tax expense (benefit); and other income (expense) net, which consists of changes in the fair value of redeemable convertible preferred stock warrant liabilities (for periods prior to the IPO), realized foreign currency gains and losses, interest income from our marketable securities, our share of equity method investments' profit or loss, and impairment of equity method investments or other financial instruments. We believe that adjusted EBITDA is an important measure of operating performance because it allows management and our board of directors to evaluate and compare our core operating results, including our operating efficiencies, from period to period. Additionally, we utilize adjusted EBITDA as an input into our calculation of certain annual employee bonus plans. See the section below titled "Use of Non-GAAP Financial Measures" for a discussion of the use of non-GAAP measures and a reconciliation of net loss to Adjusted EBITDA.

***Adjusted EBITDA Margin -*** Adjusted EBITDA Margin is a non-GAAP financial measure that is calculated as Adjusted EBITDA divided by net revenue. This measure is used by management and our board of directors to evaluate our operating efficiency. See the section below titled "Use of Non-GAAP Financial Measures" for a discussion of the use of non-GAAP measures and a reconciliation of net loss to Adjusted EBITDA Margin.

## Components of Results of Operations

### ***Net Revenue***

We have two components of net revenue: platform services revenue, net and other services revenue.

*Platform services revenue, net*. Platform services revenue includes Interchange Fees, net of Revenue Share and other service-level payments to Customers. Platform services revenue also includes processing and other fees. Interchange Fees are earned on card transactions we process for our Customers and are based on a percentage of the transaction amount plus a fixed amount per transaction. Interchange Fees are recognized when the associated transactions are settled.

Revenue Share payments are incentives to Customers to increase processing volumes on our Platform. Revenue Share is generally computed as a percentage of the Interchange Fees earned or processing volume and is paid to Customers monthly. Revenue Share payments are recorded as a reduction to revenue. As Customers' processing volumes increase, the rates at which we share revenue generally increase.

Processing and other fees primarily include fees earned when end users use payment cards at automated teller machines and minimum processing fees if Customers' processing volumes fall below certain thresholds.

*Other services revenue.* Other services revenue primarily consists of revenue earned for card fulfillment services. Card fulfillment fees are generally billed to Customers upon ordering card inventory and recognized as revenue when the cards are shipped to the Customers.

### ***Costs of Revenue***

Costs of revenue consist of Card Network fees, Issuing Bank fees, and card fulfillment costs. Card Network fees are equal to a specified percentage of processing volume or a fixed amount per transaction routed through the respective Card Network. Issuing Bank fees compensate our Issuing Banks for issuing cards to our Customers and sponsoring our card programs with the Card Networks and are equal to a specified percentage of processing volume or a fixed amount per transaction. Card fulfillment costs include physical cards, packaging, and other fulfillment costs.

We have separate marketing and incentive arrangements with Card Networks that provide us with monetary incentives for establishing Customer card programs with, and routing volume through, the respective Card Network. The amount of the incentives is generally determined based on a percentage of the processing volume or the number of transactions routed over the Card Network. We record these incentives as a reduction of Card Network fees included in costs of revenue. Generally, as processing volumes increase, we earn a higher rate of monetary incentives from these arrangements, subject to attaining certain volume thresholds during a six-month or annual measurement period. For certain incentive arrangements with an annual measurement period, the one-year period may not align with our fiscal year. Additionally, unusual fluctuations in Card Network fees can occur in the quarter in which volume thresholds are attained as higher incentive rates are applied to volumes over the entire measurement periods, which can span six or twelve months.

### ***Operating Expenses***

*Compensation and Benefits.* Compensation and benefits consist primarily of salaries, employee benefits, incentive compensation, contractors’ cost and share-based compensation.

*Technology.* Technology consists primarily of third-party hosting fees, software licenses, and hardware purchases below our capitalization threshold, and support and maintenance costs.

*Professional Services.* Professional services consist primarily of consulting, legal, and recruiting fees.

*Occupancy.* Occupancy consists primarily of rent expense, repairs, maintenance, and other building related costs.

*Depreciation and Amortization.* Depreciation and amortization consist primarily of depreciation of our fixed assets.

*Marketing and Advertising.* Marketing and advertising consist primarily of costs of general marketing activities and promotional activities.

*Other Operating Expenses.* Other operating expenses consist primarily of indirect state and local taxes, insurance costs, employee travel-related expenses, employee training, charitable donations, and other general office expenses.

We expect our operating expenses to increase in absolute dollars as our business grows. We also expect to continue to incur increased expenses to operate as a public company including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, including regarding internal control over financial reporting under Section 404 of the Sarbanes Oxley Act.

***Other Income (Expense), net***

Other income (expense), net consists primarily of impairment of equity method investments or other financial instruments, changes in the fair value of the redeemable convertible preferred stock warrant liabilities (for periods prior to the IPO), realized foreign currency gains and losses, equity method investment share of loss, and interest income from our marketable securities.

***Income Tax Expense***

Income tax expense consists of U.S. federal and state income taxes and U.K. income taxes. We maintain a full valuation allowance against our U.S. federal and state net deferred tax assets as we have concluded that it is not more likely than not that we will realize our net deferred tax assets.

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## Results of Operations

The following table sets forth our results of operations for the periods presented:

| *(dollars in thousands)* | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| Net revenue | $ 166,102 | $ 107,983 |
| Costs of revenue | 91,376 | 58,126 |
| Gross profit | 74,726 | 49,857 |
| Operating expenses: | | |
| Compensation and benefits | 100,348 | 46,904 |
| Technology | 11,384 | 5,626 |
| Professional services | 4,770 | 4,196 |
| Occupancy | 1,115 | 1,086 |
| Depreciation and amortization | 979 | 907 |
| Marketing and advertising | 559 | 495 |
| Other operating expenses | 4,843 | 1,295 |
| Total operating expenses | 123,998 | 60,509 |
| Loss from operations | (49,272) | (10,652) |
| Other income (expense), net | (11,677) | (2,167) |
| Loss before income tax expense | (60,949) | (12,819) |
| Income tax expense (benefit) | (351) | 19 |
| Net loss | $ (60,598) | $ (12,838) |

## Comparison of the Three Months Ended March 31, 2022 and 2021

### *Net Revenue*

| *(dollars in thousands)* | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| **Net revenue:** | | | | |
| Total platform services, net | $ 160,999 | $ 106,453 | $ 54,546 | 51 % |
| Other services | 5,103 | 1,530 | 3,573 | 234 % |
| Total net revenue | $ 166,102 | $ 107,983 | $ 58,119 | 54 % |
| | | | | |
| Total Processing Volume (TPV) (in millions) | $ 36,626 | $ 23,998 | $ 12,628 | 53 % |

Total net revenue increased by $58.1 million, or 54%, for the three months ended March 31, 2022 compared to the same period in 2021, of which increase $31.3 million was attributable to Block. The increase in net revenue was primarily driven by a 53% increase in TPV. Net Interchange Fees in the three months ended March 31, 2022 increased primarily due to the increase in TPV, partially offset by an increase in Revenue Share payments attributable to increased average Revenue Share rates, compared to the same period in 2021.

The increase in TPV was mainly driven by increases in processing volume from our financial services and buy-now-pay-later Customers. TPV for our top five Customers, measured by TPV in each respective period, grew by 39% for the three months ended March 31, 2022 compared to the same period in 2021, while TPV from all other Customers, as a group, grew by 168% for the three months ended March 31, 2022 compared to the same period in 2021.

### *Costs of Revenue and Gross Margin*

| *(dollars in thousands)* | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| **Costs of revenue:** | | | | |
| Card Network fees, net | $ 79,581 | $ 49,829 | $ 29,752 | 60 % |
| Issuing Bank fees | 7,301 | 6,451 | 850 | 13 % |
| Other | 4,494 | 1,846 | 2,648 | 143 % |
| Total costs of revenue | $ 91,376 | $ 58,126 | $ 33,250 | 57 % |
| | | | | |
| Gross profit | $ 74,726 | $ 49,857 | $ 24,869 | 50 % |
| Gross margin | 45 % | 46 % | | |

Costs of revenue increased by $33.3 million, or 57%, for the three months ended March 31, 2022 compared to the same period in 2021. The increase was primarily due to increased Card Network fees as the result of the 53% increase in TPV and 51% increase in the number of corresponding transactions.

Card Network fees for the three months ended March 31, 2022 reflect an amendment to one of our Card Networks incentive arrangements that was executed in the third quarter of 2021 and included a provision that enabled us to earn increased incentives for volume processed through the Card Network commencing April 1, 2021. Also, Card Network fees for the three months ended March 31, 2021 reflect a $3.0 million annual cumulative adjustment to our Card Networks incentive that did not recur in the three months ended March 31, 2022 because the relevant milestones were achieved in March 2021 and December 2021. Network fees are presented net of monetary incentives from Card Networks for processing volume through the respective Card Networks during the period.

Issuing Bank fees increased by $0.9 million, or 13%, in the three months ended March 31, 2022 compared to the same period in 2021, which was lower than the percentage of increase in TPV as a result of reduced Issuing Bank fees for certain of our Customers. Issuing Bank fees are typically determined based on volume tiers; as our processing volumes grow, these fees as a percentage of processing volume decline.

As a result of the increases in net revenue and costs of revenue discussed above, our gross profit increased by $24.9 million, or 50%, in the three months ended March 31, 2022 compared to the same period in 2021. Our gross margin decreased by 1% in the three months ended March 31, 2022 compared to the same period in 2021.

***Operating Expenses***

| *(dollars in thousands)* | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| **Operating expenses:** | | | | |
| Salaries, bonus, benefits and payroll taxes | 63,343 | 35,512 | $ 27,831 | 78 % |
| Share-based compensation | 37,005 | 11,392 | $ 25,613 | 225 % |
| Total compensation and benefits | 100,348 | 46,904 | $ 53,444 | 114 % |
| *Percentage of net revenue* | *60 %* | *43 %* | | |
| Technology | 11,384 | 5,626 | 5,758 | 102 % |
| *Percentage of net revenue* | *7 %* | *5 %* | | |
| Professional services | 4,770 | 4,196 | 574 | 14 % |
| *Percentage of net revenue* | *3 %* | *4 %* | | |
| Occupancy | 1,115 | 1,086 | 29 | 3 % |
| *Percentage of net revenue* | *1 %* | *1 %* | | |
| Depreciation and amortization | 979 | 907 | 72 | 8 % |
| *Percentage of net revenue* | *1 %* | *1 %* | | |
| Marketing and advertising | 559 | 495 | $ 64 | 13 % |
| *Percentage of net revenue* | *— %* | *— %* | | |
| Other operating expenses | 4,843 | 1,295 | 3,548 | 274 % |
| *Percentage of net revenue* | *3 %* | *1 %* | | |
| Total operating expenses | $ 123,998 | $ 60,509 | $ 63,489 | |

Compensation and benefits expenses increased by $53.4 million, or 114%, for the three months ended March 31, 2022 compared to the same period in 2021. Salaries, bonus, benefits, and payroll taxes increased by $27.8 million predominately due to a $22.3 million, or 79%, increase in salaries. The increase in salaries was driven by the increase in average headcount, and the increase in compensation rates due to increased competition in the job market and inflation. Additionally, bonus expense increased $4.2 million, or 80%, during the three months ended March 31, 2022 compared to the same period in 2021 due to the increase in full time employees and the broadening of our corporate bonus plan to cover more employees. We expect rates of compensation to continue to increase in the future in part due to the labor market competition that is currently prevalent in the U.S. economy and inflation.

Compensation and benefits expenses also increased in the three months ended March 31, 2022 compared to the same period in 2021 due to a $25.6 million increase in share-based compensation expense, mainly because of the increase in the number of our employees and the CEO Long-Term Performance Award as detailed in the table below:

| (dollars in thousands) | Three Months Ended March 31, 2022 | 2021 | $ Change | % Change |
|---|---|---|---|---|
| **Share-based compensation** | | | | |
| Restricted stock units | $ 15,345 | $ — | $ 15,345 | n/m |
| Stock options | 7,659 | 5,505 | 2,154 | 39 % |
| CEO Long-Term Performance Award | 13,121 | — | 13,121 | n/m |
| Employee Stock Purchase Plan | 880 | — | 880 | n/m |
| Secondary sales of common stock | — | 5,887 | (5,887) | (100)% |
| Total share-based compensation | $ 37,005 | $ 11,392 | $ 25,613 | 225 % |

n/m = not meaningful

Technology expenses increased by $5.8 million, or 102%, for the three months ended March 31, 2022 compared to the same period in 2021. The increase was due to a $3.4 million increase in third-party hosting costs to support our continued growth and a $2.4 million increase in software licensing costs as we continue implementing new systems and tools.

Professional services expenses increased by $0.6 million, or 14%, for the three months ended March 31, 2022 compared to the same period in 2021. The increase was mainly due to a $0.5 million increase in recruiting fees.

Occupancy expense remained flat for the three months ended March 31, 2022 compared to the same period in 2021 as most of our employees and service providers continue to work remotely. We will continue to evaluate the need for additional office space.

Depreciation and amortization remained relatively flat for the three months ended March 31, 2022 compared to the same period in 2021.

Marketing and advertising expenses remained relatively flat for the three months ended March 31, 2022 compared to the same period in 2021.

Other operating expenses increased by $3.5 million, or 274%, for the three months ended March 31, 2022 compared to the same period in 2021 as a result of an increase in insurance costs of $2.1 million, and an increase in other miscellaneous operating expenses of $1.4 million.

***Other Income (Expense), net***

| (dollars in thousands) | Three Months Ended March 31, 2022 | 2021 | $ Change | % Change |
|---|---|---|---|---|
| Other income (expense), net | $ (11,677) | $ (2,167) | $ (9,510) | 439 % |
| Percentage of net revenue | (7)% | (2)% | | |

Other income (expense), net increased by $9.5 million, or 439%, for the three months ended March 31, 2022 compared to the same period in 2021. The increase was mostly due to an impairment of $11.6 million of an option to purchase the remaining equity interests in an equity method investee, offset by a decrease in the expense related to the change in the fair value of the redeemable convertible preferred stock warrant liabilities of $2.3 million.

***Customer Concentration***

We generated 66% and 73% of our net revenue from our largest Customer, Block, during the three months ended March 31, 2022 and 2021, respectively.

### *Use of Non-GAAP Financial Measures*

Our non-GAAP measures have limitations as analytical tools and you should not consider them in isolation. These non-GAAP measures should not be viewed as a substitute for, or superior to, measures prepared in accordance with GAAP. In evaluating these non-GAAP measures, you should be aware that in the future we will incur expenses similar to the adjustments in the presentation of our non-GAAP measures set forth under “Key Operating Metric and Non-GAAP Financial Measures”. There are a number of limitations related to the use of these non-GAAP measures versus their most directly comparable GAAP measures, including the following:

- other companies, including companies in our industry, may calculate adjusted EBITDA differently than how we calculate this measure or not at all; this reduces its usefulness as a comparative measure;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures; and
- adjusted EBITDA does not reflect the effect of income taxes that may represent a reduction in cash available to us.

We encourage investors to review the related GAAP financial measures and the reconciliation of the non-GAAP financial measures to their most directly comparable GAAP financial measures.

A reconciliation of net loss to adjusted EBITDA for the periods presented is as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| *(dollars in thousands)* | 2022 | 2021 |
| Net revenue | $ 166,102 | $ 107,983 |
| Net loss | $ (60,598) | $ (12,838) |
| Net loss margin | (36)% | (12)% |
| | | |
| Net loss | $ (60,598) | $ (12,838) |
| Depreciation and amortization expense | 979 | 907 |
| Share-based compensation expense | 37,005 | 11,392 |
| Payroll tax expense related to share-based compensation | 835 | — |
| Other expense (income), net | 11,677 | 2,167 |
| Income tax expense (benefit) | (351) | 19 |
| Adjusted EBITDA | $ (10,453) | $ 1,647 |
| Adjusted EBITDA Margin | (6)% | 2 % |

## Liquidity and Capital Resources

Since our inception through June 30, 2021, we financed our operations primarily through sales of equity securities and payments received from our Customers. In June 2021, we completed our IPO in which we received aggregate proceeds of $1.3 billion after deducting underwriting discounts and commissions of $91.6 million, and offering costs of $7.5 million.

As of March 31, 2022, our principal sources of liquidity included cash, cash equivalents, and marketable securities totaling $1.6 billion, with such amounts held for working capital purposes. Our cash equivalents and marketable securities were comprised primarily of money market funds, U.S. government securities, commercial paper, asset-backed securities, and corporate debt securities. We have generated significant operating losses as reflected in our accumulated deficit. We expect to continue to incur operating losses for the foreseeable future.

We believe our existing cash and cash equivalents, and our marketable securities will be sufficient to meet our working capital and capital expenditure needs for more than the next 12 months. Our future capital requirements will depend on many factors, including our planned continuing investment in product development, platform infrastructure, and global expansion. We will use our cash for a variety of needs, including for ongoing investments in our business, potential strategic acquisitions, capital expenditures and investment in our infrastructure, including our non-cancellable purchase commitments with cloud-computing service providers and certain Issuing Banks.

As of March 31, 2022, we had $7.8 million in restricted cash which included a deposit held at an Issuing Bank to provide the Issuing Bank collateral in the event that our Customers' funds are not deposited at the Issuing Bank in time to settle our Customers' transactions with the Card Networks. Restricted cash also includes cash held at a bank to secure our payments under a lease agreement for our office space.

### *Cash Flows*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (in thousands) | |
| Net cash (used in) provided by operating activities | $ (46,759) | $ 17,870 |
| Net cash (used in) provided by investing activities | (834) | 8,760 |
| Net cash (used in) provided by financing activities | (2,731) | 567 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | $ (50,324) | $ 27,197 |

### *Operating Activities*

Our largest source of cash provided by our operating activities is our net revenue. Our primary uses of cash in our operating activities are for Card Network and Issuing Bank fees, and employee-related compensation. The timing of settlement of certain operating liabilities, including Revenue Share payments, bonus payments and prepayments made to cloud-computing service providers, can affect the amounts reported as net cash provided by operating activities on the condensed consolidated statement of cash flows.

Net cash was used in operating activities in the three months ended March 31, 2022 compared to net cash provided in the same period in 2021 primarily due to the net impact of increases in net revenue and related cash collections and cash paid for costs of revenues and operating expenses, increases in non-cash charges primarily for share-based compensation expense, and net changes in operating assets and liabilities.

### *Investing Activities*

Net cash provided by investing activities consists primarily of maturities of our investments in marketable securities. Net cash used in investing activities consists primarily of purchases of marketable securities and purchases of property and equipment.

Net cash was used in investing activities in the three months ended March 31, 2022 compared to net cash provided in the same period in 2021 primarily due to the increase in purchases of marketable securities and the decrease in maturities of marketable securities.

### *Financing Activities*

Net cash provided by financing activities consists primarily of proceeds from the issuance our equity securities. Net cash used in financing activities consists primarily of net payments related to share-based compensation activities, and payments of offering costs related to the IPO.

Net cash was used in financing activities in the three months ended March 31, 2022 compared to net cash provided in the same period in 2021 primarily due to the payment to satisfy the tax withholding and remittance obligations related to the settlement of our outstanding RSUs, offset by the decrease in payment of offering costs.

## Obligations and Other Commitments

Our principal commitments consist of obligations under our operating leases for office space and other non-cancellable purchase commitments. For additional information about our operating leases, see Note 7 to our Condensed Consolidated Financial Statements “Commitments and Contingencies — Operating Leases.”

In connection with our corporate headquarters lease, we are required to provide the landlord a letter of credit in the amount of $1.5 million. We have secured this letter of credit by depositing $1.5 million with the issuing financial institution. This deposit is classified as restricted cash in the condensed consolidated balance sheets.

As of March 31, 2022, we had non-cancellable purchase commitments with certain Issuing Banks and service providers of $227.6 million, payable over the next 5 years. These purchase obligations include $219.0 million related to minimum commitments as part of a cloud-computing service agreement. The remaining obligations are related to various service providers and Issuing Banks processing fees over the fixed, non-cancellable respective contract terms.

## Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies discussed in “Consolidated Financial Statements — Note 2. Summary of Significant Accounting Policies” in the Annual Report on Form 10-K, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of operations.

Under the Jumpstart our Business Startups Act, or JOBS Act, “an emerging growth company” can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an “emerging growth company” to delay the adoption of new or revised accounting standards that have different transition dates for public and private companies until those standards would otherwise apply to private companies. We meet the definition of an “emerging growth company” and have elected to use this extended transition period. As a result of this election, our timeline to comply with these standards will in many cases be delayed as compared to other public companies that are not eligible to take advantage of this election or have not made this election. Therefore, our financial statements may not be comparable to those of companies that comply with the public company effective dates for these standards.

### *Revenue Recognition*

We generate revenue from providing Platform services, which includes Interchange Fees and processing fees, and other services, which includes card fulfillment revenue, to our Customers.

Our contracts with Customers typically include two performance obligations: (i) providing access to our payment processing Platform and (ii) providing card fulfillment services. Certain Customer contracts require us to allocate the transaction price of the contract based on the relative stand-alone selling price of the performance obligations which are estimated using an analysis of our historical contract pricing and costs incurred to fulfill services.

We satisfy our performance obligation to provide platform services over time as Customers have continuous access to our Platform, and we stand ready to process Customer transactions throughout their term of access. We allocate variable consideration to the distinct month in which our Platform services are delivered. When pricing terms are not consistent throughout the entire term of the contract, we estimate variable consideration in Customers' contracts primarily using the expected value method. We develop estimates of variable consideration on the basis of both historical information and current trends and do not expect or anticipate significant reversal of revenue in the future periods.

As the Issuer Processor for our Customers, we are the principal in providing services under our contracts with Customers. To deliver the services required by our Customers, we contract with Card Networks for transaction routing, reporting, and settlement services and with Issuing Banks for card issuing, Card Network sponsorship, and regulatory compliance approval services. We control these integrated services before delivery to our Customers, we are primarily responsible for the delivery of the services to Customers, and we have discretion in vendor selection. As such, we record fees paid to the Issuing Banks and Card Networks as costs of revenue.

For certain revenue contracts, we estimate variable consideration and material rights to record each period. This requires that we estimate the expected processing volume over the term of the contract, including any additional extension of the term associated with a material right. These estimates are predominantly derived by analysis of historical trends and are updated on a quarterly basis. Changes made to these assumptions during the three months ended March 31, 2022 did not have a material impact to the net revenue recorded during the three months ended March 31, 2022.

***Share-Based Compensation***

We measure compensation expense for all share-based payment awards, including stock options and RSUs, granted to employees, directors, and other service providers, based on the estimated fair value of the awards on the date of grant. Prior to the completion of the IPO, the most significant input in determining the fair value of a stock option was the estimated fair value of our common stock. The estimated fair value of our common stock was also used to measure the grant date fair value of RSUs granted prior to the completion of the IPO. Additionally, prior to the completion of the IPO, the determination of whether to recognize share-based compensation expense related to secondary sales of common stock by employees or former employees required a significant amount of judgment.

Our methods to estimate the fair value of our common stock and to determine share-based compensation expense related to secondary sales of common stock prior to the completion of the IPO are discussed below.

*Fair Value of Common Stock*: Prior to the completion of the IPO, the Company's board of directors considered numerous objective and subjective factors to determine the fair value of the Company's common stock at each meeting in which awards were approved. The factors considered included, but were not limited to: (i) contemporaneous independent third-party valuations of the Company's common stock; (ii) observed secondary sales of the Company's common stock; (iii) rights, preferences, and privileges of the Company's redeemable convertible preferred stock relative to those of its common stock; (iv) the Company's actual operating and financial performance; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions; and (vii) precedent transactions involving the Company's capital stock.

Subsequent to the completion of the IPO, the fair value of the Company's common stock is determined by the closing price, on the date of grant, of its Class A common stock, which is traded on the Nasdaq Global Select Market.

*Secondary Sales of Common Stock.* During the three months ended March 31, 2021, prior to the completion of the IPO, certain stockholders acquired outstanding common stock from current or former employees for a purchase price greater than the estimated fair value of our common stock at the time of the respective transaction. The determination of whether the excess of purchase price over the estimated fair value represents share-based compensation is highly judgmental. We determined whether secondary sales of common stock by employees and former employees resulted in share-based compensation expense by evaluating the extent of our involvement in secondary sale transactions, whether the purchaser of the shares is an existing or new stockholder, and the extent the sale price per share exceeds our estimated fair value per share. We recorded share-based compensation expense for the difference between the price paid and the estimated fair value on the date of the transaction of $5.9 million during the three months ended March 31, 2021. Such amounts were recorded in compensation and benefits expense on the condensed consolidated statements of operations and comprehensive loss.

Subsequent to the completion of the IPO, we did not record share-based compensation expense related to secondary sales of our common stock.

***Recent Accounting Pronouncements***

See Note 2 to our Condensed Consolidated Financial Statements "Summary of Significant Accounting Policies—Adoptions of New Accounting Standards" and "Summary of Significant Accounting Policies—New Accounting Standards Not Yet Adopted" for additional information.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have operations within the United States, the United Kingdom, Australia, and Singapore, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

### *Interest Rate Risk*

We had cash, cash equivalents, and marketable securities totaling $1.6 billion as of March 31, 2022. Such amounts included cash deposits, money market funds, U.S. government securities, commercial paper, asset-backed securities, and corporate debt securities. The fair value of our cash, cash equivalents, and marketable securities would not be significantly affected by either an increase or decrease in interest rates due to the short-term maturities of the majority of these instruments. Because we classify our marketable securities as “available-for-sale” and have not yet adopted ASU 2016-13 (See Note 2 to our Condensed Consolidated Financial Statements “Summary of Significant Accounting Policies—New Accounting Standards Not Yet Adopted” for additional information), no gains or losses are recognized in the condensed consolidated statement of operations and comprehensive loss due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. We have the ability to hold all marketable securities until their maturities. A hypothetical 100 basis point increase or decrease in interest rates would not have a material effect on our financial results.

### *Foreign Currency Exchange Risk*

Most of our sales and operating expenses are denominated in U.S. dollars, and therefore our results of operations are not currently subject to significant foreign currency risk. As of March 31, 2022, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our condensed consolidated financial statements.

## Item 4. Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's, or the SEC's, rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2022.

***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 first quarter of fiscal year 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

***Limitations on Effectiveness of Controls and Procedures***

The effectiveness of any internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, no matter how well designed and operated, can only provide reasonable, not absolute assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## PART II - Other Information

### Item 1. Legal Proceedings

We are not currently a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

### Item 1A. Risk Factors

## Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q and our condensed consolidated financial statements and the related notes and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," before making a decision to invest in our Class A common stock. Our business, results of operations, financial condition and prospects could also be harmed by risks and uncertainties not currently known to us or that we do not currently believe to be material. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment.

## Risk Factors Summary

***Our business is subject to numerous risks and uncertainties that you should consider before investing in our company. The following is a summary of some of these risks and uncertainties. This summary should be read together with the more detailed description of each risk factor below.***

- We have experienced rapid net revenue growth in recent periods and our recent net revenue growth rates may not be indicative of our future net revenue growth.
- If we fail to manage our growth effectively, we may be unable to execute our business plan or maintain high levels of customer service and satisfaction, and our business, results of operations, and financial condition could be adversely affected.
- Future net revenue growth depends on our ability to retain existing Customers, drive increased TPV on our Platform, and attract new Customers in a cost-effective manner.
- We participate in markets that are competitive and continuously evolving, and if we do not compete effectively with established companies and new market entrants, our business, results of operations, and financial condition could be adversely affected.
- We currently generate significant net revenue from our largest Customer, Block, Inc., or Block, and the loss or decline in net revenue from Block could adversely affect our business, results of operations, and financial condition.
- Our recent growth, ongoing changes in our industry, and our transaction mix make it difficult to forecast our net revenue and evaluate our business and future prospects.
- We have a history of net losses, we anticipate increasing operating expenses in the future, and we may not be able to achieve profitability.
- We may experience annual or quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.
- The global COVID-19 pandemic could adversely affect our business, results of operations, and financial condition.
- Our business relies on our relationships with Issuing Banks and Card Networks, and if we are unable to maintain these relationships, our business may be adversely affected. Further, any changes to the rules or practices set by Card Networks, including changes in Interchange Fees, could adversely affect our business.

- There has been a limited public market for our Class A common stock, the trading price of our Class A common stock has been and is likely to continue to be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the price at which you purchased such shares.
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our directors, executive officers, and their respective affiliates. This ownership limits or precludes your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval, and that may depress the trading price of our Class A common stock.

## Risks Relating to Our Business and Industry

***We have experienced rapid net revenue growth in recent periods and our recent net revenue growth rates may not be indicative of our future net revenue growth.***

We have experienced rapid growth in recent periods. Our total net revenue was $517.2 million, $290.3 million and $143.3 million for the years ended December 31, 2021, 2020, and 2019, respectively, an increase of 78% and 103% from the prior years, respectively. Our total net revenue was $166.1 million and $108.0 million in the three months ended March 31, 2022 and 2021, respectively, an increase of 54%. In future periods, we may not be able to sustain net revenue growth consistent with recent history, or at all. Further, because we operate in an evolving payments industry, our ability to grow and innovate is important to our success. We believe our net revenue growth depends on several factors, including, but not limited to, our ability to:

- acquire new Customers and retain existing Customers;
- achieve widespread acceptance and use of our Platform and the services we offer;
- increase the use of our Platform and our offerings, TPV, and the number of transactions on our Platform;
- effectively scale our operations while maintaining high levels of service and Customer satisfaction;
- maintain and increase our net revenue and gross profit by continuing to innovate and expanding our product and service offerings;
- diversify our Customer base;
- maintain and grow our network of vendors and partners, including Issuing Banks, Card Networks, and other vendors and partners;
- hire and retain talented employees at all levels of our business;
- maintain the security and reliability of our Platform;
- adapt to changes in laws and regulations applicable to our business;
- adapt to changing macroeconomic conditions and evolving conditions in the payments industry;
- introduce and grow widespread adoption of our Platform in new markets outside of the United States; and
- successfully compete against established companies and new market entrants, including legacy issuing platforms and modern payments technology companies.

If we are unable to accomplish these objectives, our net revenue growth may be adversely affected.

We also expect our operating expenses to increase in future periods, and if our net revenue growth does not increase to offset these anticipated increases in our operating expenses, our business, results of operations, and financial condition will be adversely affected, and we may not be able to achieve profitability. We have also encountered in the past, and expect to encounter in the future, risks and uncertainties frequently experienced by growing companies in evolving industries as further detailed in these "Risk Factors." If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our growth rates may slow and our business would suffer. In the near term, we expect our TPV and net revenue growth rates may continue to be variable as a result of the COVID-19 pandemic and the significant military action against Ukraine launched by Russia, and we are unable to predict the duration, degree, or volatility of future growth with any certainty.

***If we fail to manage our growth effectively, we may be unable to execute our business plan or maintain high levels of Customer service and satisfaction, and our business, results of operations, and financial condition could be adversely affected.***

We have experienced, and expect to continue to experience, rapid growth, which has placed, and may continue to place, significant demands on our management and our operational and financial resources. For example, our workforce has grown to 856 employees as of March 31, 2022 from 554 employees as of March 31, 2021. We have offices in the United Kingdom, or U.K., and Australia, and a presence in Singapore as of March 31, 2022, and we plan to continue to expand our international presence and operations into other countries in the future. We have also historically experienced significant growth in the number of Customers using our Platform, the number of card programs and solutions we manage for our Customers, and TPV on our Platform.

To manage operations and personnel growth, we will need to continue to grow and improve our operational, financial, and management controls, and our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to expand our systems and infrastructure before our net revenue increases without any assurances that our net revenue will increase. We also believe that our corporate culture has been and will continue to be a valuable component of our success. As we expand our business and mature as a public company, we may find it difficult to maintain our corporate culture while managing this growth as our employees and other service providers increasingly work from anywhere in the world. Failure to manage our anticipated growth and organizational changes in a manner that preserves the key aspects of our culture could reduce our ability to recruit and retain personnel, innovate, operate effectively, and execute on our business strategy, potentially adversely affecting our business, results of operations, and financial condition. Additionally, as a result of the COVID-19 pandemic, our global workforce has been working remotely or in hybrid settings, with expected future phased office re-openings potentially limiting our employees' ability to perform certain job functions and, over time, negatively impacting corporate culture.

Further, as more of our employees are located in new jurisdictions, we will be required to invest resources and to monitor continually changing local regulations and requirements, and we may experience a resulting increase in our expenses, decrease in employee productivity, and changes in our corporate culture.

In addition, as we expand our business, it is important that we continue to maintain a high level of Customer service and satisfaction. As our Customer base continues to grow, we will need to expand our account management and Customer service teams and continue to scale our Platform. If we are not able to continue to provide high levels of Customer service, our reputation, as well as our business, results of operations, and financial condition, could be adversely affected.

***Future net revenue growth depends on our ability to retain existing Customers, drive increased TPV on our Platform, and attract new Customers in a cost-effective manner.***

Our net revenue growth substantially depends on our ability to maintain and grow our relationships with existing Customers and increase the volume of transactions processed on our Platform. If our prospective Customers do not recognize, or our existing Customers do not continue to recognize, the need for and benefits of our Platform and our products, they may decide to adopt alternative products and services to satisfy their business needs. To grow our business and extend our market position, we intend to focus on educating potential Customers about the benefits of our Platform, expanding the capabilities of our Platform and our product offerings, and bringing new products and services to market to increase market acceptance and use of our Platform.

Some of our Customer contracts provide for a termination clause that allows our Customers to terminate their contract at any time following a limited notice period. In addition, our Customers generally are not subject to any minimum volume commitments under their contracts and have no obligation to continue using our Platform, products, or services. We cannot assure you that customers will continue to use our Platform or that we will be able to continue processing transactions on our Platform at the same rate as we have in the past. Customers may terminate or reduce their use of our Platform for any number of reasons, including their level of satisfaction with our products and services, the effectiveness of our support services, our pricing and the pricing and quality of competing products or services, or the effects of global economic conditions.

The loss of Customers or reductions in their processing volumes, particularly any loss of or reductions by Block, may adversely affect our business, results of operations, and financial condition. Our growth may decline in the future if Customers are not satisfied with our Platform or our ability to meet our Customers’ needs and expectations. Further, the complexity and costs associated with switching processing volume to our competitors may not ultimately prevent a Customer from switching to another provider. To achieve continued growth, we must not only maintain our relationships with our existing Customers, but also encourage them to increase adoption and usage of our products. For example, Customers can have multiple card programs on our Platform across different use cases and geographies. If Customers do not renew their contracts or broaden their use of our services, our growth may slow or stop and our business, results of operations, and financial condition may be materially and adversely affected.

In addition to capitalizing on the potential net revenue embedded within our existing Customer base, we must continue to attract new Customers to promote growth. Our growth depends on developing new use cases and industry verticals across new geographies. We may face additional challenges that are unique to the markets we target and we may not be able to acquire new Customers in a cost-effective manner. To reach new Customers, we may need to spend significantly more on sales and marketing to generate awareness of our Platform and educate potential Customers on the value of our Platform. We may also need to adapt our existing technology and offerings or develop new or innovative capabilities to meet the particular needs of Customers in these new use cases or new markets, and there can be no assurance that we will be successful in these efforts. We may not have adequate financial or technological resources to develop effective and secure products and services that will satisfy the demands of Customers in these new markets. When a new Customer launches with us, if we are slow to onboard them onto our Platform or are slow to expand their use cases, our net revenue from the Customer may be limited. If we fail to attract new Customers, including Customers in new use cases, industry verticals, and geographies, and to expand our Platform in a way that serves the needs of these new Customers, and to onboard them quickly, then we may not be able to continue to grow our net revenue.

***We participate in markets that are competitive and continuously evolving, and if we do not compete effectively with established companies and new market entrants, our business, results of operations, and financial condition could be adversely affected.***

We were founded in 2010, and we provide a single, global, cloud-based, open-API Platform for modern card issuing and payment processing. We provide card issuing, payment processing, risk management, data insights, and a variety of controls, customizations, and features through our Platform. Our modern card issuing Platform is situated in the evolving financial technology and payments industries that are intensely competitive and subject to rapidly evolving technology, shifting customer needs, new market entrants, and introductions of new products and services. We face competition along several dimensions, including providers with legacy technology platforms, such as Global Payments (TSYS), Fiserv, and Fidelity National Information Services; vertical-focused providers, such as Wex and Comdata; and emerging providers, such as Adyen and Stripe. We believe the principal competitive factors in our market include industry expertise, platform and product features and functionality, ability to build new technology and keep pace with innovation, scalability, extensibility, product pricing, security and reliability, brand recognition and reputation, agility, and speed to market. We expect competition to increase in the future as established and emerging companies continue to enter the markets we serve or attempt to address the problems that our Platform addresses. Moreover, as we expand the scope of our Platform, we may face additional competition.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as greater brand name recognition, longer operating histories, larger sales and marketing budgets and resources, more established relationships with vendors or customers, greater customer support resources, greater resources to make acquisitions and investments, lower labor and development costs, larger and more mature intellectual property portfolios, and substantially greater financial, technical, and other resources. Such competitors with greater financial and operating resources may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, customer requirements, or regulatory developments. In addition, there has been a recent increase in large merger and acquisition transactions in the payments industry, and future mergers and acquisitions by these companies may lead to even larger competitors with more resources.

Conditions in our markets could also change rapidly and significantly as a result of technological advancements, partnering by our competitors, or continuing market consolidation, and it is uncertain how our markets will evolve. New commerce disruptors or large financial institutions that are making significant investments in research and development may develop similar or superior products and technologies that compete with our Platform. Our existing and potential Customers also may choose to build some of the functionality our Platform provides, potentially limiting or eliminating their demand for our Platform. These competitive pressures in our markets or our failure to compete effectively may result in price reductions, fewer Customers, reduced net revenue, gross profit, and gross margins, increased net losses, loss of processing volume, and loss of market share. Any failure to meet and address these factors could adversely affect our business, results of operations, and financial condition.

***We currently generate significant net revenue from a small group of Customers, including our largest Customer, Block, and the loss or decline in net revenue from these customers, particularly Block, could adversely affect our business, results of operations, and financial condition.***

A small number of Customers account for a large percentage of our net revenue. For the twelve months ended December 31, 2021, 2020 and 2019, Block accounted for 69%, 70% and 60% of our net revenue, respectively, and for the three months ended March 31, 2022 and 2021, Block accounted for 66% and 73% of our net revenue, respectively.

Although we expect the net revenue from our largest Customer will decrease over time as a percentage of our total net revenue as we generate more net revenue from other Customers, we expect that net revenue from a relatively small group of Customers will continue to account for a significant portion of our net revenue in the near term. Additionally, consolidation within our Customers' industries has accelerated in recent years, which has in turn increased the concentration of our Customers, and these trends may continue. For example, Block, our largest Customer, announced in February 2022 that it had completed its acquisition of our Customer Afterpay Limited, which may increase the percentage of our net revenue represented by our largest Customer. Furthermore, in the event that any of our largest Customers stop using our Platform or use our Platform in a reduced capacity, our business, results of operations, and financial condition would be adversely affected. In addition, any publicity associated with the loss of any of these Customers may adversely affect our reputation and could make it more difficult to attract and retain other Customers.

Our Customer contracts generally do not contain long-term commitments from our Customers, and our Customers may be able to terminate their agreements with us prior to expiration of the contract's term. The current term of our agreement with Block for Cash App expires in March 2024 and the current term of our agreement with Block for Square Card expires in December 2024, and each agreement automatically renews thereafter for successive one-year periods. Furthermore, while certain of our Customer contracts have minimum volume commitments, others do not. There can be no assurance that we will be able to continue our relationships with our Customers on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. In addition, the processing volume from Block has in the past fluctuated from period to period and may fluctuate or decline in future periods. Our net revenue and results of operations could suffer if, among other things, Block does not continue to use our products, uses fewer of our products, reduces its processing volume, or renegotiates, terminates or fails to renew, or to renew on similar or favorable terms, its agreement with us.

***Our recent growth, ongoing changes in our industry, and our transaction mix make it difficult to forecast our net revenue and evaluate our business and future prospects.***

We launched our Platform publicly in 2014, and much of our growth has occurred in recent periods. This recent growth makes it difficult to effectively assess or forecast our future prospects, particularly in an evolving industry. Our modern card issuing Platform represents a substantial departure from the traditional card issuing methods and the payment processing solutions offered by traditional providers. While our business has grown rapidly, the market for our Platform, products, and services may not develop as we expect or in a manner that is favorable to our business. As a result of ongoing changes in our evolving industry, our ability to forecast our future results of operations and plan for and model future growth is limited and subject to a number of uncertainties.

In particular, forecasting our future results of operations can be challenging because our net revenue depends in part on our Customers' end users, and our transaction mix adds further complexity. Our transaction mix refers to the proportion of signature debit versus PIN debit transactions and consumer versus commercial transactions that make up our TPV. In general, transactions that require a signature of the cardholder generate higher percentage-based Interchange Fees, while transactions that require a PIN generate lower percentage-based Interchange Fees. Accordingly, we may be unable to prepare accurate internal financial forecasts, and our results of operations in future reporting periods may differ materially from our estimates and forecasts or the expectations of investors or analysts, causing our business to suffer and our Class A common stock trading price to decline.

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

We have incurred significant net losses since our inception, including net losses of $163.9 million, $47.7 million and $122.3 million for the twelve months ended December 31, 2021, 2020 and 2019, respectively, and $60.6 million and $12.8 million for the three months ended March 31, 2022 and 2021, respectively. We expect to continue to incur net losses for the foreseeable future and we may not achieve profitability in the future. Because the market for our Platform, products, and services is evolving, it is difficult for us to predict our results of operations or our market opportunity. We expect our operating expenses to continue to increase over the next several years as we hire additional personnel, adjust compensation packages to hire new or retain employees in an increasingly competitive job market, expand our operations and infrastructure, both domestically and internationally, continue to enhance our Platform and develop and expand its capabilities, expand our products and services, and expand and improve our APIs. These initiatives may be more costly than we expect and may not result in increased net revenue. In addition, as a public company, we have incurred, and we will continue to incur, additional significant legal, insurance, accounting, and other expenses that we did not incur as a private company. Any failure to increase our net revenue sufficiently to keep pace with the increases in expenses resulting from these initiatives, investments, and other activities could prevent us from achieving or maintaining profitability or positive cash flow on a consistent basis in future periods. If we fail to achieve profitability, our business, results of operations, and financial condition could be adversely affected. We cannot assure you that we will ever achieve or sustain profitability and may continue to incur significant losses going forward. Any failure by us to achieve or sustain profitability on a consistent basis could cause the value of our Class A common stock to decline.

From time to time, we may make decisions that may reduce our short-term operating results if we believe those decisions will improve the experiences of our Customers, end users, and other users of our products and services, which we believe will improve our operating results over the long term. These decisions may not be consistent with investors' expectations and may not produce the long-term benefits that we expect, and this may materially and adversely affect our business.

***We may experience annual or quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.***

Our annual or quarterly results of operations may fluctuate as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- demand for our Platform, products, and services by our Customers;
- our success in engaging and retaining existing Customers and attracting new Customers;
- changes in transaction mix or volume processed on the different Card Networks used and the resultant mix of interchange and transaction fees earned;
- our success in increasing our Customers' processing volumes;
- demand for our Customers' products by their customers;
- the timing and success of new capabilities by us or by our competitors or any other change in the competitive landscape of our market;
- changes to the terms of and performance under our Customer contracts, including concessions, or payments to Customers resulting from our failure to meet certain service level commitments, which are generally based on our Platform uptime, API response time, and/or transaction success rate;
- reductions in pricing as a result of renegotiations with our larger Customers;
- the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and remain competitive;
- the timing and extent of amendments or new contracts related to our volume incentive arrangements with Card Networks, which could result in incentive payments that are recorded in a current period and based on volume processed in a prior period;
- the timing of expenses and recognition of net revenue;
- changes in Customers' processing volumes resulting from seasonal fluctuations;

- security breaches, and technical difficulties involving our Platform or interruptions or disruptions of our Platform;
- adverse litigation judgments, other dispute-related settlement payments, or other litigation-related costs;
- regulatory fines;
- changes in, and continuing uncertainty in relation to, the legislative or regulatory environment;
- the timing and extent of changes in interchange rates set by Card Networks;
- legal and regulatory compliance costs in new and existing markets;
- the amount of compensation for and timing of hiring new employees;
- the rate of expansion and productivity of our sales force;
- the timing and extent of increases of grants or vesting of equity awards to employees, directors, or consultants and the recognition of associated share-based compensation expenses and related payroll tax;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates;
- increased inflation;
- costs and timing of expenses related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- the impact of tax charges as a result of non-compliance with, or changes to, federal, state, local, or other tax regulations;
- changes to generally accepted accounting standards in the United States;
- health pandemics, such as the COVID-19 pandemic, influenza, and other highly communicable diseases or viruses;
- the impact of market and economic volatility caused by the COVID-19 pandemic on our business and the businesses of our Customers;
- the impact of the COVID-19 pandemic on consumer demand and spending patterns; and
- general economic conditions in either domestic or international markets, including conditions resulting from geopolitical uncertainty and instability or war, including the significant military action against Ukraine launched by Russia.

Any one or more of the factors above may result in significant fluctuations in our results of operations. You should not rely on our past results as an indicator of our future performance.

The variability and unpredictability of our results of operations or other operating metrics could result in our failure to meet our or investors' expectations, or those of analysts that cover us, with respect to net revenue or other key metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of our Class A common stock could fall, and we could face costly lawsuits, including securities class action suits.

***Systems failures and interruptions in the availability of our Platform may adversely affect our business, results of operations, and financial condition.***

Our continued growth depends on the efficient operation of our Platform without interruption or degradation of performance. Our business involves processing large numbers of transactions, enabling the movement of large sums of money on an aggregate basis, and the management of large amounts of data, and a system outage or data loss could have a material adverse effect on our business, results of operations, and financial condition. We may experience service interruptions, data loss, outages, and other performance problems due to a variety of factors, including infrastructure changes or failures, introductions of new functionality, human or software errors, capacity constraints, denial-of-service attacks, ransomware attacks, or other security-related incidents, including as retaliation against financial institutions for sanctions imposed against Russia as a result of the significant military action against Ukraine launched by Russia. In some instances, we may not be able to identify the cause or causes of these performance problems immediately or in short order, and we may face difficulties remediating and otherwise responding to any such issues, including resuming operations in a timely manner for our Customers and preventing data loss.

Moreover, we depend on services from various third-party vendors to maintain our infrastructure, including data center facilities and Amazon Web Services, Inc., or AWS, as our cloud storage platform. We conduct vendor due diligence; however, if a service provider fails to develop and maintain sufficient internal control processes or fails to provide sufficient capacity to support our Platform or otherwise experiences service outages, such failure could interrupt the operation of our Platform, potentially adversely affecting our Customers or their perception of our Platform's reliability and adversely affecting the business of Customers using our Platform. Any disruptions in these services, including as a result of actions outside of our control, would significantly impact the continued performance of our Platform. In the future, these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of these services could result in decreased functionality of our Platform until equivalent technology is either developed by us or, if available from another provider, is identified, obtained, and integrated into our infrastructure. If we do not accurately predict our infrastructure capacity requirements, our Customers could experience service shortfalls. We may also be unable to effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, as well as to increase efficiency.

Further, our Customer contracts typically provide for service level commitments. If we suffer extended periods of downtime of our Platform or are otherwise unable to meet these commitments, we are contractually obligated to provide service credits, which may be based on a percentage of the processing volume on the day of an incident or the revenue we earned from our Customer on the day of an incident, or based on our overall monthly transaction success rate and the incentive payments or fees from that month. We have experienced incidents requiring us to pay service level credits and other customer service concessions in the past. In addition, the performance and availability of the cloud-based solutions that provide cloud infrastructures for our Platform is outside of our control and, therefore, we are not in full control of whether we meet our service level commitments. As a result, we have experienced, and expect to continue to periodically experience, unpredictable outages of the services provided by these cloud infrastructure providers. Our business, results of operations, and financial condition has in the past been affected and could in the future be adversely affected if we suffer unscheduled downtime that exceeds the service level commitments we have made to our Customers. Any extended service outages could adversely affect our business and reputation and erode Customer trust.

Any of the above circumstances or events may harm our reputation, cause Customers to terminate their agreements with us, impair our ability to renew contracts with Customers and grow our Customer base, subject us to financial penalties and liabilities, and otherwise adversely affect our business, results of operations, and financial condition.

We may not be able to maintain the level of service uptime and performance needed by our Customers, especially as TPV increases. If we are unable to maintain sufficient processing capacity, Customers could face longer processing times or even downtime. Furthermore, any efforts to further scale our Platform or increase its complexity to handle a larger number or more complicated transactions could result in performance issues, including downtime. If our Platform is unavailable or if Customers are unable to access our Platform within a reasonable amount of time, or at all, our business would be adversely affected. Our Customers rely on the full-time availability of our Platform to process payment transactions, and an outage on our Platform could impair the ability of our Customers to operate their business and generate revenue. Therefore, any system failure, outage, performance problem, or interruption in the availability of our Platform would negatively impact our brand, reputation, and Customer satisfaction, and could subject us to financial penalties and liabilities.

***The global COVID-19 pandemic could adversely affect our business, results of operations, and financial condition.***

In March 2020, the World Health Organization declared the novel strain of coronavirus, COVID-19, a global pandemic. Since then, the COVID-19 pandemic has continued to spread and evolve. The related public health measures, including orders to shelter in place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, Customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. The extent to which such measures are renewed or new measures are put in place will depend upon how the pandemic and the global response continues to evolve, including the distribution of available vaccines, the rates at which they are administered, the emergence of new variants of the virus, and the possible development of endemic status for COVID-19.

The pandemic, as well as intensified measures undertaken to contain the spread of COVID-19, has impacted our day-to-day operations. Like many other companies, the majority of our workforce has been working remotely and engaging with prospects and Customers who have also generally been working remotely. While public health measures in the United States have largely lifted, many Customer, employee, and industry events continue to be virtual-only experiences due to the pandemic. Live event attendance and sponsorship is one of the ways we have historically connected with prospective Customers. We rely on events, such as Money20/20, for a portion of our lead generation. A contingent of our employees attended Money20/20 in person in 2021, but the possibility of future variants of COVID-19 creates continuing uncertainty around live industry events in 2022. Because our solution is technical and requires in-depth discussions around Customer use cases, it can be challenging to acquire new Customers through predominantly online outreach, such as virtual events, email, and targeted ads. We have also observed fatigue from prospective Customers around attending virtual events, making it more difficult to acquire Customers through such events. Any cancellation or postponement of live events may impair our ability to acquire new Customers and prospects and may also result in the loss of financial commitments made to such events. In addition, we may incur increased workforce costs, including costs associated with implementing additional personnel and workplace safety protocols when our employees return to an office, and workplace or labor claims and disputes related to COVID-19.

Any continued spread and evolution of COVID-19 could also have an adverse impact on our vendors, partners, and Customers, therefore materially and adversely impacting our business, results of operations, and overall financial performance in future periods. For example, we have experienced, and may continue to experience, a decrease in processing volumes from certain Customers, particularly those in industries that are heavily impacted by various public health measures, such as travel; delayed sales cycles, including Customers and prospective Customers delaying contract signing or contract renewals; and delays in launching strategic partnerships and opportunities. These disruptions could continue to adversely affect our business, results of operations, and financial condition, and could have other negative impacts on us.

While we have developed and continue to develop plans to help mitigate the potential negative impact of the pandemic on our business, it is possible the COVID-19 pandemic, particularly any new variant strains of the virus, could further impact our operations and the operations of our Customers, partners, and vendors as a result of quarantines, illnesses, and travel and logistics restrictions. Supply chain disruption, a global labor shortage, increased inflation, and the ebb and flow of COVID-19, including in specific geographies, create uncertainty as to the pace of our and our Customers', partners', and vendors' recovery and our business outlook. Our efforts to mitigate the potential negative impact of the pandemic on our business may not be effective. It is not possible for us to predict the duration or magnitude of the adverse results of the COVID-19 pandemic and its effects on our business, results of operations, or financial condition at this time. The extent to which the COVID-19 pandemic may impact our business, results of operations, and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, increases in infection rates and hospitalizations, the resulting impact on the businesses of our Customers, partners, and vendors, the remedial actions and stimulus measures adopted by federal, state, and local governments, and the extent that normal economic and operating conditions are impacted. To the extent the COVID-19 pandemic adversely affects our business, results of operations, and financial condition, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section. For more information on the effect of COVID-19 and potential risks to us, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of COVID-19."

***Our business relies on our relationships with Issuing Banks and Card Networks, and if we are unable to maintain these relationships, our business may be adversely affected. Further, any changes to the rules or practices set by Card Networks, including changes in Interchange Fees, could adversely affect our business.***

We rely on our relationships with financial institutions, including Issuing Banks and Card Networks, that provide certain services that are an important part of our product offering. We have in the past and may in the future have disagreements with these financial institutions. If we are unable to maintain the quality of these relationships or fail to comply with our contractual requirements with these financial institutions, our business would be adversely affected. We partner with Issuing Banks, who issue payment cards to our Customers and settle payment transactions on such cards. A significant portion of our payment transactions are settled through one Issuing Bank, Sutton Bank. For the three months ended March 31, 2022 and 2021, 86% and 94%, respectively, of TPV was settled through Sutton Bank. If Sutton Bank terminates our agreement with them or is unable or unwilling to settle our transactions for any reason, we may be required to switch some or all of our processing volume to one or more other Issuing Banks, including to any of the three other U.S. Issuing Banks that we currently contract with. Switching a significant portion or all of our processing volume to another Issuing Bank, including contracting with additional Issuing Banks, would take time and could result in additional costs, including increased operating expenses, and termination fees under our agreement with Sutton Bank if unilaterally terminated by us without Sutton Bank's consent. We could also lose Customers if we do not have another Issuing Bank who is willing to support such Customers. Diversifying our contractual relationships and operations with Issuing Banks may increase the complexity of our operations and may also lead to increased costs.

We also have agreements directly with Card Networks, such as Visa, Mastercard, and PULSE, which is part of the Discover Global Network, that, among other things, provide us certain monetary incentives based on the processing volume of our Customers' transactions routed through the respective Card Network. For certain incentive arrangements with an annual measurement period, the one-year period may not align with our fiscal year. Unusual fluctuations in network fees can occur in the quarter in which volume thresholds are achieved as higher incentive rates are applied to volumes over the entire measurement periods, which can span 6 or 12 months, which can affect our financial results for a given quarter or fiscal year. If we were to lose our certification with a Card Network, we could lose Customers if they needed to switch to a different Card Network for which we did not have a certification. The Issuing Banks and Card Networks we work with may fail to process transactions, breach their agreements with us, or refuse to renew or renegotiate our agreements with them on terms that are favorable, commercially reasonable, or at all. They might also take actions that could degrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services. If we are unsuccessful in establishing, renegotiating, or maintaining relationships with Issuing Banks and Card Networks, our business may be adversely affected.

Our agreements with Issuing Banks and Card Networks require us to comply with Card Network operating rules. The Card Networks set these network rules and have discretion to interpret the rules and change them at any time. For additional information about regulations relating to network rules, see the section titled "Risk Factors—Risks Relating to Regulation—Our business is subject to extensive regulation and oversight in a variety of areas, directly and indirectly through our relationships with Issuing Banks and Card Networks, which regulations are subject to change and to uncertain interpretation." While changes in the network rules usually relate to pricing, other types of changes could require us to take certain steps to comply or adapt. For example, we began to issue cards with chips built in when a network rule changed to enable chip and PIN transactions. The termination of the card association registrations held by us or any of the Issuing Banks or any changes to these network rules or how they are interpreted could have a significant impact on our business and financial condition. Any changes to or interpretations of the network rules that are inconsistent with the way we or our Issuing Banks currently operate may require us to make changes to our business that could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with the Card Networks, the Card Networks could fine us or prohibit us from processing payment cards. In addition, violations of the network rules or any failure to maintain good relationships with the Card Networks could impact our ability to receive incentives from them, increase our costs, or otherwise adversely affect our business.

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

Our performance is subject to economic conditions and their impact on levels of spending by businesses and their customers. Our net revenue is dependent on the usage of our Platform, which in turn is influenced by the volume of business our Customers conduct. To the extent that weak economic conditions result in a reduced volume of business for our Customers and prospective Customers, demand for, and use of, our Platform, products, and services may decline. If spending by their customers declines, our Customers could process fewer payments with us or, if our Customers cease to operate, they could stop using our Platform and our products and services altogether. Furthermore, weak economic conditions may make it more difficult to collect on outstanding accounts receivable. If, as a result of a weak economy, our Customers reduce their use of our Platform, or prospective Customers delay adoption or elect not to adopt our Platform, our business, results of operations, and financial condition could be adversely affected.

***Performance issues in our Platform or our Platform's transaction processing could diminish demand for our Platform or products, adversely affect our business and results of operations, and subject us to liabilities.***

Our Platform is designed to process a high number of transactions and deliver reports and other information related to those transactions at high processing speeds. Our Customers use our Platform for important aspects of their businesses. Our Issuing Banks use reports and information from our Platform in part to settle card transactions with the Card Networks. Any performance issues, including errors, defects, or disruptions in our Platform or our Platform's transaction processing, could damage our Customers' businesses and, in turn, hurt our brand and reputation and erode Customer trust. The risk of performance issues has increased in recent periods due to the significant increase in our TPV. This risk of performance issues further increases with new product launches and geographical expansion. We release regular updates to our Platform, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities, and bugs. Additionally, we may experience errors, inaccuracies, or omissions in our processing, reconciling or reporting of transactions. Further, we may be unable to replenish the supply of payment cards issued to our Customers before it is depleted, such that our Customers could run out of cards for a short period of time. Real or perceived errors, failures, or bugs in our Platform or our Platform's transaction processing could result in negative publicity, loss of or delay in market acceptance of our Platform or our products, loss of competitive position, lower Customer retention, claims by Customers, Card Networks, Issuing Banks, or other partners or vendors for losses sustained by them, or other claims, regulatory fines, or proceedings. In such an event, we may be required, or may choose, for Customer relations or other reasons, to expend additional resources to help correct the problem. In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from defects or disruptions in our Platform or operations. As a result, our reputation and our brand could be harmed, and our business, results of operations, and financial condition may be adversely affected.

***We, our Customers, our vendors, and others who use or interact with our Platform obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could expose us to liability and damage our reputation.***

Our operations depend on receiving, storing, processing, and transmitting sensitive information pertaining to our business, employees, Customers, and end users. The confidentiality, security, and integrity of such sensitive business information residing on our systems is important to our business. Any unauthorized access, intrusion, infiltration, network disruption, denial of service, or similar incident could disrupt the integrity, continuity, security, and trust of our systems or data, or the systems or data of our Customers or vendors. These incidents are often difficult to detect and are constantly evolving, and we or our Customers or vendors may face difficulties or delays in identifying or otherwise responding to any incident.

Unauthorized parties have attempted and may continue to attempt to gain access to our Platform, systems, or facilities, and those of our Customers, partners, and vendors, through various means and with increasing sophistication. Currently, there is a threat of attacks against U.S. financial institutions as retaliation against financial institutions for sanctions imposed against Russia as a result of the significant military action against Ukraine launched by Russia. These events could create costly claims and litigation, significant financial liability, regulatory investigations or proceedings, increased regulatory scrutiny, financial sanctions, a loss of confidence in our ability to serve Customers and cause current or potential Customers to choose another service provider, all of which could have a material adverse impact on our business. In addition, we expect to continue to invest significant resources to maintain and enhance our information security and controls and to investigate and remediate any security vulnerabilities.

Although we believe that we maintain a robust data security program, including a responsible disclosure program, and that none of the incidents that we have encountered to date have materially impacted us, we cannot be certain that the security measures and procedures we have in place to detect security incidents and protect sensitive data, including protection against unauthorized access and use by our employees, will be successful or sufficient to counter all current and emerging technological risks and threats. The impact of a material event involving our systems and data, or those of our Customers or vendors, could have a material adverse effect on our business, results of operations, and financial condition.

Under Card Network rules and our contracts with our Issuing Banks, if there is a breach of payment card information that we store, process, or transmit or that is stored, processed, or transmitted by our Customers or other third parties that we do business with, we could be liable to the Issuing Banks for certain of their costs and expenses. Additionally, if our own confidential business information were improperly disclosed, our business could be materially and adversely affected. The reliability and security of our Platform is a core component of our business. Any perceived or actual breach of security, regardless of how it occurs or the extent of the breach, could have a significant impact on our reputation as a trusted brand, cause us to lose existing Customers, prevent us from obtaining new Customers, require us to expend significant funds to remedy problems caused by breaches and to implement measures to prevent further breaches, and expose us to legal risk and potential liability, including those resulting from governmental or regulatory investigations, class action litigation, and costs associated with remediation, such as fraud monitoring, card reissuance, and forensics. Any actual or perceived security breach at a vendor providing services to us or our Customers could have similar effects.

While we maintain cybersecurity insurance, subject to applicable deductibles and policy limitations, our insurance may be insufficient to cover all liabilities incurred by such attacks. We cannot be certain that our insurance coverage will be adequate for privacy, data security, and data protection liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, premiums, or deductibles could have a material adverse effect on our business, results of operations, and financial condition.

***Our business depends on a strong and trusted brand, and any failure to maintain, protect, enhance, and market our brand would hurt our business.***

We have developed a strong and trusted brand that has contributed significantly to the success of our business. We believe that maintaining and promoting our brand in a cost-effective manner is important to achieving widespread acceptance of our Platform and the products and services we offer, expanding our base of Customers and end users, and increasing our TPV. Our brand is predicated on the idea that we offer modern payment solutions to our Customers and our Platform helps enable them to successfully operate their businesses. We are dedicated to building and maintaining a Platform our Customers can trust and creating solutions for our Customers who choose to build and grow their businesses with our card programs and other services. Maintaining and promoting our brand will depend largely on our ability to continue to provide a useful, reliable, secure, and innovative Platform, as well as our ability to maintain trust and be a payments processing innovator and leader. We may, from time to time, introduce, or make changes to, our Platform, products, services, privacy practices, or other practices or terms of service that Customers do not like, which may materially and adversely affect our brand. Brand promotion activities may not generate Customer awareness or increase net revenue, and even if they do, any increase in net revenue may not offset the expenses we incur in building our brand. In addition, due to the COVID-19 pandemic and related restrictions on travel, we have not been able to organize certain marketing and promotional events and in-person meetings to facilitate Customer adoption and generate leads with potential Customers. If we fail to successfully promote and maintain our brand or if we incur excessive expense in this effort, our business could be materially and adversely affected.

Harm to our brand can arise from many sources, including failure by us or our partners and vendors to satisfy expectations of service and quality, inadequate protection or misuse of sensitive information, compliance failures and claims, litigation and other claims, and misconduct by our vendors or other counterparties. We may also be the target of incomplete, inaccurate, and misleading or false statements about our company and our business that could damage our brand and deter Customers from adopting our services.

Any negative publicity about our company, our industry, the quality and reliability of our Platform, our risk management processes, changes to our products and services, our ability to effectively manage and resolve Customer complaints, our privacy, data protection, and information security practices, litigation, regulatory activity, policy positions, or the experience of our Customers with our Platform, products, and services could adversely affect our reputation and the confidence in and use of our Platform, products, and services. If we do not successfully maintain a strong and trusted brand, our business could be materially and adversely affected.

***If we fail to offer high-quality Customer support, our business and reputation will suffer.***

Many of our Customers depend on our Customer support team to assist them in launching and deploying our card programs effectively, help them resolve issues quickly, and provide ongoing support. Our direct, ongoing interactions with our Customers help us tailor offerings to them at scale and in the context of their usage. Our Customer support team also helps increase awareness and usage of our Platform while helping Customers address inquiries and issues. If we do not devote sufficient resources or are otherwise unsuccessful in assisting our Customers effectively, it could adversely affect our ability to retain existing Customers and could prevent prospective Customers from adopting our Platform. We may be unable to respond quickly enough to accommodate short-term increases in demand for Customer support. Increased demand for Customer support, without corresponding net revenue, could increase costs and adversely affect our business, results of operations, and financial condition. Our sales are highly dependent on our business reputation and on positive recommendations from Customers. Any failure to maintain high quality Customer support, or a market perception that we do not maintain high quality Customer support, could erode Customer trust and adversely affect our reputation, business, results of operations, and financial condition.

In addition, as we continue to grow our operations and reach a larger and increasingly global Customer base, we need to be able to provide efficient Customer support that meets the needs of Customers on our Platform globally and at scale. The number of Customers and end users using our Platform, TPV, the products and services we offer, and usage of our Platform by Customers have all grown significantly and this has put additional pressure on our support organization. If we are unable to provide efficient Customer support globally and at scale, our ability to grow our operations may be adversely affected and we may need to hire additional support personnel, potentially adversely affecting our results of operations.

***If we fail to adapt to rapid technological changes and develop enhancements and new capabilities for our Platform, our ability to remain competitive could be impaired.***

We compete in an industry that is characterized by rapid technological changes, frequent introductions of new products and services, and evolving industry standards and regulatory requirements. Our ability to attract new Customers and increase net revenue from Customers will depend in significant part on our ability to adapt to industry standards, anticipate trends, and continue to enhance our Platform and introduce new products and capabilities on a timely and secure basis to keep pace with technological developments and Customer expectations. For example, it is important for us to implement tools to support the operational efficiency of our Platform. If we are unable to provide enhancements and new products on our Platform, develop new capabilities that achieve market acceptance, innovate quickly enough to keep pace with rapid technological developments, or experience unintended consequences with enhancements we provide, our business could be adversely affected. For example, our Customers may not adopt enhancements and new products or may not use them as intended. We must also keep pace with changing legal and regulatory regimes that affect our Platform, products, services, and business practices. We may not be successful in developing modifications, enhancements, and improvements, in bringing them to market quickly or cost-effectively in response to market demands, or at modifying our Platform to remain compliant with applicable legal and regulatory requirements.

In addition, because our Platform is designed to operate directly with the Card Networks, Issuing Banks, and general payments ecosystem, we need to continuously modify and enhance our Platform to keep pace with changes in technologies, while maintaining compatibility and legal and regulatory compliance. Any failure of our Platform to continue to operate effectively with third-party infrastructures and technologies could reduce the demand for our Platform, products, or services, result in the dissatisfaction of our Customers, and materially and adversely affect our business.

***Our future success depends in part on our ability to expand internationally and drive the adoption of our Platform and products by international Customers. Expanding our business internationally, however, could subject us to new challenges and risks.***

During the twelve months ended December 31, 2021, and the three months ended March 31, 2022, we derived 2% and 3%, respectively, of our net revenue from Customers located outside the United States. The future success of our business will depend, in part, on our ability to offer our Platform and services internationally and expand our international Customer base. While we have been expanding our Platform, products, services and sales efforts internationally, our experience in selling our Platform, products, and services outside of the United States is early. Our process for identifying countries to expand into may not be successful and may take a considerable amount of time, effort, and expense, and we may not realize benefits from expansion into a particular market. Additionally, the spread of COVID-19 may complicate efforts to expand our business internationally by restricting our ability to travel and engage in certain market diligence, sales and marketing activities abroad. Furthermore, our business model may not be successful or have the same traction outside the United States and we may face additional regulatory hurdles. As a result, our investment in marketing our Platform to these potential Customers may not be successful. If we are unable to increase the net revenue that we derive from international Customers, then our business, results of operations, and financial condition may be adversely affected.

In addition, expansion, whether in our existing or new international markets, will require additional resources and controls, and offering our Platform in new geographic regions often requires substantial expenditures and takes considerable time. We may not be successful enough in these new geographies to recoup our investments in a timely manner or at all. Such expansion could also subject our business to substantial risks, including:

- difficulty in attracting a sufficient number of Customers in a given international market;

- failure to anticipate competitive conditions and competition with market-players that have greater experience and brand recognition in the local markets than we do;
- conformity with applicable business customs, including translation into foreign languages and associated expenses;
- increased costs and difficulty in protecting intellectual property and sensitive data;
- Increased costs from local Card Networks, Bank Identification Number, or BIN, sponsors, and other local providers;
- changes to the way we do business or price our products and services as compared with our current operations or a lack of acceptance of our Platform or certain products and services;
- the ability to support and integrate with local BIN sponsors and third-party vendors;
- difficulties in staffing and managing foreign operations in an environment of diverse culture, laws, and customs, and other challenges caused by distance;
- language and cultural differences, and the increased travel, infrastructure, and legal and compliance costs associated with global operations;
- difficulties in recruiting and retaining qualified employees and maintaining our company culture;
- difficulty in gaining acceptance from industry self-regulatory bodies;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations, including with respect to payment processing, data privacy, data protection, and information security;
- compliance with U.S. and foreign anti-corruption, anti-bribery, and anti-money laundering laws;
- potential tariffs, sanctions, fines, or other trade restrictions, including any political or economic responses and counter-responses or otherwise by various global actors to the significant military action against Ukraine launched by Russia;
- exchange rate risk and Interchange Fee regulation in foreign countries;
- compliance with complex and potentially conflicting and changing laws of taxing jurisdictions where we conduct business and applicable U.S. tax laws; and
- regional economic and political instability or war, including the significant military action against Ukraine launched by Russia.

As a result of these risks, our efforts to expand our global operations may not be successful, potentially limiting our ability to grow our business.

In addition, we do not currently have operations in Russia or plans to expand there, and, based on the actions taken by certain Card Networks, to our knowledge no Marqeta-powered card could currently operate in Russia. It is unclear, however, whether the significant military action against Ukraine launched by Russia will have any broader implications that may impact our business and results of operations.

***We may incur losses relating to the settlement of payment transactions and the fraudulent use of payment cards issued through our Platform.***

We are and will continue to be subject to the risk of losses relating to the day-to-day settlement of payment transactions that is inherent in our business model, including with respect to pre-funding and chargeback requests. Customers deposit a certain amount of pre-funding into their Customer account at our Issuing Banks. However, depending on the model of the card program and the timing of funding and transactions, some transactions that exceed the amount of pre-funding in the Customer's account are still authorized. Customers are ultimately responsible for fulfilling their obligations to fund transactions. However, when a Customer does not have sufficient funds to settle a transaction, we are liable to the Issuing Bank to settle the transaction and may incur losses as a result of claims from the Issuing Bank. We would seek to recover such losses from the Customer, but we may not fully recover them if the Customer is unwilling or unable to pay due to their financial condition. Because we are liable to the Issuing Banks, we may also bear the risk of losses if a Customer does not provide payment due to fraudulent or disputed transactions. We may also bear the risk of losses if a Customer is unwilling or unable to pay for physical card inventory that has been customized for the Customer. Additionally, when a chargeback request is approved, the purchase price of the transaction is refunded to the Customer's end user's account through our Platform. If we do not properly process the chargeback, the Customer may request that we fund the refunded amount to their end user. We have in the past, and may in the future, incur costs relating to the improper processing of chargeback requests.

Additionally, criminals are using increasingly sophisticated methods to engage in illegal activities which they may use to target us, including "skimming," counterfeit payment cards, and identity theft. A single, significant incident or a series of incidents of fraud or theft involving cards issued through our Platform could result in reputational damage to us, potentially reducing the use and acceptance of our Platform or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines. The foregoing could have a material adverse effect on our business, results of operations, and financial condition. We are also subject to risk from fraudulent acts of employees or contractors.

***We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain other highly skilled employees could adversely affect our business.***

Our success depends largely upon the continued services of our executive officers and other key employees. There have been changes in the past, recent changes, and there may be changes in the future, to our executive management team resulting from the hiring or departure of executives, which could disrupt our business. For example, we recently appointed a new Chief Financial Officer, Michael Milotich, effective February 22, 2022. Additionally, from time to time we may reorganize the Company's departments in an effort to increase efficiencies or better serve our Customers, including consolidating groups under existing or new executives. For example, we recently consolidated the marketing team, including our sales development representatives, and business development team, including strategic, enterprise, and emerging sales units as well as our partnerships teams, into one go-to-market function under our Chief Operating Officer, Vidya Peters.

Any employment agreements we have with our executive officers or other key personnel do not require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Additionally, we do not maintain any key person insurance policies. The loss of one or more of our executive officers, especially our Chief Executive Officer, or other key employees could adversely affect our business. Changes in our executive management team may also cause disruptions in, and adverse impacts to, our business.

In addition, to maintain and grow our business, we must attract and retain highly qualified personnel. Competition for highly qualified personnel is intense across the markets we target, especially for highly skilled employees and experienced sales professionals. We have from time to time experienced, are currently experiencing, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, at a speed that is consistent with our business needs, and at an appropriate cost, which may be compounded as a result of the COVID-19 pandemic. Any changes to U.S. immigration policies that restrain the flow of technical and professional talent may inhibit our ability to recruit and retain highly qualified employees. We must also effectively manage employee skills, competency requirements, and development plans to retain qualified employees once hired. Many of the companies we compete with for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached certain legal obligations, resulting in a diversion of time and resources, and potential liability for us or our employees.

In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the value of our equity awards declines, it may impair our ability to recruit and retain highly skilled employees. If we are not able to add and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected, and our business and growth prospects will be adversely affected. Further, additions of executive-level management and large numbers of employees could significantly and adversely impact our culture.

The volatility in or lack of appreciation of the trading price of our Class A common stock may also affect our ability to attract and retain our key employees. Many of our senior personnel and other key employees have become, or will become, vested in a substantial amount of restricted stock units, or RSUs, or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options or RSUs have significantly appreciated in value relative to the original purchase price of the shares or the exercise price of the options, or conversely, if the exercise prices of the options that they hold are significantly above the market price of our Class A common stock. If we do not maintain and continue to develop our corporate culture as we grow and evolve, including our diversity and inclusion efforts, it could impair our ability to foster the innovation, teamwork, curiosity, and diversity that we believe is necessary to support our growth.

***Exposure to political developments in the United Kingdom, including the United Kingdom's decision to leave the European Union, could adversely affect us.***

On June 23, 2016, a referendum was held on the U.K.'s membership in the European Union, or the EU, resulting in a vote in favor of leaving the European Union. Effective as of January 31, 2020, the U.K. formally withdrew its membership from the European Union. The U.K.'s decision to leave the European Union has created an uncertain political and economic environment in the U.K. and across other European Union member states. The political and economic instability created by the U.K.'s decision to leave the European Union has caused and may continue to cause volatility in global financial markets and the value of the British Pound or other currencies, including the Euro. In addition, this uncertainty may cause some of our Customers or potential Customers to curtail or delay spending or adoption of our Platform. Depending on the market and regulatory effects of the U.K.'s exit from the European Union, it is possible that there may be adverse practical or operational implications on our business. For example, the U.K. Data Protection Act, which implemented the EU's General Data Protection Regulation, or the GDPR, was amended January 1, 2021 to reflect the U.K.'s status outside the European Union. It remains unclear, however, how U.K. data protection laws or regulations will develop and be interpreted in the medium to longer term, how data transfers to and from the U.K. will be regulated, and how those regulations may differ from those in the European Union. While we have taken measures to preemptively address the impact of the U.K.'s departure from the European Union by including contingency clauses in our European Union master service agreements, for example, these may not adequately protect us from adverse implications on our business. Further, the U.K.'s exit from the European Union may create increased compliance costs and an uncertain regulatory landscape for offering equity-based incentives to our employees in the U.K. If we are unable to maintain equity-based incentive programs for our employees in the U.K. due to the departure of the U.K. from the European Union, our business in the U.K. may suffer and we may face legal claims from employees in the U.K. to whom we previously offered equity-based incentive programs. These and other factors related to the departure of the U.K. from the European Union may adversely affect our business, financial condition, and results of operations.

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

As we continue to expand our global operations, we become more exposed to the effects of fluctuations in currency exchange rates. Our Customer contracts are denominated primarily in U.S. dollars, and therefore the majority of our net revenue is not subject to foreign currency risk. We expect, however, to significantly expand the number of transactions with Customers that are denominated in foreign currencies in the future as we continue to expand our business internationally. We also incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency for such locations. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses and, as a result, adversely affect our business, results of operations, and financial condition.

We do not currently maintain a program to hedge exposures in foreign currencies. In the future, however, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

***If our estimates or judgments relating to our accounting policies prove to be incorrect, our results of operations could be adversely affected.***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates in part on historical experience, market observable inputs, if available, and various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of net revenue and expenses that are not readily apparent from other sources. Assumptions and estimates used in preparing our condensed consolidated financial statements include those related to revenue recognition and accounting for share-based compensation. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

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

We intend to continue to make investments to support our business and may require additional funds. In particular, we may seek additional funds to develop new products and enhance our Platform and existing products, expand our operations, including our sales and marketing organizations and our presence outside of the United States, improve our infrastructure or acquire complementary businesses, technologies, services, products, and other assets. In addition, we are using a portion of our cash to satisfy tax withholding and remittance obligations related to the vesting of RSUs. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock and Class B common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, potentially making it more difficult for us to obtain additional capital and to pursue business opportunities. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth, scale our infrastructure, develop product enhancements, and respond to business challenges could be significantly impaired, and our business, results of operations, and financial condition may be adversely affected.

***Acquisitions, strategic investments, partnerships, or alliances could be difficult to identify, divert the attention of key management personnel, disrupt our business, dilute stockholder value, and adversely affect our results of operations and financial condition. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.***

We may seek to acquire or invest in businesses, products, or technologies that we believe could complement our Platform, products, and services or expand the breadth of our Platform, enhance our products and capabilities, expand our geographic reach or Customer base, or otherwise offer growth opportunities. The pursuit of potential investments or acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not they are consummated. Any acquisition, investment, or business relationship may result in unforeseen operating difficulties and expenditures. In addition, we have limited experience in investing in and acquiring other businesses. If we acquire additional businesses, we may not be able to successfully integrate the acquired personnel, operations, and technologies, or effectively manage the combined business following the acquisition.

Specifically, we may not successfully evaluate or utilize the acquired technology or personnel or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. We may be required to issue equity or debt securities to acquire businesses which could dilute our shareholders or adversely affect our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations, and financial condition may suffer.

We have made, and may in the future seek to make, strategic investments in early stage companies developing products or technologies that we believe could complement our Platform or expand its breadth, enhance our technical capabilities, or otherwise offer growth opportunities. These investments may be in early stage private companies for restricted stock. Such investments are generally illiquid and may never generate value. Further, we may invest in companies that do not succeed, and our investments may lose all or some of their value, which result in us recording impairment charges reflected in of results of operations.

***We may be subject to litigation for a variety of claims, which could harm our reputation and adversely affect our business, results of operations, and financial condition.***

In the ordinary course of business, we may be involved in and subject to litigation for a variety of claims or disputes and receive regulatory inquiries. These claims, lawsuits, and proceedings could include labor and employment, wage and hour, commercial, antitrust, alleged securities law violations or other investor claims, and other matters. The number and significance of these potential claims and disputes may increase as our business expands. Further, our general liability insurance may not cover all potential claims made against us or be sufficient to indemnify us for all liability that may be imposed. Any claim against us, regardless of its merit, could be costly, divert management’s attention and operational resources, and harm our reputation. As litigation is inherently unpredictable, we cannot assure you that any potential claims or disputes will not have a material adverse effect on our business, results of operations, and financial condition.

## Risks Relating to Regulation

***Our business is subject to extensive regulation and oversight in a variety of areas, directly and indirectly through our relationships with Issuing Banks and Card Networks, which regulations are subject to change and to uncertain interpretation.***

We, our vendors, our partners, and our Customers are subject to a wide variety of state, federal, and international laws, regulations, and industry standards in the United States and in other countries where we operate both directly and indirectly through our relationships with Issuing Banks and Card Networks. These laws, regulations, industry standards, and rules govern numerous areas important to our business. While we currently operate our business in an effort to ensure our business itself is not subject to extensive regulation, the Issuing Banks and Card Networks that we partner with operate in a highly regulated landscape, and there is a risk that those regulations could become applicable to us. We are directly subject to regulation in areas including privacy, data security, data protection, and anti-bribery, and our contractual relationships with Issuing Banks and Card Networks subject us to additional regulations including those relating to payments services (such as payment processing and settlement services), consumer protection, anti-money laundering, anti-bribery, escheatment, international sanctions regimes, data privacy and security, intellectual property, and compliance with the PCI DSS, a data security standard obligating companies that process, store, or transmit payment card information to maintain security measures designed to protect cardholder data.

The laws, rules, regulations, and standards applicable to our business are enforced by multiple authorities and governing bodies in the United States, including federal agencies, self-regulatory organizations, and numerous state agencies. Outside of the United States, we may be subject to additional regulators. As we expand into new jurisdictions, or expand our Platform and product offerings in existing jurisdictions, the number of foreign regulations and regulators governing our business will expand as well.

In addition, as our business and Platform continue to develop and expand, we may become subject to additional rules, regulations, and industry standards. We may not always accurately predict the scope or applicability of certain regulations to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

In addition to laws and regulations that apply directly to us, we are contractually subject to certain laws and regulations through our relationships with Issuing Banks and Card Networks, which operate in a highly regulated industry. Additionally, as a program manager, we are responsible for ensuring compliance with Issuing Banks' requirements and Card Network rules, and we help create regulatory compliant card programs for our Customers. In some cases, our inability to ensure such compliance could expose us to liability or indemnification claims from our Customers or partners. Furthermore, legislative and regulatory changes could prompt our Issuing Banks to alter the extent or the terms of their dealings with us in ways that may have adverse consequences for our business. For example, due to our relationships with certain Issuing Banks and Card Networks, we may be subject to indirect supervision and examination by the CFPB, which is engaged in rulemaking and regulation of the payments industry, including, among other things, the regulation of prepaid cards, buy now, pay later financing programs, and the enforcement of certain protections under applicable regulations. While reform in the payment industry, such as the formation of the CFPB, has focused on individual consumer protection, legislatures continue to consider whether to include business customers, especially smaller business customers, within the scope of these regulations. As a result, new or expanded regulation focusing on business customers or changes in interpretation or enforcement of regulations may have an adverse effect on our business, results of operations, and financial condition due to increased compliance costs and new restrictions affecting the terms under which we offer our Platform or our products and services.

A majority of our net revenue is derived from Interchange Fees and we expect Interchange Fees to continue to represent a significant percentage of our net revenue in the near term. The amount of Interchange Fees we earn is highly dependent on the interchange rates that the Card Networks set and adjust. From time to time, Card Networks change the Interchange Fees and assessments they charge for transactions processed using their networks. Interchange Fees or assessments are also subject to change from time to time due to government regulation. Interchange Fees are the subject of intense legal and regulatory scrutiny and competitive pressures in the electronic payments industry. For example, the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which limits Interchange Fees, may restrict or otherwise impact the way we do business or limit our ability to charge certain fees to Customers. Issuing Banks that are exempt from the Durbin Amendment are able to access higher interchange rates. As a result, to maximize our Interchange Fees, we currently only contract with Issuing Banks that are exempt from the Durbin Amendment when we provide program management services. Changes in regulation or additional rulemaking may adversely affect the way we conduct our business or result in additional compliance obligations and expense for our business and limitations on net revenue. For example, the Board of Governors of the Federal Reserve System recently proposed a change to the regulations implemented pursuant to the Electronic Fund Transfer Act to clarify that e-commerce transactions can be routed over secondary, unaffiliated debit card networks that generally set lower Interchange Fees. If implemented, we may experience a reduction in net revenue derived from Interchange Fees. Interchange Fee regulation also exists in other countries where our Customers use payment cards and such regulation could adversely affect our business in other foreign regions. Any changes in the Interchange Fees associated with our Customers' card transactions could adversely affect our business, results of operations, and financial condition.

Many of these laws and regulations are evolving, unclear, and inconsistent across jurisdictions, and ensuring compliance with them is difficult and costly. With increasing frequency, federal and state regulators are holding businesses in the payments industry to higher standards of training, monitoring, and compliance, including monitoring for possible violations of laws by our Customers and people who do business with our Customers while using our Platform or products. If we fail to comply with laws and regulations applicable to our business in a timely and appropriate manner, we may be subject to litigation or regulatory proceedings, we may have to pay fines and penalties, and our client relationships and reputation may be adversely affected, which could have a material adverse effect on our business, results of operations, and financial condition.

Further, while we do not handle or interact with cryptocurrency and we only process transactions on our Platform in fiat currencies, certain cryptocurrency businesses use our Platform to provide card products to their customers and end users. The regulation of cryptocurrency is rapidly evolving and varies significantly among international, federal, state, and local jurisdictions and is subject to substantial uncertainty. Various legislative and executive bodies in the U.S. and other countries may adopt laws, regulations, or guidance, or take other actions, which may impact our Issuing Banks and restrain the growth of cryptocurrency businesses and in turn impact the net revenue associated with our cryptocurrency business Customers.

***Regulations and industry standards related to privacy and data protection could adversely affect our ability to effectively provide our services.***

Governmental bodies and industry organizations in the United States and abroad have adopted, or are considering adopting, laws and regulations restricting the use of, and requiring safeguarding of, personal information. For example, in the United States, all financial institutions must undertake certain steps to ensure the privacy and security of consumer financial information. Further, the California Consumer Privacy Act, or the CCPA, became effective on January 1, 2020 and imposes additional restrictions and requirements on the collection, processing, and disclosure of personal information, including imposing increased penalties related to data privacy incidents. Additionally, a new privacy law, the California Privacy Rights Act, or the CPRA, amends the CCPA and creates additional obligations relating to personal information that take effect on January 1, 2023 (with certain provisions having retroactive effect to January 1, 2022). The CPRA's implementing regulations are expected on or before July 1, 2022, and enforcement is scheduled to begin July 1, 2023. We will continue to monitor developments related to the CPRA and anticipate additional costs and expenses associated with CPRA compliance. Other U.S. states, such as Colorado and Virginia, have passed or are also considering omnibus privacy legislation and industry organizations regularly adopt and advocate for new standards in these areas. Many obligations under these other laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. If we fail to comply with any of these laws or standards, we may be subject to investigations, enforcement actions, civil litigation, fines and other penalties, all of which may generate negative publicity and have a negative impact on our business.

In the European Economic Area, the GDPR, which became effective in 2018, extends the scope of European Union data protection law to companies processing personal data of European Union residents, regardless of the company's location, and requires companies to meet stringent requirements regarding the handling of personal data. The GDPR also imposes some limitations on international transfers of personal data. The GDPR imposes substantial obligations and risk upon our business and provides for significant penalties in the event of any non-compliance. Administrative fines under the GDPR can amount up to 20 million Euros or four percent of a company group's annual global turnover, whichever is higher. Further, following the exit of the U.K. from the European Union, it remains unclear how the U.K. Data Protection Act, which implemented the GDPR in the U.K., and other U.K. data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the U.K. will be regulated. We have incurred substantial expense in complying with new data protection legal frameworks and we may be required to make additional, significant changes in our business operations, all of which may adversely affect our net revenue and our business overall. Additionally, because these new regimes lack a substantial enforcement history, we are unable to predict how emerging standards may be applied to us.

Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States. On July 16, 2020, the Court of Justice of the European Union invalidated the EU-U.S. Privacy Shield, eliminating one of the mechanisms we had relied on to legitimize EU-U.S. data transfers. The court, however, approved an alternative transfer mechanism that we rely on known as the standard contractual clauses provided additional safeguards are in place. We are in the process of assessing this decision and its impact on our data transfer mechanisms. It is possible that the decision will restrict the ability to transfer personal data from the European Union to the United States. We (and many other companies) may need to implement different or additional measures to establish or maintain legitimate means for the transfer and receipt of personal data from the European Union to the United States, and we may, in addition to other impacts, experience additional costs associated with increased compliance burdens, and we and our Customers face the potential for regulators to apply different standards to the transfer of personal data from the European Union and Switzerland to the United States, and to block, or require ad hoc verification of measures taken with respect to, certain personal data transfers from the European Union and Switzerland to the United States. Any inability to transfer personal data from the European Union to the United States in compliance with data protection laws or otherwise comply with requirements in this rapidly changing environment may impede our ability to attract and retain Customers unless and until we build out an EU-compliant data processing center. These restrictions may adversely affect our business and financial position.

Some countries are also considering or have passed legislation requiring local storage and processing of data, or similar requirements, potentially increasing the cost and complexity of our operations.

In connection with providing services to our Customers, we are required by certain self-regulatory frameworks and contractual arrangements with Card Networks and Issuing Banks to provide assurances regarding the confidentiality and security of non-public consumer information, including the PCI DSS. Further, certain Customers increasingly expect us to comply with more stringent privacy, data protection and information security requirements than those imposed by laws, regulations or self-regulatory requirements, and we may be obligated contractually to comply with additional or different standards relating to our handling or protection of data on or by our offerings. The compliance standards relate to our infrastructure, components, and operational procedures designed to safeguard the confidentiality and security of non-public consumer personal information received from our Customers in the course of providing services. Our ability to maintain compliance with these standards and meet our Customers' requirements may affect our ability to attract and maintain business in the future.

If we fail to comply with these standards or Customer requirements, or are alleged to have done so, we could be exposed to suits for breach of contract, potentially in addition to governmental proceedings. In addition, our Customer relationships and reputation could be adversely affected, and we could be inhibited in our ability to obtain new Customers. If more restrictive or burdensome laws, rules, or regulations related to privacy, data protection, or information security are adopted by authorities in the future on the federal or state level or internationally, or if existing laws, rules, or regulations become subject to new or differing interpretations or enforcement, or if we become bound by additional obligations to our Customers relating to privacy, data protection, or information security, including any additional compliance standards relating to non-public consumer personal information, our compliance and operational costs may increase, our opportunities for growth may be curtailed by our compliance capabilities or reputational harm, we may find it necessary or appropriate to modify our data processing practices or policies or otherwise restrict our operations, and our potential liability in connection with breaches or incidents relating to privacy, data protection, and information security may increase, all of which could have a material adverse effect on our business, results of operations, and financial condition.

There may continue to be changes in interpretations of existing laws and regulations, or new proposed laws, regulations, industry standards, and other obligations concerning privacy, data protection and information security, which could impair our or our Customers' ability to collect, use or disclose information relating to consumers, which could decrease demand for our offerings, increase our costs and impair our ability to maintain and grow our Customer base and increase our net revenue. Because the interpretation and application of many existing and emerging laws and regulations relating to privacy, data protection and information security, along with industry standards, are uncertain, it is possible that these laws and regulations may be interpreted and applied in new ways that are, or are alleged to be, inconsistent with our data management practices or the features of our products, and we could face fines, lawsuits, regulatory investigations and other claims and penalties, and we could be required to fundamentally change our products or our business practices, any of which could have an adverse effect on our business. Any inability to adequately address privacy, data protection and information security concerns, even if unfounded, or any actual or perceived failure to comply with applicable privacy, data protection or information security laws, regulations, standards and other obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, standards and policies that are applicable to the businesses of our Customers may limit the use and adoption of, and reduce the overall demand for, our Platform and our products and services.

Additionally, if third parties we work with, such as our partners or vendors, violate applicable laws or our policies, such violations may also put information we process at risk and could in turn adversely affect our business, reputation, financial condition, or results of operations.

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

We are subject to anti-corruption and anti-bribery and similar laws, such as the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and other anti-corruption, anti-bribery, and anti-money laundering laws in countries where we conduct activities. Anti-corruption and anti-bribery laws have been interpreted broadly and enforced aggressively in recent years, and prohibit companies and their employees and agents from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the private sector to influence official action, direct business to any person, gain any improper advantage, or obtain or retain business. As we increase our international sales and business, our risks under these laws may increase.

In addition, we may use third parties to conduct business on our behalf abroad. We or such third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we can be held liable for the corrupt or other illegal activities of such future third-party intermediaries and our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We have implemented an anti-corruption compliance program but cannot assure you that all our employees and agents, as well as those companies we outsource certain of our business operations to, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, prosecutions, loss of export privileges, suspension or debarment from U.S. government contracts, substantial diversion of management's attention, significant legal fees and fines, settlements, damages, severe criminal or civil sanctions, penalties or injunctions against us, our officers or our employees, disgorgement of profits, and other sanctions, enforcement actions and remedial measures, and prohibitions on the conduct of our business, any of which could have a materially adverse effect on our reputation, business, trading price, results of operations, financial condition and prospects.

***We may be subject to governmental export controls and economic sanctions regulations that could impair our ability to compete in international markets and could subject us to liability if we are not in compliance with applicable laws.***

Certain of our products and services may be subject to export control and economic sanctions regulations, including the U.S. Export Administration Regulations, and various economic and trade sanctions regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control. Exports of our products and the provision of our services must be made in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including: the possible loss of export privileges; fines imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers.

In addition, changes in applicable export or economic sanctions regulations may create delays in the introduction and deployment of our Platform, products, and services in international markets, or, in some cases, prevent the use of our Platform and products or provision of our services in certain countries or with certain end users. Any change in export or economic sanctions regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations, could also result in decreased use of our Platform, products, and services or in our decreased ability to provide our products and services to existing or prospective Customers with international operations. Any decreased use of our Platform, products, or services or limitation on our ability to provide our Platform, products, or services could adversely affect our business, results of operations, and financial condition.

Further, we incorporate encryption technology into certain of our products. Various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our Customers' ability to use our products in those countries if our products are subject to such laws and regulations. While we believe our encryption products meet certain exceptions that reduce the scope of export control restrictions applicable to such products, these exceptions may be determined not to apply to our encryption products and our products and underlying technology may become subject to export control restrictions.

Governmental regulation of encryption technology and regulation of exports of encryption products, or our failure to obtain required approval for our products, when applicable, could adversely affect our international sales and net revenue. If we were required to comply with regulatory requirements regarding the export of our Platform and products and provision of our services, including with respect to new releases of our products and services, we may experience delays introducing our Platform in international markets, our Customers with international operations may experience difficulty deploying our Platform and products and using our services, or, in some cases, we may be prevented from exporting our Platform or products or providing our services to some countries altogether.

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

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. For example, we have worked to improve the controls around our key accounting processes and our quarterly close process, we have implemented a number of new systems to supplement our core enterprise resource planning system as part of our control environment, and we have hired additional accounting and finance personnel to help us implement these processes and controls.

To maintain and improve the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may experience material weaknesses in our controls.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, additional deficiencies in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could adversely affect our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods.

Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Global Select Market, or Nasdaq. If our internal control over financial reporting is not effective, our independent registered public accounting firm may issue an adverse report. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second Annual Report on Form 10-K, and if at that time we are no longer an emerging growth company, our independent registered public accounting firm will be required to attest on management's assertions in that Form 10-K.

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

A change in accounting standards or practices may have a significant effect on our results of operations or financial condition and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or practices may adversely affect our reported results of operations or the way we conduct our business.

Adoption of these types of accounting standards and any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, potentially resulting in regulatory discipline and weakening investors' confidence in us.

***We could be required to collect additional sales, value added or similar taxes or be subject to other tax liabilities that may increase the costs our Customers would have to pay for our solutions and adversely affect our results of operations.***

We have not collected sales, value added or similar indirect taxes in most jurisdictions in which we have sales. One or more jurisdictions may seek to impose incremental or new sales, value added or other indirect tax collection obligations on us. Additionally, the Supreme Court of the United States ruled in South Dakota v. Wayfair, Inc. et al, or Wayfair, that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state.

In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect and remit taxes on sales in their jurisdictions. A successful assertion by one or more states, or foreign jurisdictions, requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The requirement to collect sales, value added or similar indirect taxes by foreign, state or local governments for sellers that do not have a physical presence in the jurisdiction could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors, and decrease our future sales, which could have a material adverse effect on our business and results of operations.

***Changes in tax laws or regulations could have a material adverse effect on our business, results of***

***operations, and financial conditions.***

The rules dealing with taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service, the U.S. Department of the Treasury, and state, local and non-U.S. tax authorities. For example, the current administration has proposed numerous modifications to key provisions of the existing U.S. corporate income tax regime, including increased corporate tax rates (which may have retroactive application), promotion of a global minimum tax, and other changes that address taxes on profits from intangible assets and activities of foreign subsidiaries. Further, the Organization for Economic Co-operation and Development has proposed, and over 130 countries have agreed to back, a new global minimum tax rate that would apply regardless of the location of a company's headquarters. Although it is uncertain if some or all of these proposals will be enacted and applicable to us, they could materially increase the amount of taxes we owe, thereby negatively impacting our results of operations as well as our cash flows from operations. Furthermore, our implementation of new practices and processes designed to comply with changing tax laws and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, potentially negatively affecting our business, results of operations, and financial condition. As we grow internationally, we may also be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax rules, including increased tax rates, new tax laws, or revised interpretations of existing tax laws and precedents, potentially adversely affecting our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest, and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could adversely affect us and our results of operations.

***We may have exposure to greater-than-anticipated tax liabilities, which may materially and adversely affect our business, results of operations, and financial condition.***

The determination of our worldwide provision for income taxes, value-added taxes, and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, we are subject to tax in multiple U.S. and foreign tax jurisdictions. Our determination of our tax liabilities is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have a negative effect on our business and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our results of operations and financial condition in the periods for which such determination is made. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove to be insufficient.

In addition, our future income taxes could be adversely affected by earnings being lower than anticipated, or by the incurrence of losses, in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates; by changes in the valuation of our deferred tax assets and liabilities, as a result of gains on our foreign exchange risk management program; or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

Various levels of government, such as U.S. federal and state legislatures, and international organizations, such as the Organization for Economic Co-operation and Development, are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue. Any such tax reform or other legislative or regulatory actions could increase our effective tax rate, which may materially and adversely affect our business, financial condition, and results of operations.

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

We have incurred substantial net operating losses, or NOLs, during our history. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” (generally defined as a greater than 50-percentage-point cumulative change (by value) in the equity ownership of certain stockholders over a rolling three-year period) is subject to limitations on a company’s ability to utilize its NOLs to offset taxable income. We do not believe our existing NOLs are subject to limitation; however, if we have undergone previous ownership changes, or if we undergo an ownership change in the future, our ability to utilize NOLs could be limited by Section 382 of the Code and/or analogous provisions of applicable state tax law in states where we have incurred NOLs for state income tax purposes. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under these rules.

In addition, the amount of NOLs arising in taxable years beginning after December 31, 2017 that we are permitted to deduct in a taxable year beginning after December 31, 2020 is limited to 80% of our taxable income in each such year to which the NOLs are applied, where taxable income for such year is determined without regard to the NOL deduction itself, and such NOLs may be carried forward indefinitely. NOLs generated in taxable years beginning on or prior to December 31, 2017, however, may be carried forward for only 20 years, but are not subject to the 80% limitation. Our NOLs may also be subject to limitations under state law. For example, California recently enacted legislation suspending the use of NOLs for taxable years 2020, 2021 and 2022 for many taxpayers. There is a risk that due to legislative or regulatory changes, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

Furthermore, our ability to utilize our NOLs is conditioned upon our becoming profitable in the future and generating U.S. federal taxable income. Since we do not know whether or when we will generate the U.S. federal taxable income necessary to utilize our remaining NOLs, the portion of our NOLs that was generated in taxable years beginning on or prior to December 31, 2017 could expire unused.

## Risks Relating to Intellectual Property

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

Our success depends, in part, upon protecting our proprietary information and technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws, and contractual restrictions to establish and protect our proprietary rights. The steps we take to protect our intellectual property, however, may be inadequate. We cannot assure you that any patents or trademarks will be issued with respect to our currently pending patent and trademark applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents or trademarks issued to us will not be challenged, invalidated, or circumvented. Our currently issued patents and trademarks and any patents or trademarks that may be issued in the future with respect to pending or future applications may not provide sufficiently broad protection, or they may not prove to be enforceable in actions against alleged infringers. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property.

Despite our precautions, it may be possible for unauthorized third parties to copy our Platform, or certain aspects of our Platform, and use information that we regard as proprietary to create products that compete with our Platform. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our Platform, or certain aspects of our Platform, may be unenforceable under the laws of certain jurisdictions and foreign countries.

Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States, and mechanisms for enforcement of intellectual property rights in some foreign countries may be inadequate. To the extent we continue to expand our international activities, our exposure to unauthorized copying and use of our Platform, or certain aspects of our Platform, and proprietary information may increase. Further, competitors, foreign governments, foreign government-backed actors, criminals, or other third parties may gain unauthorized access to our proprietary information and technology. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our technology and intellectual property.

We also rely in part on trade secrets, proprietary know-how, and other confidential information to maintain our competitive position. Although we enter into confidentiality and invention assignment agreements with our employees, consultants, and contractors and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances, no assurance can be given that these agreements will be effective in controlling access to and distribution of our Platform, or certain aspects of our Platform, and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our Platform.

To protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights, and we may not be able to detect infringement by third parties. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our Platform, impair the functionality of our Platform, delay introductions of new capabilities, result in our substituting inferior or more costly technologies into our Platform, or injure our reputation. In addition, we may be required to license additional technology from third parties to develop and market new capabilities, and we cannot assure you that we could license that technology on commercially reasonable terms or at all, and our inability to license such technology could impair our ability to compete.

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

Our Platform incorporates open source software, and we expect to continue to incorporate open source software in our products and Platform in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products and Platform. If we fail to comply with open source licenses, we may be subject to certain requirements, including requirements that we offer our products that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating, or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from generating net revenue from Customers using products that contained the open source software, and required to comply with onerous conditions or restrictions on these products. In any of these events, we and our Customers could be required to seek licenses from third parties to continue offering our products and operating our Platform and to re-engineer our products or Platform or discontinue offering our products to Customers in the event re-engineering cannot be accomplished on a timely basis. Any of the foregoing could require us to devote additional research and development resources to re-engineer our products or Platform, could result in Customer dissatisfaction, and may adversely affect our business, results of operations, and financial condition.

***We may be accused of infringing the intellectual property rights of third parties.***

We may be accused of infringing intellectual property or other proprietary rights of third parties, including their copyrights, trademarks, or patents, or improperly using or disclosing their trade secrets, or otherwise infringing or violating their proprietary rights. The costs of supporting any litigation or disputes related to such claims can be considerable, and we cannot assure you that we will achieve a favorable outcome of any such claim. If any such claim is valid, we may be compelled to cease our use of such intellectual property or other proprietary rights and pay damages, potentially adversely affecting our business. Even if such claims were not valid, defending them could be expensive and distract our management team, adversely affecting our results of operations.

Although we require our employees to not use the proprietary information or know-how of others in their work for us and we are not currently subject to any claims that they have done so, we may in the future become subject to claims that these employees have divulged, or we have used, proprietary information of these employees' former employers. Litigation may be necessary to defend against these claims. If we are unable to successfully defend any such claims, we may be required to pay monetary damages and to discontinue our commercialization of certain solutions. In addition, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper our ability to develop new solutions and features for our existing solutions, which could severely weaken our business. Even if we are successful in defending against these claims, litigation efforts are costly, time-consuming and a significant distraction to management.

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify, and hold harmless our Customers and other partners from damages and costs arising from the infringement or claimed infringement by our solutions of third-party patents or other intellectual property rights, which may include patents, copyrights, trademarks, or trade secrets. The scope of these indemnity obligations varies, but may, in some instances, include indemnification for damages and expenses, including attorneys' fees. Our insurance may not cover all intellectual property infringement claims. A claim that one of our solutions infringes a third party's intellectual property rights, even if untrue, could damage our relationships with our Customers, may deter future Customers from purchasing our solutions, and could expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a Customer and a third party relating to infringement by our solutions, an adverse outcome in any such litigation could make it more difficult for us to defend our solutions against intellectual property infringement claims in any subsequent litigation where we are a named party. Any of these results could harm our brand and adversely affect our results of operations.

## Risks Relating to Ownership of Our Class A Common Stock

***The trading price of our Class A common stock has been and is likely to continue to be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the price at which you purchased such shares.***

The market prices of the securities of other newly public companies have historically been highly volatile and markets in general have been highly volatile in light of the COVID-19 pandemic and other global economic factors. The trading price of our Class A common stock may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and/or publicly-listed technology and fintech companies;
- actual or anticipated fluctuations in our net revenue or other operating metrics;
- our actual or anticipated operating performance and the operating performance of our competitors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- the economy as a whole and market conditions in our industry;
- changes to monetary policy, including the federal funds rate, set by the U.S. Federal Open Market Committee;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, new products, services, or capabilities, acquisitions, strategic partnerships or investments, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business, including those related to data privacy and cybersecurity in the United States or globally;
- lawsuits threatened or filed against us;
- actual or perceived privacy or data security incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, products, services, or technologies by us or our competitors;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- changes in our board of directors, management, or key personnel;
- other events or factors, including those resulting from war (including the significant military action against Ukraine launched by Russia and any related political or economic responses and counter-responses or otherwise by various global actors or general effect on the global economy), incidents of terrorism, pandemics (including the COVID-19 pandemic), or elections, or responses to these events; and
- sales of additional shares of our Class A common stock by us or our stockholders.

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

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

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

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Our directors, executive officers, and their affiliates, beneficially own in the aggregate 69.9% of the voting power of our capital stock as of March 31, 2022. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively continue to control a majority of the combined voting power of our common stock and therefore control all matters submitted to our stockholders for approval and may continue to control such matters until the tenth anniversary of our initial public offering, when all outstanding shares of Class A common stock and Class B common stock will convert automatically into shares of a single class of common stock.

This concentrated control limits or precludes your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this concentrated control may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders.

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

***We cannot predict the effect our dual class structure may have on the trading price of our Class A common stock.***

We cannot predict whether our dual class structure will result in a lower or more volatile trading price of our Class A common stock, adverse publicity, or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it would require new constituents of its indices to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it would no longer admit companies with multiple-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Under such announced policies, the dual class structure of our common stock would make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices may not invest in our Class A common stock. These policies are relatively new and it is unclear what effect, if any, they will have or continue to have on the valuations of publicly traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. Because of the dual class structure of our common stock, we will likely be excluded from certain indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the trading price of our Class A common stock could be adversely affected.

***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.***

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and Annual Report on Form 10-K; and
- exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We could be an emerging growth company for up to five years following the completion of our IPO. Our status as an emerging growth company will end as soon as any of the following takes place:

- the last day of the fiscal year in which we have more than $1.07 billion in annual revenue;
- the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or
- the last day of the fiscal year ending after the fifth anniversary of the completion of our IPO.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on the exemptions afforded emerging growth companies. If some investors find our Class A common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our Class A common stock and the trading price of our Class A common stock may be more volatile.

Under the Jumpstart our Business Startups Act, or JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

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

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

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

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

In addition, as of March 31, 2022, we had 43,713,518 option shares outstanding that, if fully vested and exercised, would result in the issuance of an equal number of shares of Class B common stock or Class A common stock, as well as 16,666,972 total shares of Class B or Class A common stock subject to RSU awards. All of the shares of Class B common stock issuable upon the exercise of stock options, and the shares reserved for future issuance under our equity incentive plans are registered for public resale under the Securities Act following conversion to shares of Class A common stock. Accordingly, these shares will be able to be freely sold in the public market upon issuance, subject to volume limitations under Rule 144 for our executive officers and directors and applicable vesting requirements.

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

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

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

As of March 31, 2022, unrecognized compensation costs related to unvested RSUs and unvested outstanding stock options, excluding the CEO Long-Term Performance Award, were $204.5 million and $88.6 million, respectively. These costs are expected to be recognized over a weighted-average period of 3.3 years and 2.6 years, respectively.

In April and May 2021, our board of directors granted our Chief Executive Officer equity incentive awards in the form of performance-based stock options covering 19,740,923 and 47,267 shares of our Class B common stock with an exercise price of $21.49 and $23.40 per share, respectively, or, collectively, the CEO Long-Term Performance Award. The CEO Long-Term Performance Award vests upon the satisfaction of a service condition and the achievement of certain stock price goals.

As of March 31, 2022, the aggregate unrecognized compensation cost related to the CEO Long-Term Performance Award was $157.1 million, which is expected to be recognized over the remaining derived service period of 3.8 years.

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

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

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

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

- provide that our board of directors will be classified into three classes of directors with staggered three-year terms;
- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that only the Chairperson of our board of directors, our Chief Executive Officer, or a majority of our board of directors will be authorized to call a special meeting of stockholders;

- provide for a dual class common stock structure where holders of our Class B common stock are able to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our amended and restated bylaws; and
- contain advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

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

***Our amended and restated bylaws designate state or federal courts located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, potentially limiting stockholders' ability to obtain a favorable judicial forum for disputes with us.***

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

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders;
- any action asserting a claim arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; or
- any action asserting a claim that is governed by the internal affairs doctrine, or the Delaware Forum Provision.

The Delaware Forum Provision does not apply to any causes of action arising under the Securities Act or the Exchange Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the United States District Court for the District of Delaware shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or the Federal Forum Provision, as we are incorporated in the State of Delaware.

In addition, our amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision in our amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, or employees, potentially discouraging the filing of lawsuits against us and our directors, officers, and employees, even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware and the United States District Court for the District of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

## General Risk Factors

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

Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity and wildfires. A significant natural disaster, such as an earthquake, fire, or flood, occurring at our headquarters, at one of our other facilities, or where a vendor is located, could adversely affect our business, results of operations, and financial condition. Further, if a natural disaster or man-made problem were to affect our vendors, this could adversely affect the ability of our Customers to use our Platform. In addition, natural disasters and acts of terrorism or war (including the significant military action against Ukraine launched by Russia and any related political or economic responses and counter-responses or otherwise by various global actors or general effect on the global economy) could cause disruptions in our or our Customers' businesses, national economies, or the world economy as a whole, including actual and anticipated levels of inflation. Health concerns or political or governmental developments in countries where we or our Customers and vendors operate could result in economic, social, or labor instability and could have a material adverse effect on our business, results of operations, and financial condition.

We also rely on our network and third-party infrastructure and enterprise applications and internal technology systems for our engineering, sales and marketing, and operations activities. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations in part or in full and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations, and financial condition.

In addition, computer malware, viruses, computer hacking, fraudulent use attempts, and phishing attacks have become more prevalent generally and in our industry, have occurred on our Platform in the past, and may occur on our Platform in the future, including as retaliation against financial institutions for sanctions imposed against Russia as a result of the significant military action against Ukraine launched by Russia. Though it is difficult to determine fully what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, integrity, and availability of our products and technical infrastructure to the satisfaction of our Customers may harm our reputation and our ability to retain existing Customers and attract new Customers.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of Nasdaq and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations.

As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, potentially adversely affecting our business, results of operations, and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants or contractors, which will increase our operating expenses.

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

Being a public company and being subject to these new rules and regulations makes it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our management and could divert their attention away from the day-to-day management of our business, potentially adversely affecting our business, results of operations, and financial condition.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

***Recent Sales of Unregistered Securities***

None.

***Purchase of Equity Securities***

The following table contains information relating to the repurchases of our common stock made by us in the three months ended March 31, 2022:

| Period | Total Number of Shares Purchased[1] | | Average Price Paid per Share |
|---|---|---|---|
| January 1 - January 31, 2022 | — | $ | — |
| February 1 - February 28, 2022 | 6,250 | $ | 0.40 |
| March 1 - March 31, 2022 | 16,501 | $ | 1.66 |
| Total | 22,751 | $ | 1.31 |

[1] Represents shares of unvested common stock previously issued upon early exercise of unvested stock options that were repurchased by us from former employees upon their termination in accordance with the terms of their stock option agreements. We purchased the shares from the former employees at the respective original exercise prices.

***Use of Proceeds***

On June 11, 2021, we closed our initial public offering, or the IPO, of 52,272,727 shares of our Class A common stock at an offering price of $27.00 per share, including 6,818,181 shares pursuant to the exercise of the underwriters' option to purchase additional shares of our Class A common stock, resulting in aggregate net proceeds to us of $1.3 billion after deducting underwriting discounts and commissions of $91.6 million, and offering costs of $7.5 million. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-256154), which was declared effective by the SEC on June 8, 2021. Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC acted as representatives of the underwriters for the offering.

We also used $10.9 million of the net proceeds from our IPO to satisfy the tax withholding and remittance obligations related to the settlement of our outstanding RSUs in connection with the offering.

No payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities, or to our affiliates in connection with the issuance and sale of the securities registered.

There has been no material change in the planned use of the IPO proceeds as discussed in our final prospectus filed with the SEC on June 10, 2021, pursuant to Rule 424(b) of the Securities Act.

## Item 3. Defaults Upon Senior Securities

Not applicable.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference herein:

| | | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| Exhibit No. | Description | Form | File No. | Exhibit No. | Filing Date |
| 10.1#* | Separation and Release Agreement between the Registrant and Philip (Tripp) Faix dated March 14, 2022. | | | | |
| 10.2#* | Amended Non-Employee Director Compensation Policy. | | | | |
| 31.1* | Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | |
| 31.2* | Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | |
| 32.1** | Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | |
| 32.2** | Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | |
| 101.INS* | Inline XBRL Instance Document. | | | | |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. | | | | |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | |
| 101.LAB* | Inline XBRL Taxonomy Extension Labels Linkbase Document. | | | | |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | |
| 104* | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). | | | | |
| # | Indicates management contract or compensatory plan, contract or agreement. | | | | |
| * | Filed herewith. | | | | |
| ** | Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing. | | | | |

## SIGNATURES

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

| | | |
|---|---|---|
| | | **MARQETA, INC.** |
| **Date:** May 11, 2022 | **By:** | /s/ Jason Gardner |
| | **Name:** | Jason Gardner |
| | **Title:** | Chief Executive Officer (Principal Executive Officer) |
| **Date:** May 11, 2022 | **By:** | /s/ Michael (Mike) Milotich |
| | **Name:** | Michael (Mike) Milotich |
| | **Title:** | Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) |

**CONFORMED COPY**

## SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release ("Agreement") is between Marqeta, Inc. (the "Company") and Tripp Faix ("Employee") (together "the Parties").

Employee is employed by the Company and the Parties have entered into an Employee Confidential Information and Inventions Assignment Agreement (the "Confidentiality Agreement");

Employee and the Company have mutually agreed that their employment relationship shall end with an effective date of May 15, 2022 (the "Separation Date"); and the Company and Employee have mutually agreed to release each other from any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands arising from or related to the employment relationship or Employee's separation from the Company, including, but not limited to, any and all claims that the Employee may have against the Company and any of the Releasees as defined below.

The Parties agree as follows:

1. Severance Payment. Within thirty (30) days of the Effective Date of this Agreement, the Company shall pay the Employee (a) that amount which is equal to nine (9) months of their standard base pay (which amount is $262,500.00) less applicable withholdings, and (b) Employee's annual bonus (which amount is $131,250.00) less applicable withholdings, as consideration for and expressly conditioned upon Employee's execution, without revocation, and compliance with the provisions of this Agreement.

2. Duties Through Separation Date; Post-Employment Cooperation. Employee will perform their normal duties through March 31, 2022. From April 1, 2022 through the Separation Date, employee will be on an unpaid administrative leave of absence during which the Employee will not perform any work and their access to the Company's systems will be turned off. For the twelve-month period after the Separation Date, Employee agrees to cooperate with and assist the Company and Releasees, including but not limited to providing prompt, accurate and complete responses to questions, producing requested documents, submitting requested declarations attesting to facts known by the Employee, and preparing for, submitting to and attending any deposition or trial in which their testimony is requested by the Company in any action against the Company. The Company will pay Employee the hourly rate of Four Hundred Dollars ($400.00) per hour, plus reasonable and necessary expenses for any services or travel subsequent to the Separation Date upon Employee's submission of invoices and receipts for any and all
pre-approved services and expenses.

3. Stock. The Parties agree that for purposes of determining the number of shares of the Company's common stock that Employee is entitled to purchase from the Company

Employee will be considered to have vested only up to the Separation Date. The Company and Employee acknowledge that:

(a) As of the Separation Date, Employee will have vested only in the stock options reflected on Exhibit A, (the "Vested Options") and no more, and has no right or entitlement to any other stock options or other equity in the Company.

(b) Based on the Separation Date, employee shall have until **August 15, 2022,** to exercise any of the Vested Options. Except as modified herein, the exercise of Employee's Vested Options shall continue to be governed by the terms and conditions of the Marqeta, Inc. 2011 Equity Incentive Plan and Stock Option Agreement between the Company and Employee (the "Stock Agreement"). Nothing in this Agreement shall interfere with, forfeit or waive any of Employee's rights with respect to any of the Vested Options as set forth in Exhibit A. The exercise of Employee's Vested Options shall continue to be governed by the terms and conditions of the Stock Agreement.

4. Benefits. Employee's health insurance benefits shall cease on the last day of March 2022, subject to Employee's right to continue Employee's health insurance under COBRA and/or Cal-COBRA. Employee's participation in all other benefits and incidents of employment shall cease as of the Separation Date.

5. COBRA. The Company shall reimburse Employee for the payments Employee makes for COBRA coverage for a period of nine (9) months, provided Employee timely elects and pays for COBRA coverage. COBRA reimbursements shall be made by the Company to Employee consistent with the Company's normal expense reimbursement policy, provided that Employee submits documentation to the Company substantiating Employee's payments for COBRA coverage.

6. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than (i) the consideration set forth in this Agreement and (ii) their final paycheck, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, leave, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee. Employee further acknowledges and represents that Employee has received any leave to which Employee was entitled or which Employee requested, if any, under the California Family Rights Act and/or the Family Medical Leave Act, or other similar laws and/or ordinances, and that Employee did not sustain any workplace injury, during Employee's employment with the Company.

7. Mutual Release of Claims. Employee agrees that this was a negotiated agreement reached when both parties were represented by counsel, or had the opportunity to be represented by counsel, and with the amount to be paid to Employee and the terms of the Agreement being negotiated between the parties and the parties agreed and hereby agree that foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Employee, on Employee's own behalf and on behalf of Employee's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Company and the termination of that relationship;

b. any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act, except as prohibited by law; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Fair Credit Reporting Act; the Family and Medical Leave Act, except as prohibited by law; the Sarbanes-Oxley Act of 2002; the Uniformed Services Employment and Reemployment Rights Act; the California Family Rights Act; the California Labor Code, and; the California Fair Employment and Housing Act ;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

h. any and all claims for attorneys' fees and costs.

Employee agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. Although this is a general release, it does not apply to: (i) any unemployment insurance claim; (ii) any workers' compensation insurance benefits to the extent any applicable state law prohibits the direct release of such benefits without judicial or agency approval, with the understanding that such benefits, if any, would only be payable in accordance with the terms of any workers' compensation coverage or fund of the Company; (iii) continued participation in certain benefits under COBRA (and any state law counterpart), if applicable; (iv) any benefit entitlements vested as of Employee's last day of employment, pursuant to written terms of any applicable employee benefit plan sponsored by the Company; (v) any claims that cannot be waived as a matter of law;

or (vi) claims that arise after Employee signs this Agreement. Employee represents that Employee has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section. This release does not extend to any claims for indemnity by Employee arising or occurring prior to the Separation Date, to the maximum extent permitted by applicable law, arising out of any claims or suits against Employee in connection with Employee's employment with the Company, for which Employee shall immediately notify the Company upon their awareness of such a claim.

Company agrees that the foregoing considerations and undertakings represent settlement in full of all outstanding obligations owed to it by the Employee. The Company, on its own behalf and on behalf of its predecessors and successors in interest, and its and their officers, directors, principals, shareholders, members, contractors, employees, insurers, attorneys, representatives, agents and assigns ("Company Releasors"), hereby and forever releases the Employee, their executors, administrators, heirs, successors, representatives, agents, attorneys, and assigns ("Employee Releasees ), from and against and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that the Company Releasors may possess against any of the Employee Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Separation Date and/or Effective Date of this Agreement, whichever is later.

8. Additional Acknowledgement. Employee further agrees and acknowledges that they have previously advised Employer of all facts or circumstances that they believe may constitute a violation of the legal obligations of Employer and/or the Releasees, including but not limited to any violation of any federal, state or local law or regulation. Employee agrees and acknowledges that to the best of their knowledge (i) all such compliance concerns were resolved to their satisfaction; and (ii) they are not aware of any other compliance issues concerning

Employer and/or the Releasees and/or their business practices, or alleged violations by Employer and/or the Releasees.

9. Acknowledgment of Waiver of Claims under ADEA. Employee understands and acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Employee understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Employee understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which the Employee was already entitled. Employee further understands and acknowledges that Employee has been advised by this writing that: (a) Employee should consult with an attorney prior to executing this Agreement; (b) Employee has twenty-one (21) days (March 3, 2022) within which to consider this Agreement; (c) Employee has seven (7) days following Employee's execution of this Agreement to revoke this Agreement; and (d) this Agreement shall not be effective until after the revocation period has expired. In the event Employee signs this Agreement and returns it to the Company in less than the 21-day period identified above, Employee hereby acknowledges that Employee has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

10. California Civil Code Section 1542. Employee acknowledges that he/she has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Employee, being aware of said code section, agrees to expressly waive any rights they may have thereunder, as well as under any other statute or common law principles of similar effect.

11. No Pending or Future Lawsuits. Employee represents that they have no lawsuits, claims, or actions pending in their name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Employee also represents that they do not intend to bring any claims on their own behalf or on behalf of any other person or entity against the Company or any of the other Releasees. Notwithstanding the foregoing, nothing herein prevents any actions or disclosures expressly allowed by the Permitted Disclosures and Actions provision set forth below.

12. Confidentiality. Except as set forth in the Permitted Disclosures and Actions provisions set forth below, Employee agrees to maintain in complete confidence the existence of

this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as “Separation Information”). Except as set forth herein or as otherwise required by law, Employee may disclose Separation Information only to their immediate family members, the Court in any proceedings to enforce the terms of this Agreement, Employee’s undersigned counsel, and Employee’s accountant and any professional tax advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, and must prevent disclosure of any Separation Information to all other third parties. Employee agrees that they will not publicize, directly or indirectly, any Separation Information.

Employee acknowledges and agrees that the confidentiality of the Separation Information is of the essence. The Parties agree that if the Company proves that Employee breached this Confidentiality provision, the Company shall be entitled to an award of its costs spent enforcing this provision, including all reasonable attorneys’ fees associated with the enforcement action, without regard to whether the Company can establish actual damages from Employee’s breach, except to the extent that such breach constitutes a legal action by Employee that directly pertains to the ADEA. Any such individual breach or disclosure shall not excuse Employee from their obligations hereunder, nor permit them to make additional disclosures. Employee warrants that they have not disclosed, orally or in writing, directly or indirectly, any of the Separation Information to any unauthorized party.

13. Permitted Disclosures and Actions. This Agreement does not prohibit or restrict Employee, the Company, or the other Releasees from: (i) disclosing information regarding

unlawful acts in the workplace, including, but not limited to, sexual harassment; (ii) initiating communications directly with, cooperating with, providing relevant information, or otherwise assisting in an investigation by or a filing with (A) the SEC, or any other governmental, regulatory, or legislative body in due course or regarding a possible violation of any federal law; or (B) the EEOC or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws, or as compelled or requested by lawful process; (iii) responding to any inquiry from any such governmental, regulatory, or legislative body or official or governmental authority, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; or (iv) participating, cooperating, testifying, or otherwise assisting in any governmental action, investigation, or proceeding relating to a possible violation of any such law, rule or regulation. Employee is, however, waiving any right to recover money in connection with any agency charge or agency or judicial decision, including class or collective action rulings, other than bounty money properly awarded by the SEC.

14. Trade Secrets and Confidential Information/Company Property. Employee agrees at all times hereafter to hold in the strictest confidence, and not to use or disclose to any person or entity, any Confidential Information of the Company. Employee understands that “Confidential Information” means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom Employee has called or with whom they became acquainted during the term of their

employment), markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, or other business information disclosed to Employee by the Company either directly or indirectly, in writing, orally, or by drawings or observation of parts or equipment. Employee further understands that Confidential Information does not include any of the foregoing items that have become publicly known and made generally available through no wrongful act of Employee’s or of others who were under confidentiality obligations as to the item or items involved or improvements or new versions thereof. Employee hereby grants consent to notification by the Company to any new employer about Employee’s obligations under this paragraph. Employee represents that they have not to date misused or disclosed Confidential Information to any unauthorized party. Employee may keep their computer, monitor, camera, lighting, voicebox, chair, mouse, and keyboard. Employee agrees to bring the computer to the Company on a mutually agreeable date to be wiped of all Company information and documents.

15. DTSA Notice. Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions: (a) Where the disclosure is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. See 18 U.S.C. § 1833(b)(1)). Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order. See

18 U.S.C. § 1833(b)(2). Nothing in this Agreement is intended in any way to limit such statutory rights.

16. No Cooperation. Subject to the provisions in Permitted Disclosures and Actions paragraph, Employee agrees that they will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that they cannot provide counsel or assistance.

17. Mutual Nondisparagement. Except to the extent allowed under the Permitted Disclosures and Actions section, Employee agrees to refrain from any disparagement, defamation, libel, or slander of the Company, and any of its current or former Officers and

Directors, including the Company's executives, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. Company solely by and through its then current officers and Directors, including the Company's executives, agrees to refrain from any disparagement, defamation, libel, or slander of Employee.

18. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, the Parties acknowledge and agree that any material breach of this Agreement, unless such breach constitutes a legal action by Employee challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, or of any provision of the Confidentiality Agreement shall entitle the nonbreaching party to pursue all remedies and damages available under applicable law. In connection with breach by Employee, the Company may also seek to recover and/or cease providing the consideration provided to Employee under this Agreement and to obtain damages, except as provided by law.

19. Costs. The Parties shall each bear their own costs, attorneys' fees incurred in connection with the preparation of this Agreement.

20. ARBITRATION. THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS AGREEMENT, THEIR INTERPRETATION, AND ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION IN ALAMEDA COUNTY, BEFORE JUDICIAL ARBITRATION & MEDIATION SERVICES, INC. ("JAMS"), PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES ("JAMS RULES"). THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH CALIFORNIA LAW, INCLUDING THE CALIFORNIA CODE OF CIVIL PROCEDURE, AND THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL CALIFORNIA LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO ANY CONFLICT-OF-LAW PROVISIONS OF ANY JURISDICTION. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH CALIFORNIA LAW, CALIFORNIA LAW SHALL TAKE PRECEDENCE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE

PARTIES AGREE THAT THE PREVAILING PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. THE PARTIES TO THE ARBITRATION SHALL EACH PAY AN EQUAL SHARE OF THE COSTS AND EXPENSES OF SUCH ARBITRATION, AND EACH PARTY SHALL SEPARATELY PAY FOR ITS RESPECTIVE COUNSEL FEES AND EXPENSES; PROVIDED, HOWEVER, THAT THE ARBITRATOR SHALL AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, EXCEPT AS PROHIBITED BY LAW. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. NOTWITHSTANDING THE FOREGOING, THIS SECTION WILL NOT PREVENT EITHER PARTY FROM SEEKING INJUNCTIVE RELIEF (OR ANY OTHER PROVISIONAL REMEDY) FROM ANY COURT HAVING JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER OF THEIR DISPUTE RELATING TO THIS AGREEMENT AND THE AGREEMENTS INCORPORATED HEREIN BY REFERENCE. SHOULD ANY PART OF THE ARBITRATION AGREEMENT CONTAINED IN THIS PARAGRAPH CONFLICT WITH ANY OTHER ARBITRATION AGREEMENT BETWEEN THE PARTIES, THE PARTIES AGREE THAT THIS ARBITRATION AGREEMENT SHALL GOVERN.

21. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to the Employee or made on their behalf under the terms of this Agreement. Employee agrees and understands that they are responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon.

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

23. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

24. Attorneys' Fees. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, in the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

25. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's relationship with the Company, with the exception of the Confidentiality Agreement and the Stock Agreement, except as modified herein.

26. No Oral Modification. This Agreement may only be amended in a writing signed by the Employee and the Company's Chief Executive Officer.

27. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of California.

28. Effective Date. Employee understands that this Agreement shall be null and void if not executed by them within twenty-one (21) days, by March 15, 2022. Employee has seven (7) days after the Employee signs this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after the Employee signed this Agreement, so long as it has not been revoked by the Employee before that date (the "Effective Date").

29. Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

30. Voluntary Execution of Agreement. Employee understands and agrees that they executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of their claims against the Company and any of the other Releasees. Employee acknowledges that:

(a) they have read this Agreement, including Exhibit A

(b) they have been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of their own choice or has elected not to retain legal counsel;

(c) they understand the terms and consequences of this Agreement and of the releases it contains; and

(d) they are fully aware of the legal and binding effect of this Agreement.

The Parties have executed this Agreement on the dates set forth below.

Dated: March 14, 2022

Tripp Faix, an individual

By: /s/ Tripp Faix

Dated: March 14, 2022

Marqeta, Inc.

By: /s/ Sunaina Lobo

# Exhibit A

| Grant Number | Grant Date | Number of Shares | Number of Shares Vested as of Vesting Completion Date (May 15, 2022) |
|---|---|---|---|
| 454 | 11/13/2018 | 250,000 | 234,375 |
| 769 | 2/11/2021 | 9,541 | 0 |
| 453 | 11/13/2018 | 2,554,190 | 2,394,553 |
| 718 | 5/5/2020 | 450,000 | 234,375 |
| 770 | 2/11/2021 | 476,148 | 0 |
| 771 | 2/11/2021 | 150,000 | 50,000 |

**MARQETA, INC.**

**AMENDED NON-EMPLOYEE DIRECTOR COMPENSATION POLICY**

The purpose of this Non-Employee Director Compensation Policy, as amended, (the “Policy”) of Marqeta, Inc., a Delaware corporation (the “Company”), is to provide a total compensation package that enables the Company to attract and retain, on a long-term basis, high-caliber members of the Board of Directors (the “Board”) who are not employees or officers of the Company or its subsidiaries (“Outside Directors”). In furtherance of the purpose stated above, all Outside Directors shall be paid compensation for services provided to the Company as set forth below:

## I. Annual Cash Retainer

Outside Directors will receive an annual retainer of $50,000 for their services as members of the Board, which will include their general availability and participation in meetings and conference calls. There are no per-meeting attendance fees for attending Board meetings or meetings of any committee of the Board.

Each annual cash retainer under this Policy will be paid quarterly in arrears on a prorated basis to each Outside Director who has served in the relevant capacity at any time during the immediately preceding fiscal quarter of the Company (“Fiscal Quarter”), and such payment will be made no later than the last day of the first month following the end of such immediately preceding Fiscal Quarter. For clarity, an Outside Director who has served as an Outside Director during only a portion of the relevant Fiscal Quarter will receive a prorated payment of the quarterly installment of the annual cash retainer, calculated based on the number of days during such Fiscal Quarter such Outside Director has served in the relevant capacities.

## II. Equity Retainers

All grants of equity retainer awards to Outside Directors pursuant to this Policy will be automatic and nondiscretionary and will be made in accordance with the following provisions:

(a) Value. For purposes of this Policy, “Value” means with respect to (i) any award of stock options the grant date fair value of the option (i.e., Black-Scholes Value) determined in accordance with the reasonable assumptions and methodologies employed by the Company for calculating the fair value of options under ASC 718 or its successor provision, but excluding the impact of estimated forfeitures related to service-based vesting conditions; and (ii) any award of restricted stock and restricted stock units the product of (A) the average closing market price on The Nasdaq Global Select Market (or such other market on which the Company’s Class A common stock is then principally listed) of one share of the Company’s Class A common stock on the effective date of grant, or if no closing price is reported for such date, the closing price on the next immediately following date for which a closing price is reported, and (B) the aggregate number of shares pursuant to such award.

(b) Revisions. Subject to approval from the Board, the Compensation Committee may change and otherwise revise the terms of awards to be granted under this Policy, including, without limitation, the number of shares subject thereto, for awards of the same or different type granted on or after the date the Compensation Committee determines to make any such change or revision.

(c) Sale Event Acceleration. In the event of a Sale Event (as defined in the Company’s 2021 Stock Option and Incentive Plan (the “2021 Plan”)), the equity retainer awards granted to Outside Directors pursuant to this Policy shall become 100% vested and, if applicable, exercisable.

(d) Initial Grant. Each new Outside Director will receive an initial, one-time restricted stock unit grant, with a Value of $375,000 (the “Initial Grant”), that vests in three (3) equal installments on the first, second, and third anniversary of the grant date; provided, however, that all vesting will cease if the director ceases to provide services to the Company, unless the Board determines otherwise prior to the cessation of such services.

(e) Annual Grant. On the date of the Company’s annual meeting of stockholders, each Outside Director who will continue as a member of the Board following such annual meeting of stockholders will receive a restricted stock unit grant on the date of such Annual Meeting (the “Annual Grant”) with a Value of $187,000 that vests in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the next annual meeting of stockholders; provided, however, that all vesting will cease if the director ceases to provide services to the Company, unless the Board determines otherwise prior to the cessation of such services.

## III. Expenses

The Company will reimburse all reasonable out-of-pocket expenses incurred by Outside Directors in attending meetings of the Board of Directors or any Committee thereof.

## IV. Maximum Annual Compensation

The aggregate amount of compensation, including both equity compensation and cash compensation, paid to any Outside Director in a calendar year period shall not exceed $750,000; provided, however that such amount shall be $1,000,000 for the calendar year in which the applicable Outside Director is initially elected or appointed to the Board (or such other limit as may be set forth in Section 3(b) of the 2021 Plan or any similar provision of a successor plan). For this purpose, the "amount" of equity compensation paid in a calendar year shall be determined based on the Value as calculated in Section II(a).

**Date Approved**: April 21, 2022

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT OF 1934 RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason Gardner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marqeta, Inc.;

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

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

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

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

    b. [Omitted];

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

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

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

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

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

Date: May 11, 2022

By: /s/ Jason Gardner
Jason Gardner
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO**
**SECURITIES EXCHANGE ACT OF 1934 RULES 13a-14(a) AND 15d-14(a),**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael (Mike) Milotich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marqeta, Inc.;

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

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

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

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

   b. [Omitted];

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

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

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

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

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

Date: May 11, 2022

By: /s/ Michael (Mike) Milotich
Michael (Mike) Milotich
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

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

I, Jason Gardner, Chief Executive Officer of Marqeta, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Marqeta, Inc. for the quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Marqeta, Inc.

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|---|---|
| Date: May 11, 2022 | By: /s/ Jason Gardner |
| | Jason Gardner |
| | Chief Executive Officer |
| | (Principal Executive Officer) |

**Exhibit 32.2**

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

I, Michael (Mike) Milotich, Chief Financial Officer of Marqeta, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Marqeta, Inc. for the quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Marqeta, Inc.

| | |
|---|---|
| Date: May 11, 2022 | By: /s/ Michael (Mike) Milotich |
| | Michael (Mike) Milotich |
| | Chief Financial Officer |
| | (Principal Financial and Accounting Officer) |