

Annual Report

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K**

(Mark One)

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

For the fiscal year ended December 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: 001-39540

Palantir Technologies Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1200 17th Street, Floor 15
Denver, Colorado

(Address of principal executive offices)

68-0551851

(I.R.S. Employer Identification No.)

80202

(Zip Code)

Registrant's telephone number, including area code: (720) 358-3679

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, par value \$0.001 per share	PLTR	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price of the shares of Class A common stock on June 30, 2022 as reported by the New York Stock Exchange on such date was approximately \$16.6 billion. Shares of the registrant's common stock held by each executive officer and director and by each other person who may be deemed to be an affiliate of the registrant have been excluded from this computation. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of February 14, 2023, there were 1,997,726,022 shares of the registrant's Class A common stock outstanding, 102,656,175 shares of the registrant's Class B common stock outstanding, and 1,005,000 shares of the registrant's Class F common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held in 2023 are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2022.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws, which statements 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,” “should,” “expect,” “plan,” “anticipate,” “could,” “can,” “would,” “intend,” “target,” “goal,” “outlook,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” “future,” 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 Annual Report on Form 10-K include, but are not limited to, statements about:

- our expectations regarding financial performance and liquidity, including but not limited to our expectations regarding revenue, cost of revenue, operating expenses, stock-based compensation, our ability to achieve and maintain future profitability and cash flows;
- our ability to successfully execute our business and growth strategy;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- the demand for our platforms in general;
- our ability to increase our number of customers and revenue generated from customers;
- our expectations regarding the future contribution margin of our existing and future customers;
- our expectations regarding our ability to quickly and effectively integrate our platforms for our existing and future customers;
- our ability to develop new platforms, and enhancements to existing platforms, and bring them to market in a timely manner;
- our market share, category positions, and market trends, including our ability to grow our business in large government and commercial organizations, including our expectations regarding the impact of Federal Acquisition Streamlining Act of 1994 (“FASA”);
- our ability to compete with existing and new competitors in existing and new markets and products;
- our expectations regarding anticipated technology needs and developments and our ability to address those needs and developments with our platforms;
- our expectations regarding litigation and legal and regulatory matters;
- our expectations regarding our ability to meet existing performance obligations and maintain the operability of our products;
- our expectations regarding the effects of existing and developing laws and regulations, including with respect to taxation, privacy, data protection, and cybersecurity;
- our expectations regarding new and evolving markets;
- our ability to develop and protect our brand;
- our ability to maintain the security and availability of our platforms;
- our expectations and management of future growth;
- our expectations concerning relationships with third parties, including our customers, equity method investment partners, and vendors;
- our expectations regarding our investments in, and enterprise agreements with, various entities, including special purpose acquisition companies and/or other privately-held or publicly-traded entities;
- our ability to maintain, protect, and enhance our intellectual property;
- our expectations regarding our multi-class stock and governance structure and the benefits thereof;
- our expectations regarding macroeconomic conditions, including rising inflation and interest rates and monetary policy changes;
- the impacts of the ongoing coronavirus (“COVID-19”) pandemic and the ongoing Russia-Ukraine conflict, including on our and our customers’, vendors’, and partners’ respective businesses and the markets in which we and our customers, vendors, and partners operate;

- the impacts of the volatility and fluctuations in currency exchange rates, including an increase in the strength of the U.S. dollar, on the costs of our products outside of the United States and on customer demand; 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 Annual Report on Form 10-K.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled “*Risk Factors*” and elsewhere in this Annual Report on Form 10-K. 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 any forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in such forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Annual Report on Form 10-K 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 Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, restructurings, joint ventures, partnerships, channel sales relationships, or investments we may make.

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

PART I

ITEM 1. BUSINESS

Overview

We build software that empowers organizations to effectively integrate their data, decisions, and operations at scale.

We were founded in 2003 and started building software for the intelligence community in the United States to assist in counterterrorism investigations and operations. We later began working with commercial enterprises, who often faced fundamentally similar challenges in working with data.

We have built three principal software platforms, Palantir Gotham (“Gotham”), Palantir Foundry (“Foundry”), and Palantir Apollo (“Apollo”). Gotham and Foundry enable institutions to transform massive amounts of information into an integrated data asset that reflects their operations. For over a decade, Gotham has surfaced insights for global defense agencies, the intelligence community, disaster relief organizations and beyond. And Foundry is becoming a central operating system not only for individual institutions but also for entire industries. Apollo is a cloud-agnostic, single control layer that coordinates ongoing delivery of new features, security updates, and platform configurations, helping to ensure the continuous operation of critical systems and allowing our customers to run their software in virtually any environment.

Recent crises and systemic shocks, such as the ongoing COVID-19 pandemic and the ongoing Russia-Ukraine conflict, have made clear to many of our customers that accommodating the extended timelines ordinarily required to realize results from implementing new software solutions is not a viable option. As a result, customers are increasingly adopting our software, which can be ready in days, over internal software development efforts, which may take months or years. See further discussion

in the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Macroeconomic Trends.*”

Our Platforms

We have built three principal software platforms: Gotham, Foundry, and Apollo. Our software platforms provide the critical infrastructure needed to integrate our customers’ data and operations and run their software in virtually any environment.

The vertically integrated nature of Gotham and Foundry allows users of varying technical abilities to collaborate effectively in our platforms. Data engineers can integrate new data sources, analysts can clean and transform data, data scientists can write models, business users can conduct daily workflows, and senior leaders can make critical decisions. The two platforms can either be used separately or bundled together as a single ecosystem.

Data, analyses, decisions, and the metadata around each are secured with fine-grained access controls that propagate from source data to shared analyses. Each platform is comprised of user-facing applications that are targeted to the specific industries and sectors in which they are used.

Despite their differences, Gotham and Foundry both serve as central operating systems for our customers. Where they vary in specific functionality, they align in approach. Both platforms, backed by Apollo, can be deployed in almost any environment.

Similarly, customers can now use Apollo to enable continuous deployment, configuration management, and central software operations management across almost any environment for their own software products.

Gotham

Gotham enables users to identify patterns hidden deep within datasets, ranging from signals intelligence sources to reports from confidential informants. It also facilitates the hand-off between analysts and operational users, helping operators plan and execute real-world responses to threats that have been identified within the platform. Gotham is now used broadly across government functions.

We also offer Gotham to our commercial customers, including to those in the financial services industry in connection with fraud investigations.

Foundry

Foundry transforms the ways organizations operate by creating a central operating system for their data. Individual users can integrate and analyze the data they need in one place. The speed with which users can experiment and test new ideas is what makes the software stick.

Data projects often fail because the steps and methods used to build data pipelines are difficult to understand and recreate. We built Foundry’s backend to solve the root of this problem. The platform’s graphical interface does the rest, allowing users to track and trace their pipelines so they know what the rows and columns in their tables represent and why they are there. All of our commercial customers now use it, as do several of our government customers.

Apollo

We have always prioritized meeting our customers wherever they need us most. We originally built Apollo to enable the continuous delivery of our software wherever our customers are: in the cloud, on-premises, or even more rugged environments. Today, Apollo enables the rapid, secure delivery of our software and updates across our business.

In 2021, we began offering Apollo as a commercial solution to allow our customers to securely deploy their own software in virtually any environment. Apollo provides a single control layer to coordinate ongoing delivery of new features, security updates, and platform configurations.

Our Customers

We work with many of the world’s leading government and commercial institutions. As of December 31, 2022, we had 367 customers.

An overview of those customers and the ways in which they use our software follows below.

Overview

Our software is currently used across more than 60 industries around the world.

Of the \$1.9 billion in revenue that we generated in 2022, 56% came from customers in the government segment, and 44% came from customers in the commercial segment.

Our business continues to have a global presence. In 2022, we earned 61% of our revenue from customers in the United States, and 39% from those abroad.

The average revenue for our top twenty customers during the trailing twelve months ended December 31, 2022 was \$49.4 million, and is up from 2021, when the average revenue from our top 20 customers during the trailing twelve months ended December 31, 2021 was \$43.6 million, demonstrating our expanding relationships with existing customers.

Our Software at Work

Our software is in the hands of factory workers, soldiers, clinicians, prosecutors, investigators, claims adjusters, technicians, intelligence analysts, and social workers around the world. It is used in a variety of applications including by utility operations analysts, automotive manufacturing workers, oil and gas technicians and operators, and pharmaceutical researchers in the United States; supply-chain managers in South Korea; assembly workers in France; public health administrators in the United Kingdom and the United States; and special forces personnel and military officials in the United States and abroad.

Industries and Sectors

In addition to supporting individual institutions, our platforms have become central operating systems for entire industries and sectors.

Our work with Airbus S.A.S. (“Airbus”), for example, was initially focused on the production of the A350 aircraft. The deployment of our software soon grew into Skywise, our aviation platform that has become the central operating system of the airline industry.

Skywise connects more than 10,000 aircraft across a growing community of airlines, maintenance and repair organizations, authorities, and Airbus. Decision makers at each of these institutions use Skywise to more efficiently design, manufacture, service, operate, and maintain their global fleets.

Our work with healthcare organizations across both the commercial and government sectors in the United States and globally has helped modernize public health information systems, including by facilitating pandemic management across U.S. and non-U.S. government agencies, integrating and harmonizing clinical trial data, and enabling proactive coordination across multi-threaded teams to effectively respond to real-time changes in patient demand and nursing supply.

Similarly, when it comes to our work with defense and intelligence agencies, our software is not only used by individual organizations but is also used to enable sharing of information and collaboration across agencies and countries. This is made possible by our software’s access controls, which enable agencies to work on the same platform simultaneously and securely.

Sales and Marketing

Our approach to sales and marketing is built around discussions with existing and prospective customers in order to understand the principal challenges our customers face and identify ways in which our software platforms can provide long-term value and results.

Customer Acquisition

Our customer acquisition strategy targets large-scale, hard-to-execute opportunities at large government and commercial institutions. The high installation costs, high failure risks, complexity of data environments, and the long sales cycles associated with these opportunities raise the barriers to entry for competition. The larger, more complex, and more technologically demanding the problem, the more likely we are to succeed. Additionally, our focus in the short term remains making our principal software platforms available to an increasingly broad swath of our potential market. We believe that every institution faces challenges that our platforms and products were designed to address.

Across both the public and private sectors, there is a history of failures when investing in new technologies. One U.S. military department spent more than \$1 billion building an enterprise resource planning system from scratch. The system was never delivered, and the project was terminated.

Many of our customers have had similar experiences investing millions — even billions — of dollars in digital transformation projects, enterprise data warehouses, and digital twin initiatives that never really worked.

These failures have made both software buyers and vendors highly risk-averse. Institutions often doubt that any vendor can implement a working solution and are unwilling to invest. On the other hand, smaller technology companies are often unable to compete for complex, large-scale opportunities because installation costs and the risks of failure are too high, and the sales cycles too long.

These are precisely the opportunities we target. Rather than reject projects with risky and resource intensive installation requirements, we actively seek them out.

There are a number of sales and marketing strategies that have accelerated our ability to acquire customers in recent years:

Expansion of Access to Platforms

The speed with which our platforms can be deployed has significantly expanded the range of potential customers with which we plan on partnering over the long term. We anticipate that our reach among an increasingly broad set of customers, in both the commercial and government sectors, will accelerate moving forward. We believe that, as these new partners grow, we will grow with them.

We have also made a number of investments in companies whose businesses rely on the ability of their organizations to manage and analyze data effectively at scale, though we do not currently anticipate entering into new investments to purchase, or commit to purchase, securities of special purpose acquisition companies.

Our proximity to these businesses and the industries in which they are operating has enhanced, and is expected to continue enhancing, our own product and business development efforts, as we continue expanding access to our platforms to the broadest possible set of customers.

Direct Sales Force

We have invested and continue to invest in an account-based sales force to identify and capture new customers and opportunities.

We believe that our decision to grow our sales force in recent years has resulted in multiple new customers, broadening and expanding our commercial customer base and relationships with leading government agencies around the world.

Sector and Industry Platforms

We are developing industry operating systems to help companies and government agencies manage operations across their entire organizations. These operating systems allow our software to be distributed at scale to institutions within given industries.

For example, Skywise is our aviation platform that we have developed in partnership with Airbus. Our approach with Airbus involves a collaborative go-to-market strategy to distribute the Foundry platform across the aviation industry. The adoption of our software has been swift. Since June 2017, Skywise has expanded from zero to more than one hundred airlines on the platform. Each one is now an existing or potential customer.

We are working on similar partnerships in the insurance, healthcare, automotive, and government sectors, which we anticipate will have a significant impact on our business moving forward.

U.S. Government

We intend to capture an even greater share of U.S. federal government spending on software systems, following our 2018 legal victory in federal court. The ruling requires the government to consider commercially available products, such as our software, before attempting to build its own.

See the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview—Our Customers*” for a discussion of the terms of our government contracts.

Channel Sales & Cloud Partnerships

We have entered into, and continue to explore the development of, channel sales partnerships for specific industries and sectors by partnering closely with leading providers of public, private, and hybrid cloud services, which have relationships with essentially every major enterprise in the world and have large, existing sales forces.

This channel emerged as an extension of the large computing requirements for our platforms and the migration towards the cloud as the hosting environment of choice for many customers. The existing footprint of these providers provides us with access to their large customer base and expands our distribution capabilities.

Joint Ventures & New Business Partnerships

We intend to continue to form joint ventures and new business partnerships, where we believe specific industries or sectors require a partner and additional investment in order to realize the full potential of our platforms.

Account Growth

There are a number of sales and marketing strategies that we use to drive revenue growth at an account.

These strategies include (i) creating new ecosystem partnerships to extend the platform beyond the customer's four walls into the operations of its partners and suppliers, (ii) selling additional productized cross-industry software capabilities, and (iii) selling strategic implementations of our software against specific use cases, which deliver competitive differentiation.

Our sales and marketing strategies allow us to scale existing customer contracts horizontally to include additional divisions or functions within a single institution and vertically to include additional users and user groups. In tackling the customer's most pressing and challenging problems first, we establish the trust needed to expand platform usage across the full enterprise.

Research and Development

We believe that in order to fully address the most complex and valuable challenges that our customers face, we must experience and understand their problems firsthand. To do so, we embed with our users. Our research and development function is responsible for the design, development, testing, validation, and refinement of our platforms, and embedding with our users allows us to identify research and development opportunities for our platforms or new products. We focus on innovating and developing new features and modules for our existing platforms, or new products, and further enhancing the functionality, reliability, usability, and performance of our platforms. By leveraging the tens of thousands of front-line hours across various industries and using emerging technologies, we can better anticipate customer needs and bring new use cases and new applications of existing services to our existing and potential customers. Many of our current research and development efforts are focused on deploying software, models, and other critical assets at the edge. This includes integrations with complex hardware, operations in disconnected environments, and more. We have made, and will continue to make, significant investments in research and development to broaden our platform capabilities, strengthen our existing platforms and innovate.

Privacy and Civil Liberties

We are committed to ensuring that our software is as effective as possible while preserving individuals' fundamental rights to privacy and civil liberties. We have made deep investments to ensure that safeguarding privacy and civil liberties protections remains central to our software and business practices.

Our platforms were built from the start to protect individual privacy and prevent the misuse of information. We are not in the business of collecting, mining, or selling data. We build software platforms that enable our customers to integrate their own data — data that they already have.

The same technology that makes Palantir so analytically powerful — its ability to construct a model of the real world from countless data points — is what allows our customers to monitor and control access to that data and its use.

Principles

As we build and implement technology to answer questions of increasing significance and complexity, we follow a set of principles that help us ensure we are doing so responsibly.

- *Systems should incorporate principles of "privacy by design."* Our goal has always been to eliminate the perceived trade-offs between privacy and utility. To do so, we treat privacy as a first-order concern at every stage of the engineering process and build privacy features as core capabilities in our platforms, seamlessly integrated with analytical and collaboration tools.

- *Decisions that can affect individuals' rights to freedom, opportunity, and happiness cannot be left solely to computers.* Our customers are using data to inform decisions with significant implications for individuals. Rather than relying on algorithms that inhibit accountability and redress, we build in means for humans to make necessary judgment calls based on their context and intuition.
- *Systems must facilitate accountability and oversight.* Effective privacy protection entails multi-layered, overlapping policies and procedures to reassure the protection of fundamental rights. We design our platforms to support these policies with mechanisms that control usage, alert users to data handling requirements, and generate information for those responsible for oversight.
- *Technology is not the answer to every problem.* Some decisions carry implications that are too complex or significant to be automated or streamlined, even with a human in the loop. We strive to contextualize major world problems and think critically about whether it's possible to engineer complementary solutions in an ethically responsible way. When the answer is no, we turn the opportunity down. Privacy and civil liberties engineering is an evolving field, and every organization is subject to unique requirements and concerns. The ways in which these principles are realized will differ among products and organizations. But the end goal should be the same: developing and implementing technology with a full understanding of its potential effects on fundamental rights and incorporating technical capabilities that can support responsible data handling policies.

Customer Impact

Some examples of the ways in which our software facilitates data protection at our customers follow below.

- Our platforms provide a secure, privacy-protective cloud-based data enclave to centralize data on COVID-19 for collaborative clinical research.
- Our platforms serve as the central analytics system of a major law enforcement agency in northern Europe. Scandinavia has long been at the forefront of data protection, and our software facilitates effective implementation of its rigorous privacy policies.
- A customer in Europe needed to adhere to rigorous purpose specification and proportionality requirements during sensitive analytical workflows. We worked with the customer to implement technical measures requiring analysts to provide reviewable justifications for access. Those controls were further supported by auditing capabilities to ensure that data processing satisfied legitimate purposes under the relevant regulations.
- A multinational insurer sought to build and apply machine-learning models to surface fraudulent insurance claims, while ensuring that processing was sufficiently transparent, interpretable, and accountable to decision makers and oversight authorities. We helped to configure and implement a number of supporting privacy-enhancing features, including pseudonymization processes to minimize data exposure, rigorous documentation of machine learning model features and parameters, and auditing tools for users and regulators.

Our Team

We employ a team of engineers, lawyers, and social scientists to ensure that our company remains a leader in the field when it comes to privacy practices and software development.

The Privacy and Civil Liberties Engineering team is responsible for ensuring a culture of responsibility around the development and use of our technology by leading the development of privacy-enhancing technologies, publishing research, consulting with policymakers, helping our customers implement data governance best practices, and facilitating company-wide dialogue on ethical issues. The team is supported by the Palantir Council of Advisors on Privacy and Civil Liberties, a group of independent experts in privacy law, policy, and ethics who help us to understand and address the implications of our work.

Privacy-Enhancing Technologies

- *Access Controls.* Our platforms provide highly granular access restrictions with subtle and flexible access permissions, such as temporal and purpose-based limitations. This allows for precision data management — even, at times, across multiple, independent databases — that closely aligns access with customer specifications. For example, a user sees only the specific information necessary for a defined task (e.g., investigating a specific crime or determining whether to extend credit to an individual).
- *Sensitive Data Inference.* Institutions managing sprawling collections of data often struggle to keep track of which data assets include sensitive fields such as personal identifiers or health records. Our software provides inference tools to assist institutions in detecting the presence of such data so that they can flag and handle the data appropriately.
- *Federation.* Federation allows users to search and analyze data from multiple, independent databases without duplicating and centralizing data in a single place. Our platforms provide intelligent query interfaces that reduce the

complexity of federation so that users can access the information they need without directly integrating the source into the platform.

- *Audit Logging and Analysis.* User actions — including searches, data use justifications, access requests, analyst collaborations, and report generation — within a system must be recorded to ensure that authorized oversight entities, both internal to an institution and external, can confirm appropriate and lawful data usage. Our platforms maintain audit logs and make them accessible to (and readable by) authorized users to help them both retroactively investigate and proactively identify misuse of systems.
- *Data Integrity and Redress.* Our platforms track the provenance and version history of all data in the system so that users can assess the reliability of the data and review and correct inaccuracies. Providing users with well-curated, up-to-date data reduces the risks of erroneous conclusions.
- *Data Retention and Deletion.* Institutions must be able to implement flexible and auditable retention policies and verify that data flagged for deletion has truly been purged from the system. Our platforms enable institutions to schedule and manage the removal of old or irrelevant information as required by data management best practices or applicable regulations.

Competition

We are fundamentally competing with the internal software development efforts of our potential customers.

Organizations frequently attempt to build their own data platforms before turning to buy ours. In trying to build something on their own, they generally rely on a patchwork of custom solutions, outside consultants, IT services companies, packaged enterprise and open source software, and significant internal IT resources.

In addition, our competitors include large enterprise software companies, government contractors, and system integrators. We also face competition from emerging companies as well as established companies that are only now beginning to enter this market.

The principal competitive factors in the markets in which we operate include:

- platform capabilities and product functionality;
- data security and privacy;
- ease and speed of adoption, use, and deployment;
- product innovation;
- pricing and cost structures;
- customer experience, including support; and
- brand awareness and reputation.

While we believe we generally compete favorably with our competitors, as well as with software developed by customers internally, based on these competitive factors, some of our competitors have greater name recognition, longer operating histories, and larger customer bases; larger sales and marketing budgets and resources and the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products; broader, deeper, or otherwise more established relationships with technology, channel, and distribution partners and customers; wider geographic presence or greater access to larger potential customer bases; greater focus in specific geographies; lower labor and research and development costs; larger and more mature intellectual property portfolios; and substantially greater financial, technical, and other resources to provide services, to make acquisitions, and to develop and introduce new products and capabilities.

Intellectual Property

We believe that our intellectual property rights are valuable and important to our business. We rely on a combination of patents, copyrights, trademarks, trade secrets, know-how, contractual provisions, and confidentiality procedures to protect our intellectual property rights.

We seek to protect our proprietary inventions relevant to our business through patent protection in the United States and abroad; however, we are not dependent on any particular patent or application for the operation of our business.

In addition, we have registered “Palantir” as a trademark in the United States and other jurisdictions. We also have registered trademarks for “Gotham,” “Palantir Foundry,” and our corporate logo, and are the registered holder of a variety of domestic and international domain names that include “Palantir,” including, most importantly, “Palantir.com.”

In addition to the protection provided by our intellectual property rights, we enter into proprietary information and invention assignment agreements or similar agreements with our employees, consultants, and contractors. We further control the use of our proprietary technology and intellectual property rights through provisions in our agreements with customers.

Seasonality

We generally experience seasonality in the timing of recognition of revenue as a result of the timing of the execution of our contracts and, to a lesser extent, the existence of certain acceptance criteria, as we have historically executed many of our contracts in the third and fourth quarters due to the fiscal year ends and procurement cycles of our customers and at times we may start work prior to finalizing such contracts. See *“Risk Factors—Seasonality may cause fluctuations in our results of operations and financial position.”*

Employees and Human Capital

Our employees are critical to the success of our business. As of December 31, 2022, we had 3,838 full-time employees, including 1,436 employees employed outside of the United States. We also engage part-time employees, independent contractors, and third-party personnel to supplement our workforce.

Other than our employees in France, who are represented by a works council, none of our employees is represented by a labor union. We have not experienced any work stoppages due to employee disputes, and we believe that our employee relations are strong.

Our human capital resources objectives include recruiting, retaining, training, and motivating our personnel. We strive to foster a diverse and inclusive culture and environment which encourages active dialogue and robust engagement on the issues most salient to employee satisfaction and believe our employees are empowered to play a significant role in shaping the direction and success of the company. One avenue for employees to contribute their voices is through Affinity Groups: employee-led resource groups that celebrate unique perspectives and backgrounds and help guide our Diversity, Equity & Inclusion (“DEI”) business initiatives. We also conduct regular company-wide surveys to assess the sentiment toward our values and culture, and our employees’ well-being and overall health. These surveys allow Palantir to get actionable feedback and drive awareness, discussion, and change.

Diversity, Equity, & Inclusion

To achieve our best outcomes, Palantir needs people who bring a wide range of backgrounds, perspectives, and lived experiences. Our DEI team takes the lead in working to increase awareness and accountability and promote active allyship throughout Palantir. We acknowledge that each member of our increasingly diverse community has their own needs, experiences, and opportunities.

Available Information

Our website is <https://www.palantir.com>, our investor relations website is <https://investors.palantir.com>, our LinkedIn account is @Palantir Technologies and our Twitter account is @PalantirTech. We have used, and intend to continue to use, our website, investor relations website, LinkedIn, and Twitter accounts as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. The following filings are available for download free of charge through our investor relations website after we file them with the Securities and Exchange Commission (“SEC”): Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and our Proxy Statement for our Annual Meeting of Stockholders (“Proxy Statement”). The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. Further corporate governance information, including our corporate governance guidelines, code of business conduct and ethics, and committee charters is also available on our investor relations website under the heading “Governance.” The contents of the websites provided above are not intended to be incorporated by reference into this Annual Report on Form 10-K

or in any other report or document we file with the SEC. Further, our references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. 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 Annual Report on Form 10-K, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and accompanying notes, before making a decision to invest in our Class A common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, 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 Factor Summary

Our business is subject to numerous risks and uncertainties that you should consider before investing in our Class A common stock. These risks are described more fully below and include, but are not limited to, risks relating to the following:

- we have a history of losses, we anticipate our operating expenses will continue to increase in the future, and we may not be able to achieve or maintain profitability in the future;
- we may not be able to sustain our revenue growth rate;
- our sales efforts involve considerable time and expense and our sales cycle is often long and unpredictable;
- a limited number of customers account for a substantial portion of our revenue;
- our results of operations and our key business measures are likely to fluctuate significantly on a quarterly basis;
- seasonality may cause fluctuations in our results of operations and financial position;
- our platforms are complex and may have a lengthy implementation process;
- we may not successfully develop and deploy new technologies to address the needs of our customers;
- our platforms must operate with third-party products and services;
- we may be unable to hire, retain, train, and motivate qualified personnel and senior management and deploy our personnel and resources to meet customer demand;
- we may be unable to successfully build, expand, and deploy our marketing and sales organization;
- we may not be able to maintain and enhance our brand and reputation;
- unfavorable news or social media coverage may harm our reputation and business;
- exclusive arrangements or unique terms with customers or partners may result in significant risks or liabilities to us;
- we face intense competition in our markets;
- we may be unable to maintain or properly manage our culture as we grow;
- we may not enter into relationships with potential customers if we consider their activities to be inconsistent with our organizational mission or values;
- joint ventures, channel sales relationships, platform partnerships, and strategic alliances may be unsuccessful;
- we may not be successful in executing our strategy to increase our sales to larger customers;
- breach of the systems of any third parties upon which we rely, our customers’ cloud or on-premises environments, or our internal systems or unauthorized access to data;
- the ongoing COVID-19 pandemic, ongoing Russia-Ukraine conflict, and related challenging macroeconomic conditions may adversely affect our business and operations;
- the market for our platforms and services may develop more slowly than we expect;
- we have made and may continue to make strategic investments to support key business initiatives, including in privately-held and publicly-traded companies, as well as alternative investments, and we may not realize a return on these investments;

- issues raised by the use of artificial intelligence in our platforms may result in reputational harm or liability;
- we depend on computing infrastructure of third parties and they may experience errors, disruption, performance problems, or failure;
- we may fail to adequately obtain, maintain, protect, and enforce our intellectual property and other proprietary rights;
- we may be subject to intellectual property rights claims;
- there may be real or perceived errors, failures, defects, or bugs in our platforms;
- we rely on the availability of third-party technology that may be difficult to replace or that may cause errors;
- our business is subject to complex and evolving U.S. and non-U.S. laws and regulations regarding privacy, data protection and security, technology protection, and other matters;
- our non-U.S. sales and operations subject us to additional risks and regulations;
- we may encounter unfavorable outcomes in legal, regulatory, and administrative inquiries and proceedings;
- we may fail to receive and maintain government contracts or there may be changes in the contracting or fiscal policies of the public sector;
- many of our customer contracts may be terminated by the customer at any time for convenience and may contain other provisions permitting the customer to discontinue contract performance;
- we may not realize the full deal value of our customer contracts;
- there may be a decline in the U.S. and other government budgets, changes in spending or budgetary priorities, or delays in contract awards; and
- the multi-class structure of our common stock, the Founder Voting Trust Agreement, and the Founder Voting Agreement concentrate voting power with certain stockholders, in particular, Stephen Cohen, Alexander Karp, and Peter Thiel (our “Founders”) and their affiliates.

Risks Related to Our Business and Industry

We have a history of losses, we anticipate our operating expenses will continue to increase in the future, and we may not be able to achieve or maintain profitability in the future.

Other than the fourth quarter of 2022, we have incurred losses in each period since our inception, and we may not maintain profitability in future periods. In addition, we anticipate that our operating expenses will continue to increase in the future. As we continue to expand our business, industry verticals, and the breadth of our operations, upgrade our infrastructure, hire additional employees, expand into new markets, invest in research and development, invest in sales and marketing, including expanding our sales organization and related sales-based payments that may come with such expansion, lease more real estate to accommodate our anticipated future growth, and incur costs associated with general administration, including expenses related to being a public company, we expect that our costs of revenue and operating expenses will continue to increase. To the extent we are successful in increasing our customer base, we may also incur increased losses because the costs associated with acquiring and growing our customers and with research and development are generally incurred upfront, while our revenue from customer contracts is generally recognized over the contract term. Furthermore, our sales model often requires us to spend months and invest significant resources working with customers on pilot deployments at no or low cost to them, which may result in no or minimal future revenue. We may not be able to continue to increase our revenue at a rate sufficient to offset increases in our costs of revenue and operating expenses in the near term or at all, which would prevent us from achieving or maintaining profitability in the future. Any failure by us to sustain or increase profitability on a consistent basis could adversely affect our business, financial condition, and results of operations.

We may not be able to sustain our revenue growth rate in the future.

Although our revenue has increased in recent periods, there can be no assurances that revenue will continue to grow or do so at current rates, and you should not rely on the revenue of any prior quarterly or annual period as an indication of our future performance. Our revenue growth rate has declined in recent periods, and may continue to decline in future periods. Many factors may contribute to declines in our revenue growth rate, including macroeconomic factors, increased competition, slowing demand for our platforms from existing and new customers, a failure by us to continue capitalizing on growth opportunities, terminations of existing contracts or failure to exercise existing options by our customers, and the maturation of our business, among others. If our revenue growth rate declines, our business, financial condition, and results of operations could be adversely affected.

Our sales efforts involve considerable time and expense and our sales cycle is often long and unpredictable.

Our results of operations may fluctuate, in part, because of the intensive nature of our sales efforts and the length and unpredictability of our sales cycle. As part of our sales efforts, we invest considerable time and expense evaluating the specific organizational needs of our potential customers and educating these potential customers about the technical capabilities and value of our platforms and services. We often also provide our platforms to potential customers at no or low cost initially to them for evaluation purposes through short-term pilot deployments of our platforms, and there is no guarantee that we will be able to convert customers from these short-term pilot deployments to full revenue-generating contracts. In addition, we have a growing direct sales force, and our sales efforts have historically depended on the significant involvement of our senior management team. The length of our sales cycle, from initial demonstration of our platforms to sale of our platforms and services, tends to be long and varies substantially from customer to customer. Our sales cycle often lasts six to nine months but can extend to a year or more for some customers. Because decisions to purchase our platforms involve significant financial commitments, potential customers generally evaluate our platforms at multiple levels within their organization, each of which often have specific requirements, and typically involve their senior management.

Our results of operations depend on sales to enterprise customers, which make product purchasing decisions based in part or entirely on factors, or perceived factors, not directly related to the features of the platforms, including, among others, that customer's projections of business growth, uncertainty about macroeconomic conditions (including as a result of the ongoing COVID-19 pandemic, the ongoing Russia-Ukraine conflict and related economic sanctions, rising inflation and interest rates, or monetary policy changes), capital budgets, anticipated cost savings from the implementation of our platforms, potential preference for such customer's internally-developed software solutions, perceptions about our business and platforms, more favorable terms offered by potential competitors, and previous technology investments. In addition, certain decision makers and other stakeholders within our potential customers tend to have vested interests in the continued use of internally developed or existing software, which may make it more difficult for us to sell our platforms and services. As a result of these and other factors, our sales efforts typically require an extensive effort throughout a customer's organization, a significant investment of human resources, expense and time, including by our senior management, and there can be no assurances that we will be successful in making a sale to a potential customer. If our sales efforts to a potential customer do not result in sufficient revenue to justify our investments, including in our growing direct sales force, our business, financial condition, and results of operations could be adversely affected.

Historically, existing customers have expanded their relationships with us, which has resulted in a limited number of customers accounting for a substantial portion of our revenue. If existing customers do not make subsequent purchases from us or renew their contracts with us, or if our relationships with our largest customers are impaired or terminated, our revenue could decline, and our results of operations would be adversely impacted.

We derive a significant portion of our revenue from existing customers that expand their relationships with us. Increasing the size and number of the deployments of our existing customers is a major part of our growth strategy. We may not be effective in executing this or any other aspect of our growth strategy.

Our top three customers together accounted for 17% and 18% of our revenue for the years ended December 31, 2022 and 2021, respectively. Our top three customers by revenue, for the year ended December 31, 2022, have been with us for an average of five years as of December 31, 2022. Certain of our customers, including customers that represent a significant portion of our business, have in the past reduced their spend with us or terminated their agreements with us, which has reduced our anticipated future payments or revenue from these customers, and which has required us to refund some previously paid amounts to these customers. It is not possible for us to predict the future level of demand from our larger customers for our platforms and applications.

While we generally offer contract terms up to five years in length, our customers sometimes enter into shorter-term contracts, such as one-year subscriptions, which may not provide for automatic renewal and may require the customer to opt-in to extend the term. Our customers have no obligation to renew, upgrade, or expand their agreements with us after the terms of their existing agreements have expired. In addition, many of our customer contracts permit the customer to terminate their contracts with us with notice periods of varying lengths, generally three to six months. If one or more of our customers terminate their contracts with us, whether for convenience, for default in the event of a breach by us, or for other reasons specified in our contracts, as applicable; if our customers elect not to renew their contracts with us; if our customers renew their contractual arrangements with us for shorter contract lengths or for a reduced scope; or if our customers otherwise seek to renegotiate terms of their existing agreements on terms less favorable to us, our business and results of operations could be adversely affected. This adverse impact would be even more pronounced for customers that represent a material portion of our revenue or business operations.

Our ability to renew or expand our customer relationships may decrease or vary as a result of a number of factors, including our customers' satisfaction or dissatisfaction with our platforms and services, the frequency and severity of software and

implementation errors, our platforms' reliability, our pricing, the effects of general economic conditions, competitive offerings or alternatives, or reductions in our customers' spending levels. If our customers do not renew or expand their agreements with us or if they renew their contracts for shorter lengths or on other terms less favorable to us, our revenue may grow more slowly than expected or decline, and our business could suffer. Our business, financial condition, and results of operations would also be adversely affected if we face difficulty collecting our accounts receivable from our customers or if we are required to refund customer deposits.

Achieving renewal or expansion of deployments may require us to increasingly engage in sophisticated and costly sales efforts that may not result in additional sales. In addition, our customers' decisions to expand the deployment of our platforms depends on a number of factors, including general economic conditions, the functioning of our platforms, the ability of our forward-deployed engineers to assist our customers in identifying new use cases, modernizing their data architectures, and achieving success with data-driven initiatives, and our customers' satisfaction with our services. If our efforts to expand within our existing customer base are not successful, our business may suffer.

We may not realize the full deal value of our customer contracts, which may result in lower than expected revenue.

As of December 31, 2022, the total remaining deal value, as defined in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Total Remaining Deal Value*, was \$3.7 billion. Of our total remaining deal value, as of December 31, 2022, \$2.0 billion was the remaining deal value of our contracts with commercial customers and \$1.7 billion was the remaining deal value of our contracts with government customers.

Many of these contracts are subject to termination for convenience provisions. Additionally, the U.S. federal government is prohibited from exercising contract options more than one year in advance. As a result, there can be no guarantee that our customer contracts will not be terminated or that contract options will be exercised.

We historically have not realized all of the revenue from the full deal value of our customer contracts, and we may not do so in the future. This is because the actual timing and amount of revenue under contracts included are subject to various contingencies, including exercise of contractual options, customers not terminating their contracts, renegotiation of contracts, and other macroeconomic factors that may potentially inhibit a customer's ability to pay. In addition, delays in the completion of the U.S. government's budgeting process, the use of continuing resolutions, and a potential lapse in appropriations, or similar events in other jurisdictions, has and could in the future adversely affect our ability to timely recognize revenue under certain government contracts. If we are unable to realize all of the revenue from the full deal value of our customer contracts, our financial condition and results of operations could be adversely affected.

Our results of operations and our key business measures are likely to fluctuate significantly on a quarterly basis in future periods and may not fully reflect the underlying performance of our business, which makes our future results difficult to predict and could cause our results of operations to fall below expectations.

Our quarterly results of operations, including cash flows, have fluctuated significantly in the past and are likely to continue to do so in the future. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly results, financial position, and operations are likely to fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the value of our Class A common stock.

We typically close a large portion of our sales in the last several weeks of a quarter, which impacts our ability to plan and manage margins and cash flows. Our sales cycle is often long, and it is difficult to predict exactly when, or if, we will actually make a sale with a potential customer, particularly large government and commercial customers. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large sales transactions in a quarter would impact our results of operations and cash flow for that quarter and any future quarters in which revenue from that transaction is lost or delayed. In addition, downturns in new sales may not be immediately reflected in our revenue because we generally recognize revenue over the term of our contracts. The timing of customer billing and payment varies from contract to contract. A delay in the timing of receipt of such collections, or a default on a large contract, may negatively impact our liquidity for the period and in the future. Because a substantial portion of our expenses are relatively fixed in the short term and require time to adjust, our results of operations and liquidity would suffer if revenue fell below our expectations in a particular period.

Other factors that may cause fluctuations in our quarterly results of operations and financial position include, without limitation, those listed below:

- the success of our sales and marketing efforts, including the success of our pilot deployments;
- our ability to increase our contribution margins;

- the timing of expenses and revenue recognition;
- the timing and amount of payments received from our customers;
- termination of one or more large contracts by customers, including for convenience;
- the time and cost-intensive nature of our sales efforts and the length and variability of sales cycles;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations;
- the timing and effectiveness of new sales and marketing initiatives;
- changes in our pricing policies or those of our competitors;
- the timing and success of new products, features, and functionality introduced by us or our competitors;
- interruptions or delays in our operations and maintenance (“O&M”) services;
- cyberattacks and other actual or perceived data or security breaches or incidents;
- our ability to hire and retain employees, in particular, those responsible for operations and maintenance of and the selling or marketing of our platforms, and develop and retain talented sales personnel who are able to achieve desired productivity levels in a reasonable period of time and provide sales leadership in areas in which we are expanding our sales and marketing efforts;
- the amount and timing of our stock-based compensation expenses;
- changes in the way we organize and compensate our sales teams;
- changes in the way we operate and maintain our platforms;
- unforeseen negative results in operations from our partnerships, including those accounted for under the equity method;
- changes in the competitive dynamics of our industry;
- the cost of and potential outcomes of existing and future claims or litigation, which could have a material adverse effect on our business;
- changes in laws and regulations that impact our business, such as the FASA;
- indemnification payments to our customers or other third parties;
- ability to scale our business with increasing demands;
- the timing of expenses related to any future acquisitions; and
- general economic, regulatory, and market conditions, including the impacts of the ongoing COVID-19 pandemic, the ongoing Russia-Ukraine conflict and related economic sanctions and regional instability, rising inflation and interest rates, and monetary policy changes.

In addition, many of our contracts contain termination for convenience provisions, and we may be obligated to repay prepaid amounts or otherwise not realize anticipated future revenue should we fail to provide future services as anticipated. These factors make it difficult for us to accurately predict financial metrics for any particular period.

The variability and unpredictability of our quarterly results of operations, cash flows, or other operating metrics could result in our failure to meet our expectations or those of analysts that cover us or investors with respect to 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. We and certain of our officers and directors were recently sued in purported class action lawsuits and derivative lawsuits, which could result in substantial costs and a diversion of our management’s attention and resources. For more information see *Note 8. Commitments and Contingencies* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Seasonality may cause fluctuations in our results of operations and financial position.

Historically, the first quarter of our year generally has relatively lower sales, and sales generally increase in each subsequent quarter with substantial increases during our third and fourth quarters ending September 30 and December 31, respectively. We believe that this seasonality results from a number of factors, including:

- the fiscal year end procurement cycle of our government customers, and in particular U.S. government customers which have a fiscal year end of September 30;

- the fiscal year budgeting process for our commercial customers, many of which have a fiscal year end of December 31;
- seasonal reductions in business activity during the summer months in the United States, Europe, and certain other regions; and
- timing of projects and our customers' evaluation of our work progress.

This seasonality has historically impacted and may in the future continue to impact the timing of collections and recognized revenue. Because a significant portion of our customer contracts are typically finalized near the end of the year, and we typically invoice customers shortly after entering into a contract, we may receive a portion of our customer payments near the end of the year and record such payment as an increase in deferred revenue or customer deposits ("contract liabilities"), while the revenue from our customer contracts is generally recognized over the contract term. While we have historically billed and collected payments for multiple contract years from certain customers in advance, we have and may continue to shift to collecting payments on an annual or other basis.

While this has been the historical seasonal pattern of our quarterly sales, we believe that our customers' required timing for certain new government or commercial programs requiring new software may outweigh the nature or magnitude of seasonal factors that might have influenced our business to date. As a result, we may experience future growth from additional government or commercial mandates that do not follow the seasonal purchasing and evaluation decisions by our customers that we have historically observed.

For example, increased government spending on technology aimed at national defense, financial or policy regulation, cybersecurity, or healthcare mandates may drive customer demand at different times throughout our year, the timing of which we may not be able to anticipate and may cause fluctuations in our results of operations. The timing of our fiscal quarters and the U.S. federal government's September 30 fiscal year end also may impact sales to governmental agencies in the third quarter of our year, offsetting, at least in part, the otherwise seasonal downturn we have historically observed in later summer months.

Our rapid growth in recent years may obscure the extent to which seasonality trends have affected our business and may continue to affect our business. We expect that seasonality will continue to materially impact our business in the future and may become more pronounced over time. The seasonality of our business may cause continued or increased fluctuations in our results of operations and cash flows, which may prevent us from achieving our quarterly or annual forecasts or meeting or exceeding the expectations of research analysts or investors, which in turn may cause a decline in the trading price of our Class A common stock.

Our platforms are complex and may have a lengthy implementation process, and any failure of our platforms to satisfy our customers or perform as desired could harm our business, results of operations, and financial condition.

Our platforms and services are complex and are deployed in a wide variety of network environments. Implementing our platforms can be a complex and lengthy process since we often configure our existing platforms for a customer's unique environment. Inability to meet the unique needs of our customers may result in customer dissatisfaction and/or damage to our reputation, which could materially harm our business. Further, the proper use of our platforms may require training of the customer and the initial or ongoing services of our technical personnel as well as O&M services over the contract term. If training and/or ongoing services require more of our expenditures than we originally estimated, our margins will be lower than projected.

In addition, if our customers do not use our platforms correctly or as intended, inadequate performance or outcomes may result. It is possible that our platforms may also be intentionally misused or abused by customers or their employees or third parties who obtain access and use of our platforms. Similarly, our platforms sometimes are used by customers with smaller or less sophisticated IT departments, potentially resulting in sub-optimal performance at a level lower than anticipated by the customer. Because our customers rely on our platforms and services to address important business goals and challenges, the incorrect or improper use or configuration of our platforms and O&M services, failure to properly train customers on how to efficiently and effectively use our platforms, or failure to properly provide implementation or analytical or maintenance services to our customers may result in contract terminations or non-renewals, reduced customer payments, negative publicity, or legal claims against us. For example, as we continue to expand our customer base, any failure by us to properly provide these services may result in lost opportunities for follow-on expansion sales of our platforms and services.

Furthermore, if customer personnel are not well trained in the use of our platforms, customers may defer the deployment of our platforms and services, may deploy them in a more limited manner than originally anticipated, or may not deploy them at all. If there is substantial turnover of the Company or customer personnel responsible for procurement and use of our platforms, our platforms may go unused or be adopted less broadly, and our ability to make additional sales may be substantially limited, which could negatively impact our business, results of operations, and growth prospects.

If we do not successfully develop and deploy new technologies to address the needs of our customers, our business and results of operations could suffer.

Our success has been based on our ability to design software and products that enable the integration of data into a common operating environment to facilitate advanced data analysis, knowledge management, and collaboration. We spend substantial amounts of time and money researching and developing new technologies and enhanced versions of existing features to meet our customers' and potential customers' rapidly evolving needs. There is no assurance that our enhancements to our platforms or our new product features, capabilities, or offerings, including new product modules, will be compelling to our customers or gain market acceptance. If our research and development investments do not accurately anticipate customer demand or if we fail to develop our platforms in a manner that satisfies customer preferences in a timely and cost-effective manner, we may fail to retain our existing customers or increase demand for our platforms.

The introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings could make our platforms obsolete or adversely affect our business, financial condition, and results of operations. We may experience difficulties with software development, design, or marketing that delay or prevent our development, introduction, or implementation of new platforms, features, or capabilities. We have in the past experienced delays in our internally planned release dates of new features and capabilities, and there can be no assurance that new platforms, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by customers brought against us, any of which could harm our business. Moreover, the design and development of new platforms or new features and capabilities to our existing platforms may require substantial investment, and we have no assurance that such investments will be successful. If customers do not widely adopt our new platforms, experiences, features, and capabilities, we may not be able to realize a return on our investment and our business, financial condition, and results of operations may be adversely affected.

Our new and existing platforms and changes to our existing platforms could fail to attain sufficient market acceptance for many reasons, including:

- our failure to predict market demand accurately in terms of product functionality and to supply offerings that meet this demand in a timely fashion;
- product defects, errors, or failures or our inability to satisfy customer service level requirements;
- negative publicity or negative private statements about the security, performance, or effectiveness of our platforms or product enhancements;
- delays in releasing to the market our new offerings or enhancements to our existing offerings, including new product modules;
- introduction or anticipated introduction of competing platforms or functionalities by our competitors;
- inability of our platforms or product enhancements to scale and perform to meet customer demands;
- receiving qualified or adverse opinions in connection with security or penetration testing, certifications or audits, such as those related to IT controls and security standards and frameworks or compliance;
- poor business conditions for our customers, causing them to delay software purchases;
- reluctance of customers to purchase proprietary software products;
- reluctance of our customers to purchase products hosted by our vendors and/or service interruption from such providers; and
- reluctance of customers to purchase products incorporating open source software.

If we are not able to continue to identify challenges faced by our customers and develop, license, or acquire new features and capabilities to our platforms in a timely and cost-effective manner, or if such enhancements do not achieve market acceptance, our business, financial condition, results of operations, and prospects may suffer and our anticipated revenue growth may not be achieved.

Because we derive, and expect to continue to derive, substantially all of our revenue from customers purchasing our platforms and products, market acceptance of these platforms and products, and any enhancements or changes thereto, is critical to our success.

The competitive position of our platforms depends in part on their ability to operate with third-party products and services, and if we are not successful in maintaining and expanding the compatibility of our platforms with such third-party products and services, our business, financial condition, and results of operations could be adversely impacted.

The competitive position of our platforms depends in part on their ability to operate with products and services of third parties, software services, and infrastructure, including but not limited to, in connection with our joint ventures, channel sales relationships, platform partnerships, strategic alliances, and other similar arrangements where applicable. As such, we must continuously modify and enhance our platforms to adapt to changes in, or to be integrated or otherwise compatible with, hardware, software, networking, browser, and database technologies. In the future, one or more technology companies may choose not to support the operation of their hardware, software, or infrastructure, or our platforms may not support the capabilities needed to operate with such hardware, software, or infrastructure. In addition, to the extent that a third party were to develop software or services that compete with ours, that provider may choose not to support one or more of our platforms. We intend to facilitate the compatibility of our platforms with various third-party hardware, software, and infrastructure by maintaining and expanding our business and technical relationships. If we are not successful in achieving this goal, our business, financial condition, and results of operations could be adversely impacted.

If we fail to manage future growth effectively, our business could be harmed.

Since our founding in 2003, we have experienced rapid growth. We operate in a growing market and have experienced, and may continue to experience, significant expansion of our operations. This growth has placed, and may continue to place, a strain on our employees, management systems, operational, financial, and other resources. As we have grown, we have increasingly managed larger and more complex deployments of our platforms and services with a broader base of government and commercial customers. As we continue to grow, we face challenges of integrating, developing, retaining, and motivating a rapidly growing employee base in various countries around the world. For example, our headcount has grown from 313 full-time employees as of December 31, 2010 to 3,838 full-time employees as of December 31, 2022, with employees located both in the United States and outside the United States. In the event of continued growth of our operations, our operational resources, including our information technology systems, our employee base, or our internal controls and procedures may not be adequate to support our operations and deployments. Managing our growth may require significant expenditures and allocation of valuable management resources, improving our operational, financial, and management processes and systems, and effectively expanding, training, and managing our employee base. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, financial condition, and results of operations would be harmed. As our organization continues to grow, we may find it increasingly difficult to maintain the benefits of our traditional company culture, including our ability to quickly respond to customers, and avoid unnecessary delays that may be associated with a formal corporate structure. This could negatively affect our business performance or ability to hire or retain personnel in the near- or long-term.

In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies with global operations in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business, financial condition, and results of operations would be harmed.

If we are unable to hire, retain, train, and motivate qualified personnel and senior management, including Alexander Karp, one of our founders and our Chief Executive Officer, and deploy our personnel and resources to meet customer demand around the world, our business could suffer.

Our ability to compete in the highly competitive technology industry depends upon our ability to attract, motivate, and retain qualified personnel. We are highly dependent on the continued contributions and customer relationships of our management, and particularly on the services of Alexander Karp, our Chief Executive Officer. Mr. Karp was part of our founding team and has been integral to our growth since our founding. We believe that Mr. Karp's management experience would be difficult to replace. All of our executive officers and many key personnel are at-will employees and may terminate their employment relationship with us at any time. The loss of the services of our key personnel and any of our other executive officers, and our inability to find suitable replacements, could result in a decline in sales, delays in product development, and harm to our business and operations.

At times, we have experienced, and we may continue to experience, difficulty in hiring and retaining personnel with appropriate qualifications, and we may not be able to fill positions in a timely manner or at all. Our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner. In addition, we may incur significant costs to attract and recruit skilled personnel, and we may lose new personnel to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. As we move into new geographies, we will need to attract and recruit skilled personnel in those geographic areas, but it may be challenging for us to compete with traditional local employers in these regions for talent. If we

fail to attract new personnel or fail to retain and motivate our current personnel who are capable of meeting our growing technical, operational, and managerial requirements on a timely basis or at all, our business may be harmed.

In addition, certain personnel may be required to receive various security clearances and substantial training in order to work on certain customer engagements or to perform certain tasks. Necessary security clearances may be delayed or unsuccessful, which may negatively impact our ability to perform on our U.S. and non-U.S. government contracts in a timely manner or at all.

Our success depends on our ability to effectively source and staff people with the right mix of skills and experience to perform services for our customers, including our ability to transition personnel to new assignments on a timely basis. If we are unable to effectively utilize our personnel on a timely basis to fulfill the needs of our customers, our business could suffer. Further, if we are not able to utilize the talent we need because of increased regulation of immigration or work visas, including limitations placed on the number of visas granted, limitations on the type of work performed or location in which the work can be performed, and new or higher minimum salary requirements, it could be more difficult to staff our personnel on customer engagements and could increase our costs.

We face intense competition for qualified personnel, especially engineering personnel, in major U.S. markets, where a large portion of our personnel are based, as well as in other non-U.S. markets where we have expanded or expect to expand our non-U.S. operations. We incur costs related to attracting, relocating, and retaining qualified personnel in these highly competitive markets, including leasing real estate in prime areas in these locations. Further, many of the companies with which we compete for qualified personnel have greater resources than we have. If the perceived value of our equity awards declines, or if the mix of equity and cash compensation that we offer is less attractive than that of our competitors, it may adversely affect our ability to recruit and retain highly skilled personnel. Additionally, laws and regulations, such as restrictive immigration laws, may limit our ability to recruit outside of the United States. We seek to retain and motivate existing personnel through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business and operations could be harmed.

Volatility or lack of appreciation in the trading price of our Class A common stock may also affect our ability to attract and retain qualified personnel. Many of our senior personnel and other key personnel hold equity awards that have vested in part or are exercisable, which could adversely affect our ability to retain these personnel. Personnel may be more likely to leave us if the shares they own or the shares underlying their vested options or restricted stock units (“RSUs”) have significantly appreciated in value. In addition, many of our personnel may be able to receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Any of these factors could harm our business, financial condition, and results of operations.

If we are unable to successfully build, expand, and deploy our marketing and sales organization in a timely manner, or at all, or to successfully hire, retain, train, and motivate our sales personnel, our growth and long-term success could be adversely impacted.

We have a growing direct sales force and our sales efforts have historically depended on the significant direct involvement of our senior management team, including Mr. Karp. The successful execution of our strategy to increase our sales to existing customers, identify and engage new customers, and enter new U.S. and non-U.S. markets will depend, among other things, on our ability to successfully build and expand our sales organization and operations. Identifying, recruiting, training, and managing sales personnel requires significant time, expense, and attention, including from our senior management and other key personnel, which could adversely impact our business, financial condition, and results of operations in the short and long term.

In order to successfully scale our unique sales model, we must, and we intend to continue to, increase the size of our direct sales force, both in the United States and outside of the United States, to generate additional revenue from new and existing customers while preserving the cultural and mission-oriented elements of our company. If we do not hire a sufficient number of qualified sales personnel, our future revenue growth and business could be adversely impacted. It may take a significant period of time before our sales personnel are fully trained and productive, particularly in light of our unique sales model, and there is no guarantee we will be successful in adequately training and effectively deploying our sales personnel. In addition, we have invested, and may need to continue investing, significant resources in our sales operations to enable our sales organization to run effectively and efficiently, including supporting sales strategy planning, sales process optimization, data analytics and reporting, and administering incentive compensation arrangements. Furthermore, hiring personnel in new countries requires additional setup and upfront costs that we may not recover if those personnel fail to achieve full productivity in a timely manner. Our business would be adversely affected if our efforts to build, expand, train, and manage our sales organization are not successful. We periodically change and make adjustments to our sales organization in response to market opportunities, competitive threats, management changes, product introductions or enhancements, acquisitions, sales performance, increases in sales headcount, cost levels, and other internal and external considerations. Any future sales organization changes may result in a temporary reduction of productivity, which could negatively affect our rate of growth. In addition, any significant change to

the way we structure and implement the compensation of our sales organization may be disruptive or may not be effective and may affect our revenue growth. If we are unable to attract, hire, develop, retain, and motivate qualified sales personnel, if our new sales personnel are unable to achieve sufficient sales productivity levels in a reasonable period of time or at all, if our marketing programs are not effective or if we are unable to effectively build, expand, and manage our sales organization and operations, our sales and revenue may grow more slowly than expected or materially decline, and our business may be significantly harmed.

Our ability to sell our platforms and satisfy our customers is dependent on the quality of our services, and our failure to offer high quality services could have a material adverse effect on our sales and results of operations.

Once our platforms are deployed and integrated with our customers' existing information technology investments and data, our customers depend on our O&M services to resolve any issues relating to our platforms. Increasingly, our platforms have been deployed in large-scale, complex technology environments, and we believe our future success will depend on our ability to increase sales of our platforms for use in such deployments. Further, our ability to provide effective ongoing services, or to provide such services in a timely, efficient, or scalable manner, may depend in part on our customers' environments and their upgrading to the latest versions of our platforms and participating in our centralized platform management and services.

In addition, our ability to provide effective services is largely dependent on our ability to attract, train, and retain qualified personnel with experience in supporting customers on platforms such as ours. The number of our customers has grown significantly, and that growth has and may continue to put additional pressure on our services teams. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for our O&M services. We also may be unable to modify the future scope and delivery of our O&M services to compete with changes in the services provided by our competitors. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect our business and results of operations. In addition, as we continue to grow our operations and expand outside of the United States, we need to be able to provide efficient services that meet our customers' needs globally at scale, and our services teams may face additional challenges, including those associated with operating the platforms and delivering support, training, and documentation in languages other than English and providing services across expanded time-zones. If we are unable to provide efficient O&M services globally at scale, our ability to grow our operations may be harmed, and we may need to hire additional services personnel, which could negatively impact our business, financial condition, and results of operations.

Our customers typically need training in the proper use of and the variety of benefits that can be derived from our platforms to maximize the potential of our platforms. If we do not effectively deploy, update, or upgrade our platforms, succeed in helping our customers quickly resolve post-deployment issues, and provide effective ongoing services, our ability to sell additional products and services to existing customers could be adversely affected, we may face negative publicity, and our reputation with potential customers could be damaged. Many enterprise and government customers require higher levels of service than smaller customers. If we fail to meet the requirements of the larger customers, it may be more difficult to execute on our strategy to increase our penetration with larger customers. As a result, our failure to maintain high quality services may have a material adverse effect on our business, financial condition, results of operations, and growth prospects.

If we are not able to maintain and enhance our brand and reputation, our relationships with our customers, partners, and employees may be harmed, and our business and results of operations may be adversely affected.

We believe that maintaining and enhancing our brand identity and reputation is important to our relationships with, and to our ability to attract and retain customers, partners, investors, and employees. The successful promotion of our brand depends upon our ability to continue to offer high-quality software, maintain strong relationships with our customers, the community, and others, while successfully differentiating our platforms from those of our competitors. Unfavorable media coverage may adversely affect our brand and reputation. We anticipate that as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. If we do not successfully maintain and enhance our brand identity and reputation, we may fail to attract and retain employees, customers, investors, or partners, grow our business, or sustain pricing power, all of which could adversely impact our business, financial condition, results of operations, and growth prospects. Additionally, despite our internal safeguards and efforts to the contrary, we cannot guarantee that our customers will not ultimately use our platforms for purposes inconsistent with our company values, and such uses may harm our brand and reputation.

Our reputation and business may be harmed by news or social media coverage of Palantir, including but not limited to coverage that presents, or relies on, inaccurate, misleading, incomplete, or otherwise damaging information.

Publicly available information regarding Palantir has historically been limited, in part due to the sensitivity of our work with customers or contractual requirements limiting or preventing public disclosure of certain aspects of our work or relationships with certain customers. As our business has grown and as interest in Palantir and the technology industry overall has increased and we have engaged more actively with media and marketing efforts, we have attracted, and may continue to attract, significant attention from news and social media outlets, including unfavorable coverage and coverage that is not directly

attributable to statements authorized by our leadership, that incorrectly reports on statements made by our leadership or employees and the nature of our work, perpetuates unfounded speculation about company involvements, or that is otherwise misleading. If such news or social media coverage presents, or relies on, inaccurate, misleading, incomplete, or otherwise damaging information regarding Palantir, such coverage could damage our reputation in the industry and with current and potential customers, employees, and investors, and our business, financial condition, results of operations, and growth prospects could be adversely affected. Due to the sensitive nature of our work and our confidentiality obligations and despite our ongoing efforts to provide increased transparency into our business, operations, and product capabilities, we may be unable to or limited in our ability to respond to such harmful coverage, which could have a negative impact on our business.

Our relationships with government customers and customers that are engaged in certain sensitive industries, including organizations whose products or activities are or are perceived to be harmful, has resulted in public criticism, including from political and social activists, and unfavorable coverage in the media. Activists have also engaged in public protests at our properties. Activist criticism of our relationships with customers could potentially engender dissatisfaction among potential and existing customers, investors, and employees with how we address political and social concerns in our business activities. Conversely, being perceived as yielding to activism targeted at certain customers could damage our relationships with certain customers, including governments and government agencies with which we do business, whose views may or may not be aligned with those of political and social activists. Actions we take in response to the activities of our customers, up to and including terminating our contracts or refusing a particular product use case could harm our brand and reputation. In either case, the resulting harm to our reputation could:

- cause certain customers to cease doing business with us;
- impair our ability to attract new customers, or to expand our relationships with existing customers;
- diminish our ability to recruit, hire, or retain employees;
- undermine our standing in professional communities to which we contribute and from which we receive expert knowledge; or
- prompt us to cease doing business with certain customers.

Any of these factors could adversely impact our business, financial condition, and results of operations.

Because we recognize a substantial portion of our revenue from our platforms and O&M services over the contractual term, downturns or upturns in new sales and renewals may not be immediately reflected in our results of operations.

We generally recognize revenue from our platforms and O&M services over the contractual term. As a result, a portion of the revenue we recognize in each quarter is derived from customer contracts generally entered into during previous periods. Consequently, a decline in new or renewed contracts in any single quarter may have an immaterial impact on the revenue that we recognize for that quarter. However, such a decline would negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales or renewals, significant customer terminations, and potential changes in our contracting terms and pricing policies would not be fully reflected in our results of operations until future periods. The timing of our revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales in any given period, as revenue is generally recognized over the applicable contractual term.

Our pricing structures for our platforms and services change from time to time, which could adversely impact our business, financial condition, and results of operations.

We have in the past changed, and we expect that in the future we may change, our pricing models, including as a result of competition, global economic conditions, general reductions in our customers' spending levels, pricing studies, or changes in how our platforms are broadly consumed. Similarly, as we introduce new products and services, or as a result of the evolution of our existing platforms and services, we may have difficulty determining the appropriate price structure for our products and services, or customers may request or demand different pricing structures. In addition, as new and existing competitors introduce new products or services that compete with ours, or revise their pricing structures, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, as we continue to target selling our platforms and services to larger organizations, these larger organizations may demand different pricing structures or substantial price concessions. As we expand access to our products to increasingly broad swaths of the market, our pricing model and product and service offerings for such customers have been, and will continue to be, tailored to be attractive for such customers. In addition, we may need to change pricing policies to accommodate government pricing guidelines for our contracts with federal, state, local, and foreign governments and government agencies. If we are unable to modify or develop pricing models and strategies that are attractive to existing and prospective customers, while enabling us to significantly grow our sales and revenue relative to our associated costs and expenses in a reasonable period of time, our business, financial condition, and results of operations may be adversely impacted.

If our customers are not able or willing to accept our product-based business model, instead of a labor-based business model, our business and results of operations could be negatively impacted.

Our platforms are generally offered on a productized basis to minimize our customers' overall cost of acquisition, maintenance, and deployment time of our platforms. Many of our customers and potential customers are instead generally familiar with the practice of purchasing or licensing software through labor contracts, where custom software is written for specific applications, the intellectual property in such software is often owned by the customer, and the software typically requires additional labor contracts for modifications, updates, and services during the life of that specific software. Customers may be unable or unwilling to accept our model of commercial software procurement. Should our customers be unable or unwilling to accept this model of commercial software procurement, our growth could be materially diminished, which could adversely impact our business, financial condition, results of operations, and growth prospects.

We have entered into, and expect in the future to enter into, agreements with our customers that include exclusivity arrangements or unique contractual, pricing, or payment terms, which may result in significant risks or liabilities to us.

Our contracts with our customers are typically non-exclusive, but we have historically entered into arrangements with our customers and our partners that include exclusivity provisions, and we expect to continue to do so in the future. These exclusivity provisions limit our ability to license our platforms and provide services to specific customers, or to compete in certain geographic markets and industries, which may limit our growth and negatively impact our results. In addition, we have entered into joint ventures and strategic alliances with our customers, as described below, which also limit our ability to compete in certain geographic markets or industry verticals.

We have entered into and may continue to enter into, in limited circumstances, unique contractual, pricing, and payment arrangements with our customers, including some that may be outside of our typical scope of business, including arrangements relating to non-cash items.

We face intense competition in our markets, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The markets for our platforms are very competitive, and we expect such competition to continue or increase in the future. A significant number of companies are developing products that currently, or in the future may, compete with some or all aspects of our proprietary platforms. We may not be successful in convincing the management teams of our potential customers to deploy our platforms in lieu of existing software solutions or in-house software development projects often favored by internal IT departments or other competitive products and services. In addition, our competitors include large enterprise software companies, government contractors, and system integrators, and we may face competition from emerging companies as well as established companies who have not previously entered this market. Additionally, we may be required to make substantial additional investments in our research, development, services, marketing, and sales functions in order to respond to competition, and there can be no assurance that we will be able to compete successfully in the future.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition, longer operating histories, and larger customer bases;
- larger sales and marketing budgets and resources and the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products;
- broader, deeper, or otherwise more established relationships with technology, channel and distribution partners, and customers;
- wider geographic presence or greater access to larger potential customer bases;
- greater focus in specific geographies;
- lower labor and research and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources to provide services, to make acquisitions, and to develop and introduce new products and capabilities.

In addition, some of our larger competitors have substantially broader and more diverse product and service offerings and may be able to leverage their relationships with distribution partners and customers based on other products or incorporate functionality into existing products to gain business in a manner that discourages customers from purchasing our platforms, including by selling at zero or negative margins, product bundling, or offering closed technology platforms. Potential customers may also prefer to purchase from their existing provider rather than a new provider regardless of platform performance or

features. As a result, even if the features of our platforms offer advantages that others do not, customers may not purchase our platforms. These larger competitors often have broader product lines and market focus or greater resources and may therefore not be as susceptible to economic downturns or other significant reductions in capital spending by customers. If we are unable to sufficiently differentiate our platforms from the integrated or bundled products of our competitors, such as by offering enhanced functionality, performance, or value, we may see a decrease in demand for those platforms, which could adversely affect our business, financial condition, and results of operations.

In addition, new, innovative start-up companies and larger companies that are making significant investments in research and development may introduce products that have greater performance or functionality, are easier to implement or use, incorporate technological advances that we have not yet developed, or implemented or may invent similar or superior platforms and technologies that compete with our platforms. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

Some of our competitors have made or could make acquisitions of businesses that allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote greater resources to bring these products and services to market, initiate or withstand substantial price competition, or develop and expand their product and service offerings more quickly than we do. These competitive pressures in our market, or our failure to compete effectively, may result in fewer orders, reduced revenue and margins, and loss of market share. In addition, it is possible that industry consolidation may impact customers' perceptions of the viability of smaller or even mid-size software firms and consequently customers' willingness to purchase from such firms.

We may not compete successfully against our current or potential competitors. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations could be adversely affected. In addition, companies competing with us may have an entirely different pricing or distribution model. Increased competition could result in fewer customer orders, price reductions, reduced margins, and loss of market share, any of which could harm our business and results of operations.

Our culture emphasizes rapid innovation and advancement of successful hires who may in some cases have limited prior industry expertise and prioritizes customer outcomes over short-term financial results, and if we cannot maintain or properly manage our culture as we grow, our business may be harmed.

We have a culture that encourages employees to quickly develop and launch key technologies and platforms intended to solve our customers' most important problems and prioritizes the advancement of employees to positions of significant responsibility based on merit despite, in some cases, limited prior work or industry experience. Much of our hiring into technical roles comes through our internship program or from candidates joining us directly from undergraduate or graduate engineering programs rather than industry hires. Successful entry-level hires are often quickly advanced and rewarded with significant responsibilities, including in important customer-facing roles as project managers, development leads, and product managers. Larger competitors, such as defense contractors, system integrators, and large software and service companies that traditionally target large enterprises typically have more sizeable direct sales forces staffed by individuals with significantly more industry experience than our customer-facing personnel, which may negatively impact our ability to compete with these larger competitors. We have historically operated with a relatively flat reporting and organization structure and have few formal promotions. As our business grows and becomes more complex, the staffing of customer-facing personnel, some of whom may have limited industry experience, may result in unintended outcomes or in decisions that are poorly received by customers or other stakeholders. For example, in many cases we launch, at our expense, pilot deployments with customers without a long-term contract in place, and some of those deployments have not resulted in the customer's adoption or expansion of its use of our platforms and services, or the generation of significant, or any, revenue or payments. In addition, as we continue to grow, including geographically, we may find it difficult to maintain our culture.

Our culture also prioritizes customer outcomes over short-term financial results, and we frequently make service and product decisions that may reduce our short-term revenue or cash flow if we believe that the decisions are consistent with our mission and responsive to our customers' goals and thereby have the potential to improve our financial performance over the long term. These decisions may not produce the long-term benefits and results that we expect or may be poorly received in the short term by the public markets, in which case our customer growth and our business, financial condition, and results of operations may be harmed.

We may not enter into relationships with potential customers if we consider their activities to be inconsistent with our organizational mission or values.

We generally do not enter into business with customers or governments whose positions or actions we consider inconsistent with our mission to support Western liberal democracy and its strategic allies. Our decisions to not enter into these relationships

may not produce the long-term financial benefits and results that we expect, in which case our growth prospects, business, and results of operations could be harmed. Although we endeavor to do business with customers and governments that are aligned with our mission and values, we cannot predict how the activities and values of our government and private sector customers will evolve over time, and they may evolve in a manner inconsistent with our mission.

We do not work with the Chinese communist party and have chosen not to host our platforms in China, which may limit our growth prospects.

Our leadership believes that working with the Chinese communist party is inconsistent with our culture and mission. We do not consider any sales opportunities with the Chinese communist party, do not host our platforms in China, and impose limitations on access to our platforms in China in order to protect our intellectual property, to promote respect for and defend privacy and civil liberties protections, and to promote data security. Our decision to avoid this large potential market may limit our growth prospects and could adversely impact our business, results of operations, and financial condition, and we may not compete successfully against our current or potential competitors who choose to work in China.

Joint ventures, channel sales relationships, platform partnerships, and strategic alliances may have a material adverse effect on our business, results of operations and prospects.

We expect to continue to enter into joint ventures, channel sales relationships (including original equipment manufacturer (“OEM”) and reseller relationships), platform partnerships, and strategic alliances as part of our long-term business strategy. Joint ventures, channel sales relationships, platform partnerships, strategic alliances, and other similar arrangements involve significant investments of both time and resources, and there can be no assurances that they will be successful. They may present significant challenges and risks, including that they may not advance our business strategy, we may get an unsatisfactory return on our investment or lose some or all of our investment, they may distract management and divert resources from our core business, including our business development and product development efforts, they may expose us to unexpected liabilities, they may conflict with our increased sales hiring and direct sales strategy, or we may choose a partner that does not cooperate as we expect them to and that fails to meet its obligations or that has economic, business, or legal interests or goals that are inconsistent with ours. For example, in January 2021, we entered into a channel sales relationship with International Business Machines Corporation (“IBM”), pursuant to which IBM is supplying a new product leveraging certain components of Foundry integrated with IBM’s Cloud Pak for Data. In addition, in November 2019, we created a jointly controlled entity in Japan with SOMPO Holdings, Inc., in which we subsequently obtained a controlling interest in November 2022. For more information see *Note 14. Business Combinations* in the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. We also created a jointly-owned entity in South Korea with HD Hyundai Co. Ltd. in December 2022 in which we also have a controlling interest. We believe these arrangements offer our business strategic operational advantages within the Japanese and Korean markets, but they also limit our ability to independently sell our platforms, provide certain services, engage certain customers, or compete in the Japanese and Korean markets or related industry verticals, which in turn limits our opportunities for growth in Japan and Korea and, depending on the success of each respective entity, may negatively impact our results. Additionally, in 2016, we entered into a partnership with Airbus that, over time, developed into the Skywise platform partnership, which provides our business strategic advantages but also limits our ability to independently provide our platforms to certain airlines and companies that compete with Airbus.

Entry into certain joint ventures, channel sales relationships, platform partnerships, or strategic alliances now or in the future may be subject to government regulation, including review by U.S. or foreign government entities related to foreign direct investment. If a joint venture or similar arrangement were subject to regulatory review, such regulatory review might limit our ability to enter into the desired strategic alliance and thus our ability to carry out our long-term business strategy.

As our joint ventures, channel sales relationships, platform partnerships, and strategic alliances come to an end or terminate, we may be unable to renew or replace them on comparable terms, or at all. When we enter into joint ventures, channel sales relationships, platform partnerships, and strategic alliances, our partners may be required to undertake some portion of sales, marketing, implementation services, engineering services, or software configuration that we would otherwise provide. In such cases, our partner may be less successful than we would have otherwise been absent the arrangement and our ability to influence, or have visibility into, the sales, marketing, and related efforts of our partners may be limited. In the event we enter into an arrangement with a particular partner, we may be less likely (or unable) to work with one or more direct competitors of our partner with which we would have worked absent the arrangement. We may have interests that are different from our joint venture partners and/or which may affect our ability to successfully collaborate with a given partner. Similarly, one or more of our partners in a joint venture, channel sales relationship, platform partnership, or strategic alliance may independently suffer a bankruptcy or other economic hardship that negatively affects its ability to continue as a going concern or successfully perform on its obligation under the arrangement. In addition, customer satisfaction with our products provided in connection with these arrangements may be less favorable than anticipated, negatively impacting anticipated revenue growth and results of operations of arrangements in question. Further, some of our strategic partners offer competing products and services or work with our competitors. As a result of these and other factors, many of the companies with which we have or are seeking joint ventures, channel sales relationships, platform partnerships, or strategic alliances may choose to pursue alternative technologies and

develop alternative products and services in addition to or in lieu of our platforms, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with these partners, our ability to compete in a given marketplace or to grow our revenue would be impaired, and our results of operations may suffer. Even if we are successful in establishing and maintaining these relationships with our partners, we cannot assure you that these relationships will result in increased customer usage of our platforms or increased revenue. Additionally, if our partners' brand, reputation, or products are negatively impacted in any way, that could impact our expected outcomes in those markets.

Further, winding down joint ventures, channel sales relationships, platform partnerships, or other strategic alliances can result in additional costs, litigation, and negative publicity. Any of these events could adversely affect our business, financial condition, results of operations, and growth prospects.

If we are not successful in executing our sales strategy, our results of operations may suffer.

An important part of our growth strategy is to increase sales of our platforms to large enterprises and government entities. Sales to large enterprises and government entities involve risks that may not be present (or that are present to a lesser extent) with sales to small-to-mid-sized entities. These risks include:

- increased leverage held by large customers in negotiating contractual arrangements with us;
- changes in key decision makers within these organizations that may negatively impact our ability to negotiate in the future;
- customer IT departments may perceive that our platforms and services pose a threat to their internal control and advocate for legacy or internally developed solutions over our platforms;
- resources may be spent on a potential customer that ultimately elects not to purchase our platforms and services;
- more stringent requirements in our service contracts, including stricter service response times, and increased penalties for any failure to meet service requirements;
- increased competition from larger competitors, such as defense contractors, system integrators, or large software and service companies that traditionally target large enterprises and government entities and that may already have purchase commitments from those customers; and
- less predictability in completing some of our sales than we do with smaller customers.

Large enterprises and government entities often undertake a significant evaluation process that results in a lengthy sales cycle, in some cases over twelve months, requiring approvals of multiple management personnel and more technical personnel than would be typical of a smaller organization. Due to the length, size, scope, and stringent requirements of these evaluations, we typically provide short-term pilot deployments of our platforms at no or low cost initially. We sometimes spend substantial time, effort, and money in our sales efforts without producing any sales. The success of the investments that we make in the earlier stages of our sales cycle depends on factors such as our ability to identify potential customers for which our platforms have an opportunity to add significant value to the customer's organization, our ability to identify and agree with the potential customer on an appropriate pilot deployment to demonstrate the value of our platforms, and whether we successfully execute on such pilot deployment. Even if the pilot deployment is successful, we or the customer could choose not to enter into a larger contract for a variety of reasons. For example, product purchases by large enterprises and government entities are frequently subject to budget constraints, leadership changes, multiple approvals, and unplanned administrative, processing, and other delays, any of which could significantly delay or entirely prevent our realization of sales. Finally, large enterprises and government entities typically (i) have longer implementation cycles, (ii) require greater product functionality and scalability and a broader range of services, including design services, (iii) demand that vendors take on a larger share of risks, (iv) sometimes require acceptance provisions that can lead to a delay in revenue recognition, (v) typically have more complex IT and data environments, and (vi) expect greater payment flexibility from vendors. Customers, and sometimes we, may also engage third parties to be the users of our platforms, which may result in contractual complexities and risks, require additional investment of time and human resources to train the third parties and allow third parties (who may be building competitive projects or engaging in other competitive activities) to influence our customers' perception of our platforms. All these factors can add further risk to business conducted with these customers. If sales expected from a large customer for a particular quarter are not realized in that quarter or at all, our business, financial condition, results of operations, and growth prospects could be materially and adversely affected.

In addition, part of our growth strategy involves supporting a broader set of potential customers. Sales to such customers involve risks that vary from those present with sales to large or otherwise established organizations, due to their limited operating history, limited resources for adopting new technologies, and uncertain resources for future operations, among other things. Accordingly, we will continue to refine our business strategy and pricing structures to attract and retain such customers,

as well as existing and larger customers across the potential customer base. There is no guarantee that our existing or proposed business strategies, including subscription-based or usage-based pricing structures, will achieve broad adoption by current or prospective customers or be appropriately structured to attract and retain other potential customers across the customer base.

If we are not successful in executing our sales strategy, our business, financial condition, results of operations, and growth prospects could be adversely affected.

The ongoing global COVID-19 pandemic, ongoing Russia-Ukraine conflict, and related challenging macroeconomic conditions may adversely affect our business and operations, and the duration and extent to which these factors may impact our future business, financial condition, and results of operations remain uncertain.

While the ongoing COVID-19 pandemic and the ongoing Russia-Ukraine conflict have provided certain new opportunities for our business to expand, they have also created many negative headwinds that present risks to our business and results of operations. The ongoing COVID-19 pandemic, the ongoing Russia-Ukraine conflict, and related challenging macroeconomic conditions have generally disrupted the operations of our customers and prospective customers, and may continue to disrupt their operations, including as a result of widespread supply chain disruptions, increases in the prices of many goods and services, uncertainty in the financial markets or other harm to their business and financial results. Challenging macroeconomic conditions could decrease information technology budgets for our customers and prospective customers; adversely affect demand for our platform and services; cause one or more of our customers or partners to file for bankruptcy protection or go out of business; cause one or more of our customers to fail to renew, terminate, or seek to renegotiate their contracts with us; cause delayed purchasing decisions, longer sales cycles, extended or alternative payment terms or delayed payments; impact our ability to attract new customers on similar contractual terms or at all, or retain and expand our relationships with existing customers; and result in postponed or canceled projects, all of which would negatively impact our business, financial condition, and results of operations, including sales and cash flows. For example, one of our early-stage Investee (as defined below) customers filed for bankruptcy in 2022 and we may not realize the full value of our commercial contract with that customer as a result. It is not possible at this time to estimate the full impact that the COVID-19 pandemic, Russia-Ukraine conflict, and related challenging macroeconomic conditions will have on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted. We cannot guarantee that it will not be materially negative.

In addition, as a result of the COVID-19 pandemic and the related work and travel restrictions, many of our field sales, operations and maintenance, and professional services activities were conducted remotely, and a majority of our workforce worked remotely. We have reopened our offices and have allowed business travel to resume, but some of our employees will continue to work remotely. We have a limited history of operating with a hybrid workforce. There is no guarantee that we will realize any anticipated benefits to our business from this model, including cost savings, operational efficiencies, or productivity. It is also possible that remote work arrangements may have a negative impact on our operations; the execution of our business plans; our ability to recruit, train, manage, and retain employees; our ability to maintain and strengthen our company culture; the productivity and availability of key personnel and other employees necessary to conduct our business; and on third-party service providers who perform critical services for us, or otherwise cause operational failures due to changes in our normal business practices. If a natural disaster, power outage, connectivity issue or other event occurred that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working may also result in increased consumer privacy, data security, and fraud risks, and our understanding of applicable legal and regulatory requirements, as well as the latest guidance from regulatory authorities may be subject to legal or regulatory challenge, particularly as regulatory guidance evolves in response to future developments. If we are unable to successfully address the foregoing risks and challenges as we encounter them, our business and operations could be adversely affected.

Moreover, to the extent the ongoing COVID-19 pandemic, the ongoing Russia-Ukraine conflict, and related challenging macroeconomic conditions adversely affect our business, financial condition, and results of operations, these events, alone or in combination, may also have the effect of heightening many of the other risks described in this "Risk Factors" section, including but not limited to, those related to our ability to increase sales to existing and new customers, continue to perform on existing contracts, develop and deploy new technologies, expand our marketing capabilities and sales organization, generate sufficient cash flow to service our indebtedness, volatility in the trading price of our Class A common stock and comply with the covenants in the agreements that govern our indebtedness.

If the market for our platforms and services develops more slowly than we expect, our growth may slow or stall, and our business, financial condition, and results of operations could be harmed.

The market for our platforms is rapidly evolving. Our future success will depend in large part on the growth and expansion of this market, which is difficult to predict and relies on a number of factors, including customer adoption, customer demand, changing customer needs, the entry of competitive products, the success of existing competitive products, potential customers' willingness to adopt an alternative approach to data collection, storage, and processing and their willingness to invest in new

software after significant prior investments in legacy data collection, storage, and processing software. The estimates and assumptions that are used to calculate our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the organizations covered by our market opportunity estimates will pay for our platforms and services at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasts, our business could fail to grow at the levels we expect or at all for a variety of reasons outside our control, including competition in our industry. Further, if we or other data management and analytics providers experience security breaches or incidents, loss, corruption, or unavailability of or unauthorized access to customer data, disruptions in delivery, or other problems, this market as a whole, including our platforms, may be negatively affected. If software for the challenges that we address does not achieve widespread adoption, or there is a reduction in demand caused by a lack of customer acceptance, technological challenges, weakening economic conditions (including due to the ongoing COVID-19 pandemic, the ongoing Russia-Ukraine conflict and related economic sanctions, rising inflation and interest rates, and monetary policy changes), security or privacy concerns, competing technologies and products, decreases in corporate spending, or otherwise, or, alternatively, if the market develops but we are unable to continue to penetrate it due to the cost, performance, and perceived value associated with our platforms, or other factors, it could result in decreased revenue and our business, financial condition, and results of operations could be adversely affected.

We will face risks associated with the growth of our business in new commercial markets and with new customer verticals, and we may neither be able to continue our organic growth nor have the necessary resources to dedicate to the overall growth of our business.

We plan to continue to expand our operations in new commercial markets, including those where we may have limited operating experience, and may be subject to increased business, technology and economic risks that could affect our financial results. In recent periods, we have increased our focus on commercial customers. In the future, we may increasingly focus on such customers, including in the banking, financial services, healthcare, pharmaceutical, manufacturing, telecommunication, automotive, airlines and aerospace, consumer packaged goods, insurance, retail, transportation, shipping and logistics, energy, and other emerging industries. Entering new verticals and expanding in the verticals in which we are already operating will continue to require significant resources and there is no guarantee that such efforts will be successful or beneficial to us. Historically, sales to new customers have often led to additional sales to the same customers or similarly situated customers. As we expand into and within new and emerging markets and heavily regulated industry verticals, we will likely face additional regulatory scrutiny, risks, and burdens from the governments and agencies which regulate those markets and industries. While this approach to expansion within new commercial markets and verticals has proven successful in the past, it is uncertain we will achieve the same penetration and organic growth in the future and our reputation, business, financial condition, and results of operations could be negatively impacted.

In the future, we may not be able to secure the financing necessary to operate and grow our business as planned, or to make acquisitions.

In the future, we may seek to raise or borrow additional funds to expand our product or business development efforts, make acquisitions or otherwise fund or grow our business and operations. During April 2021, we fully repaid the outstanding term loans in an aggregate principal amount of \$200.0 million and mutually agreed with the lenders and other applicable parties under our revolving credit facility to amend our credit facility to, among other things, increase the commitments under the revolving credit facility by \$200.0 million, for total revolving commitments of \$400.0 million. In March 2022, our revolving credit facility was further amended to, among other things, extend the maturity date of the revolving loan facility and increase the commitments under the revolving credit facility by \$100.0 million, and in July 2022, our revolving credit facility was further amended to, among other things, provide a new incremental delayed draw term loan (“DDTL”) commitment in an aggregate principal amount of \$450.0 million, upon the terms and conditions set forth in the credit agreement, as amended, with new and existing lenders. The DDTL commitment is available to draw upon through July 1, 2023 and any drawn amounts will mature on March 31, 2027. The existing revolving credit facility, as amended, matures in March 2027. The DDTL commitment together with our existing revolving commitments under our credit facility, as amended, provides for total commitments of up to \$950.0 million, all of which are undrawn as of the date of this Annual Report on Form 10-K. Any interest or facility payments are due and payable quarterly or more or less frequently in certain circumstances. Additional equity or debt financing may not be available on favorable terms, or at all.

Historically, we have funded our operations and capital expenditures primarily through equity issuances, proceeds from option exercises, and payments received from our customers. Although we currently anticipate that our existing cash and cash equivalents will be sufficient to meet our cash needs for at least the next twelve months, we may require additional financing, and we may not be able to obtain debt or equity financing on favorable terms, if at all. If we raise equity financing to fund operations or on an opportunistic basis, our stockholders may experience significant dilution of their ownership interests. If adequate funds are not available on acceptable terms, or at all, we may be unable to, among other things:

- develop new products, features, capabilities, and enhancements;
- continue to expand our product development, sales, and marketing organizations;

- recruit, hire, train, and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition or other growth or investment opportunities.

Our inability to take any of these actions because adequate funds are not available on acceptable terms could have an adverse impact on our business, financial condition, results of operations, and growth prospects.

Our debt agreements contain restrictions that may limit our flexibility in operating our business.

Our credit agreement and related documents, including our pledge and security agreements, contain, and instruments governing any future indebtedness of ours would likely contain, a number of covenants that will impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- create liens on certain assets;
- incur additional debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- sell certain assets;
- pay dividends on or make distributions in respect of our capital stock;
- place restrictions on certain activities of subsidiaries;
- transact with our affiliates; and
- use a portion of our cash resources.

Any of these restrictions could limit our ability to plan for or react to market conditions and could otherwise restrict corporate activities. Any failure to comply with these covenants could result in a default under our credit facility or instruments governing any future indebtedness of ours. Additionally, our credit facility is secured by substantially all of our assets. Upon a default, unless waived, the lenders under our credit facility could elect to terminate their commitments and cease making further loans, and, when amounts are outstanding, foreclose on our assets pledged to such lenders to secure our obligations under our credit agreement and force us into bankruptcy or liquidation. In addition, a default under our credit facility could trigger a cross default under agreements governing any future indebtedness. If we experience a default under our credit facility or instruments governing our future indebtedness, our business, financial condition, and results of operations may be adversely impacted.

In addition, a portion of our cash is pledged as cash collateral for letters of credit and bank guarantees which support certain of our real estate leases, customer contracts, and other guarantees and financing obligations. While these obligations remain outstanding and are cash collateralized, we do not have access to and cannot use the pledged cash for our operations or to repay our other indebtedness. As of December 31, 2022, we were in compliance with all covenants and restrictions associated with our credit facility.

Variable rate indebtedness that we may incur under our credit facility will subject us to interest rate risk, which could cause our debt service obligations to increase significantly.

As of December 31, 2022, no borrowings were outstanding under our credit facility. Any borrowings under the credit facility bear interest at variable rates, which exposes us to interest rate risk. Our loans under our credit facility would incur interest at the Secured Overnight Financing Rate (“SOFR”) as administered by the Federal Reserve Bank of New York, or a successor administrator of the SOFR (or the applicable benchmark replacement) plus 2.00% or a base rate plus 1.00%, subject to certain adjustments, and is payable quarterly or more or less frequently in certain circumstances.

We have invested in, and may in the future acquire or invest in, companies and technologies, which may divert our management’s attention, and result in additional dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions or investments. We are subject to risks associated with our investments, including a partial or complete loss of invested capital.

As part of our business strategy, we have engaged in strategic transactions and alternative investments in the past and expect to evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to complement or expand our products or our ability to provide services. An acquisition, investment or business relationship may result in unforeseen risks, operating difficulties and expenditures, including the following:

- any such transactions may negatively affect our financial results because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to such transactions;
- costs and potential difficulties associated with the requirement to test and assimilate the internal control processes of the acquired business;
- we may encounter difficulties or unforeseen expenditures assimilating or integrating the businesses, technologies, infrastructure, products, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us or if we are unable to retain key personnel, if their technology is not easily adapted to work with ours, or if we have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise;
- we may not realize the expected benefits of the transaction;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses, result in unfavorable public perception, and distract our management;
- an acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- the potential impact on relationships with existing customers, vendors, and distributors as business partners as a result of acquiring another company or business that competes with or otherwise is incompatible with those existing relationships;
- the potential that our due diligence of the applicable company or business does not identify significant problems or liabilities, or that we underestimate the costs and effects of identified liabilities;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, the transaction, including but not limited to claims from former employees, customers, or other third parties, which may differ from or be more significant than the risks our business faces;
- potential goodwill impairment charges related to acquisitions;
- we may encounter difficulties in, or may be unable to, successfully sell any acquired products;
- the transaction may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- an acquisition may require us to comply with additional laws and regulations, or to engage in substantial remediation efforts to cause the acquired company to comply with applicable laws or regulations, or result in liabilities resulting from the acquired company's failure to comply with applicable laws or regulations;
- our use of cash to pay for the transaction would limit other potential uses for our cash;
- if we incur debt to fund such a transaction, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- to the extent that we issue a significant amount of equity securities in connection with such transactions, existing stockholders may be diluted and earnings per share may decrease.

We have made and may continue to make strategic investments pursuant to certain approved agreements (“Investment Agreements”) to purchase, or commit to purchase, securities of various entities, including special purpose acquisition companies and/or other privately-held or publicly-traded entities (each, an “Investee” and such purchases, the “Investments”). However, we do not currently anticipate entering into new Investment Agreements to purchase, or commit to purchase, securities of special purpose acquisition companies.

Additionally, in connection with approving and signing the Investment Agreements, we and each Investee or an associated entity entered into a commercial contract for access to our products and services (collectively, the “Strategic Commercial Contracts”). As of December 31, 2022, the terms of such Strategic Commercial Contracts, including contractual options, range from three to eight years, and are subject to termination for cause provisions. The total value of such Strategic Commercial Contracts as of December 31, 2022 was \$492.7 million, inclusive of \$63.7 million of contractual options. When determining the total value of such Strategic Commercial Contracts, we assess customers’ financial condition, including the consideration of their ability and intention to pay, and whether all or some portion of the value of the contracts continue to meet the criteria for revenue recognition, among other factors. As a result of these assessments, the above \$492.7 million of total value of Strategic Commercial Contracts excludes an aggregate of \$262.2 million of the value of certain contracts when compared to amounts as of September 30, 2022. Certain companies with which we have entered into commercial contracts have been, and may continue

to be, unable to generate sufficient revenues or profitability or to access any necessary financing or funding in a timely manner or on favorable terms to them, which has negatively impacted, and may continue to negatively impact, our expected revenue and collections. These companies are generally engaged in businesses that involve novel and unproven technologies, products, and services and such companies have been, and may continue to be, unable to perform all or some of their obligations under any commercial contracts that we enter into with them in a timely manner or at all. For example, one of our early-stage Investee customers filed for bankruptcy in 2022, and the remaining value of the commercial contract with such customer that is not expected to be recognized as revenue has been excluded from the total value of Strategic Commercial Contracts above. As of December 31, 2022, the cumulative amount of revenue recognized from Strategic Commercial Contracts was \$166.6 million, of which \$118.4 million was recognized by us during the fiscal year ended December 31, 2022.

Our ability to sell or transfer, or realize value from our Investments may be limited by applicable securities laws and regulations, including the requirement that offers or sales of securities must be registered with the SEC pursuant to applicable laws or qualify for an exemption from such registration, and our ability to liquidate and realize value from our Investments may be negatively and materially impacted by any delays or limitations on our ability to offer, sell, or transfer our Investments. In addition, our Investments are speculative in nature and may be volatile or decline in value or be entirely lost. We have realized, and may continue to realize, losses related to these marketable securities, which could have a negative impact on our future financial position, results of operations, earnings per share, and cash flows.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, and financial condition. Moreover, we cannot assure you that we would not be exposed to unknown liabilities.

Risks Related to Intellectual Property, Information Technology, Data Privacy, and Security

If any of the systems of any third parties upon which we rely, our customers' cloud or on-premises environments, or our internal systems, are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of our platforms and O&M services may be harmed, and we may lose business and incur losses or liabilities.

Our success depends in part on our ability to provide effective data security protection in connection with our technology platforms and services, and we rely on information technology networks and systems to securely store, transmit, index, and otherwise process electronic information. Because our platforms and services are used by our customers to store, transmit, index, or otherwise process and analyze large data sets that often contain proprietary, confidential, and/or sensitive information (including in some instances personal or identifying information and personal health information), our software is perceived as an attractive target for attacks by computer hackers or others seeking unauthorized access, and our software faces threats of unintended exposure, exfiltration, alteration, deletion, loss, or unavailability of data. Additionally, because many of our customers use our platforms to store, transmit, and otherwise process proprietary, confidential, or sensitive information, and complete mission critical tasks, they have a lower risk tolerance for security vulnerabilities in our platforms and services than for vulnerabilities in other, less critical, software products and services.

Our platforms and services operate in conjunction with, and we are dependent upon, third-party products and components across a broad ecosystem, including our customer environments. There have been and may continue to be significant attacks on certain third-party providers, and we cannot guarantee that our or any third-party providers' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support or otherwise interface with us and our platforms and services. If there is a security vulnerability, error, or other bug in one of these third-party products or components and if there is a security exploit targeting them, we could face increased costs, claims, liability, reduced revenue, and harm to our reputation or competitive position. The natural sunseting or phasing out of third-party products and operating systems that we use requires that our infrastructure teams reallocate time and attention to migration and updates, during which period potential security vulnerabilities could be exploited. In addition, our software is deployed on-premises at customer sites and in other locations where we may not have full control over how our products are deployed or managed. If our products are not appropriately secured in these environments, they could be compromised, inappropriately accessed, or undergo unauthorized copying and distribution, which could adversely affect our business, financial condition, and results of operations. Further, as we increase the number of customers we serve on our cloud environment, the likelihood increases that some usage of our products may occur that violates our terms of service or is otherwise improper or perceived as improper, which could cause reputational damage and adversely affect our business, financial condition, and results of operations.

We, and the third-party vendors upon which we rely, have experienced, and may in the future experience, cybersecurity attacks and threats, including threats or attempts to disrupt our information technology infrastructure and unauthorized attempts to gain access to sensitive or confidential information. Our and our third-party vendors' technology systems may be damaged, disrupted, or compromised by malicious events, such as cyberattacks (including computer viruses, ransomware, and other malicious and destructive code, phishing attacks, and denial of service attacks), physical or electronic security breaches and incidents, natural disasters, fire, power loss, telecommunications failures, personnel misconduct, and human error. Such attacks

or security breaches or incidents may be perpetrated by internal bad actors, such as employees or contractors, or by third parties (including traditional computer hackers, persons involved with organized crime, or foreign state or foreign state-supported actors). Cybersecurity threats can employ a wide variety of methods and techniques, may include the use of social engineering techniques or supply-chain attacks, are constantly evolving, and have become increasingly complex and sophisticated, all of which increase the difficulty of detecting and successfully defending against them. Furthermore, because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until after they are launched against a target, we and our third-party vendors may not have the capacity to immediately detect such efforts, may be unable to anticipate these techniques, or may be unable to implement adequate preventative measures. Although prior known cyberattacks directed at us have not had a material impact on our financial results, and we are continuing to bolster our threat detection and mitigation processes and procedures, we cannot guarantee that past, future, or ongoing cyberattacks or other security breaches or incidents against us or a third party, if successful, will not have a material impact on our business or financial results, whether directly or indirectly. For instance, due to political uncertainty, geopolitical tensions, and military actions associated with the ongoing Russia-Ukraine conflict, we and our third-party vendors have been vulnerable to a heightened risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches and incidents from nation-state actors or affiliated actors, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell, and distribute our products and services. While we have security measures in place to protect our information and our customers' information and to prevent data loss and other security breaches and incidents, we have not always been able to do so and there can be no assurance that in the future we will be able to anticipate or prevent security breaches or incidents, or unauthorized access of our information technology systems or the information technology systems of the third-party vendors upon which we rely. Despite our implementation of network security measures and internal information security policies, data stored on personnel computer systems is also vulnerable to similar security breaches and incidents, unauthorized tampering or human error.

Many governments have enacted laws requiring companies to provide notice of data security breaches or incidents involving certain types of data, including personal data. In addition, most of our customers, including U.S. government customers, contractually require us to notify them of certain data security breaches and incidents. If an actual or perceived breach of security measures, unauthorized access to our system or the systems of the third-party vendors that we rely upon, or any other cybersecurity attack, threat, or incident occurs, we may face direct or indirect liability, costs, or damages, contract termination, our reputation in the industry and with current and potential customers may be compromised, our ability to attract new customers could be negatively affected, and our business, financial condition, and results of operations could be materially and adversely affected.

Further, unauthorized access to our or our third-party vendors' information technology systems or data or other security breaches or incidents could result in the loss, corruption, or unavailability of information; significant remediation costs; litigation, disputes, regulatory action, or investigations that could result in damages, material fines, and penalties; indemnity obligations; interruptions in the operation of our business, including our ability to provide new product features, new platforms, or services to our customers; damage to our operation technology networks and information technology systems; and other liabilities. Moreover, our remediation efforts may not be successful. Any or all of these issues, or the perception that any of them have occurred, could negatively affect our ability to attract new customers, cause existing customers to terminate or not renew their agreements, hinder our ability to obtain and maintain required or desirable cybersecurity certifications, and result in reputational damage, any of which could materially adversely affect our results of operations, financial condition, and future prospects. There can be no assurance that any limitations of liability provisions in our license arrangements with customers or in our agreements with vendors, partners, or others would be enforceable, applicable, or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim.

We maintain cybersecurity insurance and other types of insurance, subject to applicable deductibles and policy limits, but our insurance may not be sufficient to cover all costs associated with a potential data security incident. We also cannot be sure that our existing general liability insurance coverage and coverage for cyber liability or errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could harm our financial condition.

Issues raised by the use of artificial intelligence ("AI") (including machine learning) in our platforms may result in reputational harm or liability.

AI is enabled by or integrated into some of our technology platforms and is a significant and potentially growing element of our business. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed. Datasets in AI training, development, or operations may be insufficient, of poor quality, or reflect unwanted forms of bias. Inappropriate or controversial data practices by, or practices reflecting inherent biases of, data scientists, engineers, and end-users of our systems could impair the acceptance of AI

solutions. If the recommendations, forecasts, or analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, including under new proposed legislation regulating AI in jurisdictions such as the European Union (“EU”) and brand or reputational harm. Some AI scenarios present ethical issues. Though our technologies and business practices are designed to mitigate many of these risks, if we enable or offer AI solutions that are controversial or problematic because of their purported or real impact on human rights, privacy, employment, or other social issues, we may experience brand or reputational harm, as well as regulatory or legal scrutiny.

We depend on computing infrastructure operated by Amazon Web Services (“AWS”), Microsoft, and other third parties to support some of our customers and any errors, disruption, performance problems, or failure in their or our operational infrastructure could adversely affect our business, financial condition, and results of operations.

We rely on the technology, infrastructure, and software applications, including software-as-a-service offerings, of certain third parties, such as AWS and Microsoft Azure, in order to host or operate some or all of certain key technology platform features or functions of our business, including our cloud-based services (including Palantir Cloud, as defined in the section titled “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Components of Results of Operations*”), customer relationship management activities, billing and order management, and financial accounting services. Additionally, we rely on computer hardware purchased in order to deliver our platforms and services. We do not have control over the operations of the facilities of the third parties that we use. If any of these third-party services experience errors, disruptions, security issues, or other performance deficiencies, if they are updated such that our platforms become incompatible, if these services, software, or hardware fail or become unavailable due to extended outages, interruptions, defects, or otherwise, or if they are no longer available on commercially reasonable terms or prices (or at all), these issues could result in errors or defects in our platforms, cause our platforms to fail, our revenue and margins could decline, or our reputation and brand could be damaged, we could be exposed to legal or contractual liability, our expenses could increase, our ability to manage our operations could be interrupted, and our processes for managing our sales and servicing our customers could be impaired until equivalent services or technology, if available, are identified, procured, and implemented, all of which may take significant time and resources, increase our costs, and could adversely affect our business. Many of these third-party providers attempt to impose limitations on their liability for such errors, disruptions, defects, performance deficiencies, or failures, and if enforceable, we may have additional liability to our customers which may not be compensated by our third-party providers which are responsible for the liability.

We have experienced, and may in the future experience, disruptions, failures, data loss, corruption, unavailability, outages, and other performance problems with our infrastructure or cloud-based offerings due to a variety of factors, which have included or may in the future include infrastructure changes, introductions of new functionality, human or software errors, employee misconduct, capacity constraints, denial of service attacks, phishing attacks, computer viruses, ransomware, and other malicious or destructive code, or other security-related incidents, and our disaster recovery planning may not be sufficient for all situations. If we experience disruptions, failures, data loss, outages, or other performance problems, our business, financial condition, and results of operations could be adversely affected.

Our systems and the third-party systems upon which we and our customers rely are also vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, cybersecurity threats, terrorist attacks, natural disasters, public health crises such as the ongoing COVID-19 pandemic, geopolitical tensions such as those that may be caused by the ongoing Russia-Ukraine conflict, or acts of misconduct. Moreover, we have business operations in the San Francisco Bay Area, which is a seismically active region. Despite any precautions we may take, the occurrence of a catastrophic event or other unanticipated problems at our or our third-party vendors’ hosting facilities, or within our systems or the systems of third parties upon which we rely, could result in interruptions, performance problems, or failure of our infrastructure, technology, or platforms, which may adversely impact our business. In addition, our ability to conduct normal business operations could be severely affected. In the event of significant physical damage to one of these facilities, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. In addition, any negative publicity arising from these disruptions could harm our reputation and brand and adversely affect our business.

Furthermore, our platforms are in many cases important or essential to our customers’ operations, including in some cases, their cybersecurity or oversight and compliance programs, and subject to service level agreements (“SLAs”). Any interruption in our service, whether as a result of an internal or third-party issue, could damage our brand and reputation, cause our customers to terminate or not renew their contracts with us or decrease use of our platforms and services, require us to indemnify our customers against certain losses, result in our issuing credit or paying penalties or fines, subject us to other losses or liabilities, cause our platforms to be perceived as unreliable or unsecure, and prevent us from gaining new or additional business from current or future customers, any of which could harm our business, financial condition, and results of operations.

Moreover, to the extent that we do not 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, our business,

financial condition, and results of operations could be adversely affected. The provisioning of additional cloud hosting capacity requires lead time. AWS, Microsoft Azure, and other third parties have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If AWS, Microsoft Azure, or other third parties increase pricing terms, terminate or seek to terminate our contractual relationship, establish more favorable relationships with our competitors, or change or interpret their terms of service or policies in a manner that is unfavorable to us, we may be required to transfer to other cloud providers or invest in a private cloud. If we are required to transfer to other cloud providers or invest in a private cloud, we could incur significant costs and experience possible service interruption in connection with doing so, or risk loss of customer contracts if they are unwilling to accept such a change.

A failure to maintain our relationships with our third-party providers (or obtain adequate replacements), and to receive services from such providers that do not contain any material errors or defects, could adversely affect our ability to deliver effective products and solutions to our customers and adversely affect our business and results of operations.

Our policies regarding customer confidential information and support for individual privacy and civil liberties could cause us to experience adverse business and reputational consequences.

We strive to protect our customers' confidential information and individuals' privacy interests consistent with applicable laws, directives, and regulations. Consequently, we do not provide information about our customers to third parties without legal process. From time to time, government entities may seek our assistance with obtaining information about our customers or could request that we modify our technology platforms in a manner to permit access or monitoring. In light of our confidentiality and privacy commitments, we may legally challenge law enforcement or other government requests to provide information, to obtain encryption keys, or to modify or weaken encryption. To the extent that we do not provide assistance to or comply with requests from government entities, or if we challenge those requests publicly or in court, we may experience adverse political, business, and reputational consequences among certain customers or portions of the public. Conversely, to the extent that we do provide such assistance, or do not challenge those requests publicly in court, we may experience adverse political, business, and reputational consequences from other customers or portions of the public arising from concerns over privacy or the government's activities.

Failure to adequately obtain, maintain, protect and enforce our intellectual property and other proprietary rights could adversely affect our business.

Our success and ability to compete depends in part on our ability to protect proprietary methods and technologies that we develop under a combination of patent and other intellectual property and proprietary rights in the United States and other jurisdictions outside the United States so that we can prevent others from using our inventions and proprietary information and technology. Despite our efforts, third parties may attempt to disclose, obtain, copy, or use our intellectual property or other proprietary information or technology without our authorization, and our efforts to protect our intellectual property and other proprietary rights may not prevent such unauthorized disclosure or use, misappropriation, infringement, reverse engineering or other violation of our intellectual property or other proprietary rights. Effective protection of our rights may not be available to us in every country in which our technology platforms or services are available. The laws of some countries may not be as protective of intellectual property and other proprietary rights as those in the United States, and mechanisms for enforcement of intellectual property and other proprietary rights may be inadequate. Also, our involvement in standard setting activity or the need to obtain licenses from others may require us to license our intellectual property. Accordingly, despite our efforts, we may be unable to prevent third parties from using our intellectual property or other proprietary information or technology.

In addition, we may be the subject of intellectual property infringement or misappropriation claims, which could be very time-consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages if we are found to have infringed patents, copyrights, trademarks, or other intellectual property rights, or breached trademark co-existence agreements or other intellectual property licenses and could require us to cease using or to rebrand all or portions of our platforms. Any of our patents, copyrights, trademarks, or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation.

While we have issued patents and patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications or such patent protection may not be obtained quickly enough to meet our business needs. Furthermore, the patent prosecution process is expensive, time-consuming, and complex, and we may not be able to prepare, file, prosecute, maintain, and enforce all necessary or desirable patent applications at a reasonable cost or in a timely manner. The scope of patent protection also can be reinterpreted after issuance and issued patents may be invalidated. Even if our patent applications do issue as patents, they may not issue in a form that is sufficiently broad to protect our technology, prevent competitors or other third parties from competing with us or otherwise provide us with any competitive advantage. Even if our patents issue in a form that covers our technology, enforcing patents against suspected infringers is time consuming, expensive, and involves risks associated with litigation, including the risk the suspected infringers file counterclaims against us.

In addition, any of our patents, copyrights, trademarks, or other intellectual property or proprietary rights may be challenged, narrowed, invalidated, held unenforceable, or circumvented in litigation or other proceedings, including, where applicable, opposition, re-examination, *inter partes* review, post-grant review, interference, nullification and derivation proceedings, and equivalent proceedings in foreign jurisdictions, and such intellectual property or other proprietary rights may be lost or no longer provide us meaningful competitive advantages. Such proceedings may result in substantial cost and require significant time from our management, even if the eventual outcome is favorable to us. Third parties also may legitimately and independently develop products, services, and technology similar to or duplicative of our platforms. In addition to protection under intellectual property laws, we rely on confidentiality or license agreements that we generally enter into with our corporate partners, employees, consultants, advisors, vendors, and customers, and generally limit access to and distribution of our proprietary information. However, we cannot be certain that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached or challenged, or that such breaches will be detected. Furthermore, non-disclosure provisions can be difficult to enforce, and even if successfully enforced, may not be entirely effective. Additionally, as more information about us and our platforms is made or becomes publicly available, it may be more difficult to manage actions by third parties with respect to, or other use of, such information. We cannot guarantee that any of the measures we have taken will prevent infringement, misappropriation, or other violation of our technology or other intellectual property or proprietary rights. Because we may be an attractive target for cyberattacks, we also may have a heightened risk of unauthorized access to, and misappropriation of, our proprietary and competitively sensitive information. We may be required to spend significant resources to monitor and protect our intellectual property and other proprietary rights, and we may conclude that in at least some instances the benefits of protecting our intellectual property or other proprietary rights may be outweighed by the expense or distraction to our management. We may initiate claims or litigation against third parties for infringement, misappropriation, or other violation of our intellectual property or other proprietary rights or to establish the validity of our intellectual property or other proprietary rights. Any such litigation, whether or not it is resolved in our favor, could be time-consuming, result in significant expense to us and divert the efforts of our technical and management personnel. Furthermore, attempts to enforce our intellectual property rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part.

We have been, and may in the future be, subject to intellectual property rights claims, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Our success and ability to compete also depends in part on our ability to operate without infringing, misappropriating or otherwise violating the intellectual property or other proprietary rights of third parties. Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently pursue litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantial resources to enforce their intellectual property rights and to defend claims that may be brought against them. Such litigation also may involve non-practicing patent assertion entities or companies who use their patents as a means to extract license fees by threatening costly litigation or that have minimal operations or relevant product revenue and against whom our patents may provide little or no deterrence or protection. We have received notices, and may continue to receive notices in the future, that claim we have infringed, misappropriated, misused or otherwise violated other parties' intellectual property rights, and, to the extent we have made or will make more information about our platforms publicly available and become exposed to greater visibility, we face a higher risk of being the subject of intellectual property infringement, misappropriation or other violation claims, which is not uncommon with respect to software technologies in particular. There may be third-party intellectual property rights, including issued patents or pending patent applications, that cover significant aspects of our technologies, or business methods. There may also be third-party intellectual property rights, including trademark registrations and pending applications, that cover the goods and services that we offer in certain regions. We may also be exposed to increased risk of being the subject of intellectual property infringement, misappropriation, or other violation claims as a result of acquisitions and our incorporation of open source and other third-party software into, or new branding for, our technology platforms, as, among other things, we have a lower level of visibility into the development process with respect to such technology or the care taken to safeguard against infringement, misappropriation, or other violation risks. In addition, former employers of our current, former, or future employees may assert claims that such employees have improperly disclosed to us confidential or proprietary information of these former employers. Any intellectual property claims, with or without merit, are difficult to predict, could be very time-consuming and expensive to settle or litigate, could divert our management's attention and other resources, and may not be covered by the insurance that we carry. These claims could subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed a third party's intellectual property rights. These claims could also result in our having to stop using technology, branding or marks found to be in violation of a third party's rights and any necessary rebranding could result in the loss of goodwill. We could be required to seek a license for the intellectual property, which may not be available on commercially reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our expenses. As a result, we could be required to develop alternative non-infringing technology, branding or marks, which could require significant effort and expense. If we cannot license rights or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of one

or more of our platforms or features, we could lose existing customers, and we may be unable to compete effectively. Any of these results would harm our business, financial condition, and results of operations.

Further, our agreements with customers and other third parties generally include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of third-party claims of intellectual property infringement, misappropriation, or other violations of intellectual property rights, damages caused by us to property or persons, or other liabilities relating to or arising from our platforms, services, or other contractual obligations. Large indemnity payments could harm our business, financial condition, and results of operations. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

Real or perceived errors, failures, defects, or bugs in our platforms could adversely affect our results of operations and growth prospects.

Because we offer very complex technology platforms, undetected errors, defects, failures, or bugs have occurred and may in the future occur, especially when platforms or capabilities are first introduced or when new versions or other product or infrastructure updates are released. Our platforms are often installed and used in large-scale computing environments with different operating systems, software products and equipment, and data source and network configurations, which may cause errors or failures in our platforms or may expose undetected errors, failures, or bugs in our platforms. Despite testing by us, errors, failures, or bugs may not be found in new software or releases until after commencement of commercial shipments. In the past, errors have affected the performance of our platforms and can also delay the development or release of new platforms or capabilities or new versions of platforms, adversely affect our reputation and our customers' willingness to buy platforms from us, and adversely affect market acceptance or perception of our platforms. Many of our customers use our platforms in applications that are critical to their businesses or missions and may have a lower risk tolerance to defects in our platforms than to defects in other, less critical, software products. Any errors or delays in releasing new software or new versions of platforms or allegations of unsatisfactory performance, errors, defects, or failures in released software could cause us to lose revenue or market share, increase our service costs, cause us to incur substantial costs in redesigning the software, cause us to lose significant customers, subject us to liability for damages and divert our resources from other tasks, any one of which could materially and adversely affect our business, results of operations and financial condition. In addition, our platforms could be perceived to be ineffective for a variety of reasons outside of our control. Hackers or other malicious parties could circumvent our or our customers' security measures, and customers may misuse our platforms resulting in a security breach or perceived product failure.

Real or perceived errors, failures, or bugs in our platforms and services, or dissatisfaction with our services and outcomes, could result in customer terminations and/or claims by customers for losses sustained by them. In such an event, we may be required, or we may choose, for customer relations or other reasons, to expend additional resources in order to help correct any such errors, failures, or bugs. Although we have limitation of liability provisions in our standard software licensing and service agreement terms and conditions, these provisions may not be enforceable in some circumstances, may vary in levels of protection across our agreements, or may not fully or effectively protect us from such claims and related liabilities and costs. We generally provide a warranty for our software products and services and an SLA for our performance of software operations via our O&M services to customers. In the event that there is a failure of warranties in such agreements, we are generally obligated to correct the product or service to conform to the warranty provision as set forth in the applicable SLA, or, if we are unable to do so, the customer is entitled to seek a refund of the purchase price of the product and service (generally prorated over the contract term). The sale and support of our products also entail the risk of product liability claims. We maintain insurance to protect against certain claims associated with the use of our products, but our insurance coverage may not adequately cover any claim asserted against us. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and divert management's time and other resources.

In addition, our platforms integrate a wide variety of other elements, and our platforms must successfully interoperate with products from other vendors and our customers' internally developed software. As a result, when problems occur for a customer using our platforms, it may be difficult to identify the sources of these problems, and we may receive blame for a security, access control, or other compliance breach that was the result of the failure of one of the other elements in a customer's or another vendor's IT, security, or compliance infrastructure. The occurrence of software or errors in data, whether or not caused by our platforms, could delay or reduce market acceptance of our platforms and have an adverse effect on our business and financial performance, and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems could harm our business, financial condition, and results of operations. If an actual or perceived breach of information correctness, auditability, integrity, or availability occurs in one of our customers' systems, regardless of whether the breach is attributable to our platforms, the market perception of the effectiveness of our platforms could be harmed. Alleviating any of these problems could require additional significant expenditures of our capital and other resources and could cause interruptions, delays, or cessation of our product licensing, which could cause us to lose existing or potential customers and could adversely affect our business, financial condition, results of operations, and growth prospects.

We rely on the availability of licenses to third-party technology that may be difficult to replace or that may cause errors or delay implementation of our platforms and services should we not be able to continue or obtain a commercially reasonable license to such technology.

Our technology platforms include software or other intellectual property licensed from third parties. It may be necessary in the future to renew licenses relating to various aspects of these platforms or to seek new licenses for existing or new platforms or other products. There can be no assurance that the necessary licenses would be available on commercially acceptable terms, if at all. Third parties may terminate their licenses with us for a variety of reasons, including actual or perceived failures or breaches of security or privacy, or reputational concerns, or they may choose not to renew their licenses with us. In addition, we may be subject to liability if third-party software that we license is found to infringe, misappropriate, or otherwise violate intellectual property or privacy rights of others. The loss of, or inability to obtain, certain third-party licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in product roll-backs, delays in product releases until equivalent technology can be identified, licensed or developed, if at all, and integrated into our platforms, and may have a material adverse effect on our business, financial condition, and results of operations. Moreover, the inclusion in our platforms of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to differentiate our platforms from products of our competitors and could inhibit our ability to provide the current level of service to existing customers.

In addition, any data that we license from third parties for potential use in our platforms may contain errors or defects, which could negatively impact the analytics that our customers perform on or with such data. This may have a negative impact on how our platforms are perceived by our current and potential customers and could materially damage our reputation and brand.

Changes in or the loss of third-party licenses could lead to our platforms becoming inoperable or the performance of our platforms being materially reduced resulting in our potentially needing to incur additional research and development costs to ensure continued performance of our platforms or a material increase in the costs of licensing, and we may experience decreased demand for our platforms.

Our platforms contain “open source” software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Our technology platforms are distributed with software licensed by its authors or other third parties under “open source” licenses. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license these modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary software with open source software in a certain manner, we could, under certain provisions of the open source licenses, be required to release the source code of our proprietary software. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide updates, warranties, support, indemnities, assurances of title, or controls on origin of the software, and are provided on an “as-is” basis. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an “as-is” basis. We have established processes to help alleviate these risks, including a review process for screening requests from our development organization for the use of open source software, and the use of software tools to review our source code for open source software, but we cannot be sure that all open source software is submitted for approval prior to use in our platforms or that such software tools will be effective. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source software cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to re-engineer our platforms, to release proprietary source code, to discontinue the sale of our platforms in the event re-engineering could not be accomplished on a timely basis, or to take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, results of operations, financial condition, and growth prospects. In addition, if the open source software we use is no longer maintained by the relevant open source community, then it may be more difficult to make the necessary revisions to our software, including modifications to address security vulnerabilities, which could impact our ability to mitigate cybersecurity risks or fulfill our contractual obligations to our customers. We may also face claims from copyright owners seeking to enforce the terms of an open source license governing the software, including by demanding release of the open source software, derivative works or our proprietary source code that was developed using such software. Such claims, with or without merit, could result in litigation, could be time-consuming and expensive to settle or litigation, including copyright infringement claims, could divert our management’s attention and other resources, could require us to lease some of our proprietary code, or could require us to devote additional research and development resources to change our software, any of which could adversely affect our business.

Additionally, we have intentionally made certain proprietary software available on an open source basis, both by contributing modifications back to existing open source projects, and by making certain internally developed tools available pursuant to open source licenses, and we plan to continue to do so in the future. While we have established procedures, including a review

process for any such contributions, which is designed to protect any code that may be competitively sensitive, we cannot guarantee that this process has always been applied consistently. Even when applied, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we may be unable to prevent our competitors or others from using such contributed software source code for competitive purposes, or for commercial or other purposes beyond what we intended.

Many of these risks associated with usage of open source software could be difficult to eliminate or manage, and could, if not properly addressed, negatively affect the performance of our offerings and our business.

Risks Related to Legal, Regulatory, and Accounting

Our business is subject to complex and evolving U.S. and non-U.S. laws and regulations regarding privacy, data protection and security, technology protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or otherwise harm our business.

We are subject to a variety of local, state, national, and international laws, directives, and regulations in the United States and abroad that involve matters central to our business, including privacy and data protection, data security, data storage, retention, transfer and deletion, technology protection, and personal information. International data protection, data security, privacy, and other laws and regulations can impose different obligations or be more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations, which, depending on the regime, may be enforced by private parties or government entities, are constantly evolving and can be subject to significant change, and they are likely to continue to develop and evolve for the foreseeable future. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving software and technology industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. A number of proposals are pending before U.S. federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. For example, despite recent developments including an in-principle agreement between the United States and the European Commission and a subsequent Executive Order directing the steps that the United States will take to implement the U.S. commitments under the new EU-U.S. Data Privacy Framework, new legal challenges to the mechanisms allowing companies to transfer personal data from the European Economic Area to certain other jurisdictions, including the United States, could emerge, resulting in further limitations on the ability to transfer data across borders. The California state legislature passed the California Consumer Privacy Act (“CCPA”) in 2018 and California voters approved a ballot measure subsequently establishing the California Privacy Rights Act (“CPRA”) in 2020, which regulate the processing of personal information of California residents and increase the privacy and security obligations of entities handling certain personal information of California residents, including requiring covered companies to provide new disclosures to California consumers, and affords such consumers new abilities to opt-out of certain sales of personal information. The CCPA went into effect on January 1, 2020, and the California Attorney General may bring enforcement actions, with penalties for violations of the CCPA. The CPRA went into effect on January 1, 2023 instilling enforcement authority in a new dedicated regulatory body, the California Privacy Protection Agency, which will begin carrying out enforcement actions as soon as six months after the enactment date. While aspects of both the CCPA and CPRA and their interpretations remain to be determined in practice, we are committed to complying with their applicable obligations. More generally, some observers have noted the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, as observed with the subsequent adoption of state-level comprehensive consumer privacy legislation, including the following (collectively, the “State Privacy Laws”):

- the Virginia Consumer Data Protection Act, enacted in March 2021 and became effective on January 1, 2023;
- the Colorado Privacy Act, which was enacted in June 2021, will become effective on July 1, 2023;
- the Utah Consumer Privacy Act, which was enacted in March 2022, and will become effective December 31, 2023; and
- Connecticut’s Act Concerning Personal Data Privacy and Online Monitoring, which was enacted in May 2022 and most of which will become effective July 1, 2023.

We cannot yet fully predict the impact of the State Privacy Laws and other new laws or regulations on our business or operations, but developments regarding these and all privacy and data protection laws and regulations around the world may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to maintain compliance on an ongoing basis. Outside of the United States, virtually every jurisdiction in which we operate has established its own legal framework relating to privacy, data protection, and information security matters with which we and/or our customers must comply. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, retention, disclosure, security, transfer, and other processing of data that identifies or may be used to identify or locate an individual. Some countries and regions, including the EU, are considering or have passed legislation that imposes significant obligations in

connection with privacy, data protection, and information security that could increase the cost and complexity of delivering our platforms and services, including the European General Data Protection Regulation (“GDPR”) which took effect in May 2018. Complying with the GDPR or other data protection laws, directives, and regulations as they emerge may cause us to incur substantial operational costs or require us to modify our data handling practices on an ongoing basis. Non-compliance with the GDPR specifically may result in administrative fines or monetary penalties of up to 4% of worldwide annual revenue in the preceding financial year or €20 million (whichever is higher) for the most serious infringements, and could result in proceedings against us by governmental entities or other related parties and may otherwise adversely impact our business, financial condition, and results of operations.

Additionally, post-Brexit updates to U.K. data protection laws and regulations, while largely conforming to EU GDPR standards paving the way for a 2021 European Commission adequacy determination for export of personal data from the European Economic Area to the U.K., may change over time as the U.K. and its regulator, the Information Commissioner’s Office, continue to examine its global market standing. Modifications in the standards for valid data transfer to the U.S. from the U.K., the EU, Switzerland, and other countries using standard contractual clauses or similar mechanisms may further require us to change our product and business practices, as well as to update client agreements in ways that introduce additional costs to our business.

The overarching complexity of laws and regulations relating to privacy, data protection, and information security around the world pose a compliance challenge that could manifest in costs, damages, or liability in other forms as a result of failure to implement proper programmatic controls, failure to adhere to those controls or to the commitments we make, or the malicious or inadvertent breach of applicable legal, regulatory, or contractual privacy or data protection requirements by us, our employees, our business partners, or our customers.

In addition to government regulation, self-regulatory standards and other industry standards may legally or contractually apply to us, be argued to apply to us, or we may elect to comply with such standards or to facilitate our customers’ compliance with such standards. Because privacy, data protection, and information security are critical competitive factors in our industry, we may make statements on our website, in marketing materials, or in other settings about our data security measures and our compliance with, or our ability to facilitate our customers’ compliance with, these standards. We also expect that there will continue to be new proposed laws and regulations concerning privacy, data protection, and information security, and we cannot yet determine the impact such future laws, regulations and standards, or amendments to or re-interpretations of existing laws and regulations, industry standards, or other obligations may have on our business. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, and contractual and other obligations may require us to incur additional costs and restrict our business operations. As these legal regimes relating to privacy, data protection, and information security continue to evolve, they may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions. Furthermore, because the interpretation and application of laws, standards, contractual obligations and other obligations relating to privacy, data protection, and information security are uncertain, these laws, standards, and contractual and other obligations may be interpreted and applied in a manner that is, or is alleged to be, inconsistent with our data management practices, our policies or procedures, or the features of our platforms, or we may simply fail to properly develop or implement our practices, policies, procedures, or features in compliance with such obligations. If so, in addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our platforms, which could have an adverse effect on our business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to fulfill existing obligations, make enhancements, or develop new platforms and features could be limited. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our platforms.

These existing and proposed laws and regulations can be costly to comply with and can make our platforms and services less effective or valuable, delay or impede the development of new products, result in negative publicity, increase our operating costs, require us to modify our data handling practices, limit our operations, impose substantial fines and penalties, require significant management time and attention, or put our data or technology at risk. Any failure or perceived failure by us or our platforms to comply with the laws, regulations, directives, policies, industry standards, or legal obligations of the United States, EU, or other governmental or non-governmental bodies at the regional, national, or supra-national level relating to privacy, data protection, or information security, or any security incident that results in actual or suspected loss of or the unauthorized access to, or acquisition, use, release, or transfer of, personal information, personal data, or other customer or sensitive data or information may result in governmental investigations, inquiries, enforcement actions and prosecutions, private claims and litigation, indemnification or other contractual obligations, other remedies, including fines or demands that we modify or cease existing business practices, or adverse publicity, and related costs and liabilities, which could significantly and adversely affect our business and results of operations.

Our non-U.S. sales and operations subject us to additional risks and regulations that can adversely affect our results of operations.

Our successes to date have primarily come from customers in relatively stable and developed countries, but we are in the process of entering new and emerging markets in non-U.S. countries, including with COVID-19 response efforts and defense, law enforcement, national security, and other government agencies, as part of our growth strategy. These new and emerging markets may involve uncertain business, technology, and economic risks and may be difficult or impossible for us to penetrate, even if we were to commit significant resources to do so.

We currently have sales personnel and sales and services operations in the United States and certain countries around the world. To the extent that we experience difficulties in recruiting, training, managing, or retaining non-U.S. staff, and specifically sales management and sales personnel staff, we may experience difficulties in sales productivity in, or market penetration of, non-U.S. markets. Our ability to convince customers to expand their use of our platforms or renew their subscription, license, or maintenance and service agreements with us is correlated to, among other things, our direct engagement with the customer. To the extent we are restricted or unable to engage with non-U.S. customers effectively with our limited sales force and services capacity, we may be unable to grow sales to existing customers to the same degree we have experienced in the United States.

Our non-U.S. operations subject us to a variety of risks and challenges, including:

- increased management, travel, infrastructure, and legal and financial compliance costs and time associated with having multiple non-U.S. operations, including but not limited to compliance with local employment laws and other applicable laws and regulations;
- longer payment cycles, greater difficulty in enforcing contracts, difficulties in collecting accounts receivable, especially in emerging markets, and the likelihood that revenue from non-U.S. system integrators, government contractors, and customers may need to be recognized when cash is received, at least until satisfactory payment history has been established, or upon confirmation of certain acceptance criteria or milestones;
- the need to adapt our platforms for non-U.S. customers whether to accommodate customer preferences or local law;
- differing regulatory and legal requirements and possible enactment of additional regulations or restrictions on the use, import, or re-export of our platforms or the provision of services, which could delay, restrict, or prevent the sale or use of our platforms and services in some jurisdictions;
- compliance with multiple and changing foreign laws and regulations, including those governing employment, privacy, data protection, information security, data transfer, and the risks and costs of non-compliance with such laws and regulations;
- new and different sources of competition not present in the United States;
- heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may cause us to withdraw from particular markets, or impact financial results and result in restatements of financial statements and irregularities in financial statements;
- volatility in non-U.S. political and economic environments, including by way of examples, the potential effects of the ongoing COVID-19 pandemic, and the ongoing Russia-Ukraine conflict, as well as economic sanctions the United States and other countries have imposed on Russia;
- weaker protection of intellectual property rights in some countries and the risk of potential theft, copying, or other compromises of our technology, data, or intellectual property in connection with our non-U.S. operations, whether by state-sponsored malfeasance or other foreign entities or individuals;
- volatility and fluctuations in currency exchange rates, including that, because many of our non-U.S. contracts are denominated in U.S. dollars, an increase in the strength of the U.S. dollar has made our products more expensive for non-U.S. dollar denominated customers, which may make doing business with us less appealing to such customers;
- management and employee communication and integration problems resulting from language differences, cultural differences, and geographic dispersion;
- difficulties in repatriating or transferring funds from, or converting currencies in, certain countries;
- potentially adverse tax consequences, including multiple and possibly overlapping tax regimes, the complexities of foreign value-added tax systems, and changes in tax laws;
- lack of familiarity with local laws, customs, and practices, and laws and business practices favoring local competitors or partners; and

- interruptions to our business operations and our customers' business operations subject to events such as war, incidents of terrorism, natural disasters, public health concerns or epidemics (such as the ongoing COVID-19 pandemic), shortages or failures of power, internet, telecommunications, or hosting service providers, cyberattacks or malicious acts, or responses to these events.

In addition to the factors above, foreign governments may take administrative, legislative, or regulatory action that could materially interfere with our ability to sell our platforms in certain countries. For example, foreign governments may require a percentage of prime contracts be fulfilled by local contractors or provide special incentives to government-backed local customers to buy from local competitors, even if their products are inferior to ours. Moreover, both the U.S. government and foreign governments may regulate the acquisition of or import of our technologies or our entry into certain foreign markets or partnership with foreign third parties through investment screening or other regulations. Such regulations may apply to certain non-U.S. joint ventures, platform partnerships, and strategic alliances that may be integral to our long-term business strategy.

Compliance with laws and regulations applicable to our non-U.S. operations increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with changes in foreign government requirements and laws as they change from time to time. Failure to comply with these regulations could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions, or other collateral consequences. In many foreign countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. In addition, although we have implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, partners, and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, partners, or agents could result in delays in revenue recognition, financial reporting misstatements, governmental sanctions, fines, penalties, or the prohibition of the importation or exportation of our platforms. In addition, responding to any action may result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions or failure to prevail in any possible civil or criminal litigation could harm our business, reputation, financial condition, and results of operations.

Also, we are expanding operations, including our work with existing commercial customers, into countries in Asia, Europe, the Middle East, and elsewhere, which may place restrictions on the transfer of data and potentially the import and use of foreign encryption technology. Any of these risks could harm our non-U.S. operations and reduce our non-U.S. sales, adversely affecting our business, results of operations, financial condition, and growth prospects.

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

Failure to comply with governmental laws and regulations could harm our business, and we have been, and expect to be, the subject of legal and regulatory inquiries, which may result in monetary payments or may otherwise negatively impact our reputation, business, and results of operations.

Our business is subject to regulation by various federal, state, local, and foreign governments in which we operate. In certain jurisdictions, the regulatory requirements imposed by foreign governments may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, administrative proceedings, sanctions, enforcement actions, disgorgement of profits, fines, damages, litigation, civil and criminal penalties, termination of contracts, exclusion from sales channels or sales opportunities, injunctions, or other consequences. Such matters may include, but are not limited to, claims, disputes, allegations, or investigations related to alleged violations of laws or regulations relating to anti-corruption requirements, lobbying or conflict-of-interest requirements, export or other trade controls, data privacy or data protection requirements, or laws or regulations relating to employment, procurement, cybersecurity, securities, or antitrust/competition requirements. The effects of recently imposed and proposed actions are uncertain because of the dynamic nature of governmental action and responses. We may be subject to government inquiries that drain our time and resources, tarnish our brand among customers and potential customers, prevent us from doing business with certain customers or markets, including government customers, affect our ability to hire, attract and maintain qualified employees, or require us to take remedial action or pay penalties. From time to time, we receive formal and informal inquiries from governmental agencies and regulators regarding our compliance with laws and regulations or otherwise relating to our business or transactions. Any negative outcome from such inquiries or investigations or failure to prevail in any possible civil or criminal litigation could adversely affect our business, reputation, financial condition, results of operations, and growth prospects.

We have previously been, and are currently, or in the future may become, involved in a number of legal, regulatory, and administrative inquiries and proceedings, and unfavorable outcomes in litigation or other of these matters could negatively impact our business, financial conditions, and results of operations.

We have previously been, and are currently, and from time to time going forward may become involved in and subject to regulatory or other governmental inquiries or investigations, or government or private-party litigation or proceedings for a variety of claims or disputes. These claims, lawsuits, and proceedings have involved, and could in the future involve, labor and employment, discrimination and harassment, commercial disputes, intellectual property rights (including patent, trademark, copyright, trade secret, and other proprietary rights), class actions, general contract, tort, defamation, data privacy rights, antitrust, common law fraud, government regulation, or compliance, alleged federal and state securities and “blue sky” law violations or other investor claims, and other matters. Derivative claims, lawsuits, and proceedings involving breach of fiduciary duty, failure of oversight, corporate waste claims, and other matters have been, and may in the future be, asserted against our officers and directors by our stockholders. In addition, we and certain of our officers and directors were recently sued in purported class action lawsuits and derivative lawsuits. Our business and results may be adversely affected by the outcome of any currently pending or any future legal, regulatory, and/or administrative claims or proceedings, including through monetary damages or injunctive relief.

The number and significance of our legal disputes and inquiries may increase as we continue to grow larger, as our business expands in employee headcount, scope, and geographic reach, and as our platforms and services become more complex. Additionally, if customers fail to pay us under the terms of our agreements, we may be adversely affected due to the cost of enforcing the terms of our contracts through litigation. Litigation or other proceedings can be expensive and time consuming and can divert our resources and leadership’s attention from our primary business operations. The results of our litigation also cannot be predicted with certainty. If we are unable to prevail in litigation, we could incur payments of substantial monetary damages or fines, or undesirable changes to our platforms or business practices, and accordingly, our business, financial condition, or results of operations could be materially and adversely affected. Furthermore, if we accrue a loss contingency for pending litigation and determine that it is probable, any disclosures, estimates, and reserves we reflect in our financial statements with regard to these matters may not reflect the ultimate disposition or financial impact of litigation or other such matters. These proceedings could also result in negative publicity, which could harm customer and public perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Additional information regarding certain of the lawsuits we are involved in is described further in *Note 8. Commitments and Contingencies* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Failure to comply with anti-bribery and anti-corruption laws could subject us to penalties and other adverse consequences.

As we operate and sell our platforms and services around the world, we are subject to the United States Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the United States Travel Act, and other anti-corruption and anti-bribery laws and regulations in the jurisdictions in which we do business, both domestic and abroad. These laws and regulations generally prohibit improper payments or offers of improper payments to government officials, political parties, or commercial partners for the purpose of obtaining or retaining business or securing an improper business advantage.

We have operations, deal with and make sales to governmental or quasi-governmental entities in the United States and in non-U.S. countries, including those known to experience corruption, particularly certain emerging countries in East Asia, Eastern Europe, Africa, South America, and the Middle East, and further expansion of our non-U.S. sales efforts may involve additional regions.

Corruption issues pose a risk in every country and jurisdiction, but in many countries, particularly in countries with developing economies, it may be more common for businesses to engage in practices that are prohibited by the FCPA or other applicable laws and regulations, and our activities in these countries pose a heightened risk of unauthorized payments or offers of payments by one of our employees or third-party business partners, representatives, and agents that could be in violation of various laws including the FCPA. The FCPA, U.K. Bribery Act and other applicable anti-bribery and anti-corruption laws also may hold us liable for acts of corruption and bribery committed by our third-party business partners, representatives, and agents. We and our third-party business partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of our employees or such third parties even if we do not explicitly authorize such activities. The FCPA or other applicable laws and regulations also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have implemented policies and procedures to address compliance with such laws, we cannot ensure that our employees or other third parties working on our behalf will not engage in conduct in violation of our policies or applicable law for which we might ultimately be held responsible. Violations of the FCPA, the U.K. Bribery Act, and other laws may result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, as well as severe criminal or civil sanctions, including suspension or debarment from U.S. government contracting, and we may be subject to other liabilities and adverse effects on our

reputation, which could negatively affect our business, results of operations, financial condition, and growth prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees. Our exposure for violating these laws increases as our non-U.S. presence expands and as we increase sales and operations in foreign jurisdictions.

Governmental trade controls, including export and import controls, sanctions, customs requirements, and related regimes, could subject us to liability or loss of contracting privileges or limit our ability to compete in certain markets.

Our offerings are subject to U.S. export controls, and we incorporate encryption technology into certain of our offerings. Our controlled software offerings and the underlying technology may be exported outside of the United States only with the required export authorizations, which may include license requirements in some circumstances. Additionally, our current or future products may be classified under the Commerce Department Export Administration Regulations ("EAR") or as defense articles subject to the United States International Traffic in Arms Regulations ("ITAR"). Most of our products, including our core software platforms, have been classified under the EAR and are generally exportable without needing a specific license, under an EAR exception for encrypted software. If a product, or component of a product, is classified under the ITAR, or is ineligible for the EAR encryption exception, then those products could be exported outside the United States only if we obtain the applicable export license or qualify for a different license exception. In certain contexts, the services we provide might be classified as defense services subject to the ITAR separately from the products we provide. Compliance with the EAR, ITAR, and other applicable regulatory requirements regarding the export of our products, including new releases of our products and/or the performance of services, may create delays in the introduction of our products in non-U.S. markets, prevent our customers with non-U.S. operations from deploying our products throughout their global systems or, in some cases, prevent the export of our products to some countries altogether.

Furthermore, our activities are subject to the economic sanctions, laws and regulations of the United States and other jurisdictions. Such controls prohibit the shipment or transfer of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by applicable sanctions. We take precautions to prevent our offerings from being exported in violation of these laws, including: (i) seeking to proactively classify our platforms and obtain authorizations for the export and/or import of our platforms where appropriate, (ii) implementing certain technical controls and screening practices to reduce the risk of violations, and (iii) requiring compliance with U.S. export control and sanctions obligations in customer and vendor contracts. However, we cannot guarantee the precautions we take will prevent violations of export control and sanctions laws.

As discussed above, if we misclassify a product or service, export or provide access to a product or service in violation of applicable restrictions, or otherwise fail to comply with export regulations, we may be denied export privileges or subjected to significant per violation fines or other penalties, and our platforms may be denied entry into other countries. Any decreased use of our platforms or limitation on our ability to export or sell our platforms would likely adversely affect our business, results of operations and financial condition. Violations of U.S. sanctions or export control laws can result in fines or penalties, including civil penalties of over \$300,000 or twice the value of the transaction, whichever is greater, per EAR violation and a civil penalty of over \$1,000,000 for ITAR violations. In the event of criminal knowing and willful violations of these laws, fines of up to \$1,000,000 per violation and possible incarceration for responsible employees and managers could be imposed.

We also note that if we or our business partners or counterparties, including licensors and licensees, prime contractors, subcontractors, sublicensors, vendors, customers, shipping partners, or contractors, fail to obtain appropriate import, export, or re-export licenses or permits, notwithstanding regulatory requirements or contractual commitments to do so, or if we fail to secure such contractual commitments where necessary, we may also be adversely affected, through reputational harm as well as other negative consequences, including government investigations and penalties. For instance, violations of U.S. sanctions or export control laws can result in fines or penalties, including significant civil and criminal penalties per violation, depending on the circumstances of the violation or violations.

Negative consequences for violations or apparent violations of trade control requirements may include the absolute loss of the right to sell our platforms or services to the government of the United States, or to other public bodies, or a reduction in our ability to compete for such sales opportunities. Further, complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our platforms or could limit our customers' abilities to implement our platforms in those countries. For example, following Russia's invasion of Ukraine, the United States and other countries imposed economic sanctions and severe export control restrictions against Russia, Belarus, and certain regions of Ukraine, and the United States and other countries could impose wider sanctions and export restrictions and take other actions should the conflict further escalate. Any new export restrictions, new legislation, changes in economic sanctions, or shifting approaches in the enforcement or scope of existing

regulations, or in the countries, persons, or technologies targeted by such regulations, could result in decreased use of our platforms by existing customers with non-U.S. operations, declining adoption of our platforms by new customers with non-U.S. operations, limitation of our expansion into new markets, and decreased revenue.

Changes in accounting principles or their application to us could result in unfavorable accounting charges or effects, which could adversely affect our results of operations and growth prospects.

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”). In particular, we make certain estimates and assumptions related to the adoption and interpretation of these principles including the recognition of our revenue and the accounting for our provision for income taxes. If these assumptions turn out to be incorrect, our financial results and position could materially differ from our expectations and could be materially adversely affected. A change in any of these principles or guidance, or in their interpretations or application to us, may have a significant effect on our reported results, as well as our processes and related controls, and may retroactively affect previously reported results or our forecasts, which may negatively impact our financial statements.

If our judgments or estimates relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of our financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” the results of which form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. 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. Significant judgments, estimates, and assumptions used in preparing our consolidated financial statements include, or may in the future include, those related to revenue recognition and income taxes.

We could be subject to additional tax liabilities.

We are subject to federal, state, and local income taxes in the United States and numerous foreign jurisdictions. Determining our provision for income taxes requires significant management judgment, and the ultimate tax outcome may be uncertain. In addition, our provision for income taxes is subject to volatility and could be adversely affected by many factors, including, among other things, changes to our operating or holding structure, changes in the amounts of earnings in jurisdictions with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in U.S. and foreign tax laws. Moreover, we are subject to the examination of our income tax returns by tax authorities in the United States and various foreign jurisdictions, which may disagree with our calculation of research and development tax credits, cross-jurisdictional transfer pricing, or other matters and assess additional taxes, interest or penalties. While we regularly assess the likely outcomes of these examinations to determine the adequacy of our provision for income taxes and we believe that our financial statements reflect adequate reserves to cover any such contingencies, there can be no assurance that the outcomes of such examinations will not have a material impact on our results of operations and cash flows. If U.S. or other foreign tax authorities change applicable tax laws, our overall taxes could increase, and our financial condition or results of operations may be adversely impacted.

Provisions enacted by the 2017 Tax Cuts and Jobs Act related to the capitalization for tax purposes of research and experimental (“R&E”) expenditures became effective on January 1, 2022. Beginning January 1, 2022, all U.S. and non-U.S. based R&E expenditures must be capitalized and amortized over five years and 15 years, respectively. Beginning January 1, 2022, we began capitalizing and amortizing R&E expenditures over five years for domestic research and 15 years for international research rather than expensing these costs as incurred.

We may not be able to utilize a significant portion of our net operating loss carryforwards and tax credits, which could adversely affect our results of operations.

We record an asset for the future tax benefits from unused U.S. federal, state, and non-U.S. net operating losses (“NOLs”) and tax credits subject to a full valuation allowance. Federal, state, and non-U.S. taxing bodies often place limitations on NOLs and tax credit carryforward benefits. As a result, we may not be able to utilize our NOLs and tax credits. In general, under Section 382 of the United States Internal Revenue Code of 1986 (the “Code”), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. If our existing NOLs are subject to limitations arising from an ownership change, our ability to utilize NOLs could be limited by

Section 382 of the Code, and a certain amount of our prior year NOLs could expire without benefit. Changes in the law may also impact our ability to use our NOLs and tax credit carryforwards.

There is also a risk that the expiration of our existing NOLs or tax credits or a limitation on their use to offset future income tax liabilities could result from statutory or regulatory changes, especially in reaction to the COVID-19 pandemic.

Our results of operations may be harmed if we are required to collect sales or other related taxes for our license arrangements in jurisdictions where we have not historically done so.

States and some local taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. We collect and remit U.S. sales and use tax, value-added tax (“VAT”), and goods and services tax (“GST”) in a number of jurisdictions. It is possible, however, that we could face sales tax, VAT, or GST audits and that our liability for these taxes could exceed our estimates as state and non-U.S. tax authorities could still assert that we are obligated to collect additional tax amounts from our customers and remit those taxes to those authorities. We could also be subject to audits in states and non-U.S. jurisdictions for which we have not accrued tax liabilities. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us or may determine that such taxes should have, but have not been, paid by us.

Risks Related to Relationships and Business with the Public Sector

A significant portion of our business depends on sales to the public sector, and our failure to receive and maintain government contracts or changes in the contracting or fiscal policies of the public sector has adversely affected and could continue to adversely affect our business, results of operations, financial condition, and growth prospects.

We derive a significant portion of our revenue from contracts with federal, state, local, and foreign governments and government agencies, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. For example, we have historically derived, and expect to continue to derive, a significant portion of our revenue from sales to agencies of the U.S. federal government, either directly by us or through other government contractors. Our perceived relationship with the U.S. government could adversely affect our business prospects in certain non-U.S. geographies or with certain non-U.S. governments.

Sales to such government agencies are subject to a number of challenges and risks. Selling to government agencies can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. We also must comply with laws and regulations relating to the formation, administration, and performance of contracts, which provide public sector customers rights, many of which are not typically found in commercial contracts.

Accordingly, our business, financial condition, results of operations, and growth prospects may be adversely affected by certain events or activities, including, but not limited to:

- changes in fiscal or contracting policies or decreases in available government funding;
- changes in government programs or applicable requirements;
- restrictions in the grant of personnel security clearances to our employees;
- ability to maintain facility clearances required to perform on classified contracts for U.S. federal government and foreign government agencies;
- ability to achieve or maintain one or more government certifications, including, but not limited to, our existing FedRAMP, IL5, and IL6 authorizations;
- changes in the political environment, including before or after a change to the leadership within the government administration, or due to the ongoing Russia-Ukraine conflict and related economic sanctions and regional instability, and any resulting uncertainty or changes in policy or priorities and resultant funding;
- changes in the government’s attitude towards the capabilities that we offer, especially in the areas of national defense, cybersecurity, and critical infrastructure, including the financial, energy, telecommunications, and healthcare sectors;
- changes in the government’s attitude towards us as a company or our platforms as viable or acceptable software solutions;
- appeals, disputes, or litigation relating to government procurement, including but not limited to bid protests by unsuccessful bidders on potential or actual awards of contracts to us or our partners by the government;
- the adoption of new laws or regulations or changes to existing laws or regulations;

- budgetary constraints, including automatic reductions as a result of “sequestration” or similar measures and constraints imposed by any lapses in appropriations for the federal government or certain of its departments and agencies;
- influence by, or competition from, third parties with respect to pending, new, or existing contracts with government customers;
- changes in political or social attitudes with respect to security or data privacy issues;
- potential delays or changes in the government appropriations or procurement processes, including as a result of events such as war, incidents of terrorism, natural disasters, and public health concerns or epidemics, such as the coronavirus pandemic; and
- increased or unexpected costs or unanticipated delays caused by other factors outside of our control, such as performance failures of our subcontractors.

Such events or activities, among others, have caused and could continue to cause governments and governmental agencies to delay or refrain from purchasing our platforms and services in the future, reduce the size or payment amounts of purchases from existing or new government customers, or otherwise have an adverse effect on our business, results of operations, financial condition, and growth prospects.

We have contracts with governments that involve classified programs, which may limit investor insight into portions of our business.

We derive a portion of our revenue from programs with governments and government agencies that are subject to security restrictions (e.g., contracts involving classified information, classified contracts, and classified programs), which preclude the dissemination of information and technology that is classified for national security purposes under applicable law and regulation. In general, access to classified information, technology, facilities, or programs requires appropriate personnel security clearances, is subject to additional contract oversight and potential liability, and may also require appropriate facility clearances and other specialized infrastructure. In the event of a security incident involving classified information, technology, facilities, or programs or personnel holding clearances, we may be subject to legal, financial, operational, and reputational harm. We are limited in our ability to provide specific information about these classified programs, their risks, or any disputes or claims relating to such programs. As a result, investors have less insight into our classified programs than our other businesses and therefore less ability to fully evaluate the risks related to our classified business or our business overall. However, historically the business risks associated with our work on classified programs have not differed materially from those of our other government contracts.

Our business could be adversely affected if our employees cannot obtain and maintain required personnel security clearances or we cannot establish and maintain a required facility security clearance.

Certain government contracts may require our employees to maintain various levels of security clearances and may require us to maintain a facility security clearance to comply with U.S. and international government agency requirements. Many governments have strict security clearance requirements for personnel who perform work in support of classified programs. Obtaining and maintaining security clearances for employees typically involves a lengthy process, and it can be difficult to identify, recruit, and retain employees who already hold security clearances. If our employees are unable to obtain security clearances in a timely manner, or at all, or if our employees who hold security clearances are unable to maintain their clearances or terminate employment with us, then we may be unable to comply with relevant U.S. and international government agency requirements, or our customers requiring classified work could choose to terminate or decide not to renew one or more contracts requiring employees to obtain or maintain security clearances upon expiration. To the extent we are not able to obtain or maintain a facility security clearance, we may not be able to bid on or win new classified contracts, and existing contracts requiring a facility security clearance could be terminated, either of which would have an adverse impact on our business, financial condition, and results of operations.

Many of our customer contracts may be terminated by the customer at any time for convenience and may contain other provisions permitting the customer to discontinue contract performance, and if terminated contracts are not replaced, our results of operations may differ materially and adversely from those anticipated. In addition, our contracts with government customers often contain provisions with additional rights and remedies favorable to such customers that are not typically found in commercial contracts.

Many of our contracts, including our government contracts, contain termination for convenience provisions. Customers that terminate such contracts may also be entitled to a pro rata refund of the amount of the customer deposit for the period of time remaining in the contract term after the applicable termination notice period expires. Government contracts often contain provisions and are subject to laws and regulations that provide government customers with additional rights and remedies not typically found in commercial contracts. These rights and remedies allow government customers, among other things, to:

- terminate existing contracts for convenience with short notice;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate, and current;
- for some contracts, (i) demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract price under triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- decline to exercise an option to renew a multi-year contract or issue task orders in connection with indefinite delivery/indefinite quantity (“IDIQ”) contracts;
- claim rights in solutions, systems, or technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services, and disclose such work-product to third parties, including other government agencies and our competitors, which could harm our competitive position;
- prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor’s judgment;
- subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction, or modification of the awarded contract;
- suspend or debar us from doing business with the applicable government; and
- control or prohibit the export of our services.

If a customer were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or if a government were to suspend or debar us from doing business with such government, our business, financial condition, and results of operations would be materially harmed.

Failure to comply with laws, regulations, or contractual provisions applicable to our business could cause us to lose government customers or our ability to contract with the U.S. and other governments.

As a government contractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. As a result of actual or perceived noncompliance with government contracting laws, regulations, or contractual provisions, we may be subject to audits and internal investigations which may prove costly to our business financially, divert management time, or limit our ability to continue selling our platforms and services to our government customers. These laws and regulations may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, and termination of contracts and suspension or debarment from government contracting for a period of time with government agencies. Any such damages, penalties, disruption, or limitation in our ability to do business with a government could adversely impact, and could have a material adverse effect on, our business, results of operations, financial condition, public perception, and growth prospects.

Evolving government procurement policies and increased emphasis on cost over performance could adversely affect our business.

Federal, state, local, and foreign governments and government agencies could implement procurement policies that negatively impact our profitability. Changes in procurement policy favoring more non-commercial purchases, different pricing, or evaluation criteria or government contract negotiation offers based upon the customer’s view of what our pricing should be may affect the predictability of our margins on such contracts or make it more difficult to compete on certain types of programs.

Governments and government agencies are continually evaluating their contract pricing and financing practices, and we have no assurance regarding the full scope and recurrence of any study and what changes will be proposed, if any, and their impact on our financial position, cash flows, or results of operations.

Increased competition and bid protests in a budget-constrained environment may make it more difficult to maintain our financial performance and customer relationships.

A substantial portion of our business is awarded through competitive bidding. Even if we are successful in obtaining an award, we may encounter bid protests from unsuccessful bidders on any specific award. Bid protests could result, among other things, in significant expenses to us, contract modifications, or even loss of the contract award. Even where a bid protest does not result in the loss of a contract award, the resolution can extend the time until contract activity can begin and, as a result, delay the recognition of revenue. We also may not be successful in our efforts to protest or challenge any bids for contracts that were not awarded to us, and we would be required to incur significant time and expense in such efforts.

In addition, governments and agencies increasingly have relied on competitive contract award types, including IDIQ and other multi-award contracts, which have the potential to create pricing pressure and to increase our costs by requiring us to submit multiple bids and proposals. Multi-award contracts require us to make sustained efforts to obtain orders under the contract. The competitive bidding process entails substantial costs and managerial time to prepare bids and proposals for contracts that may not be awarded to us or may be split among competitors.

We are experiencing increased competition while, at the same time, many of our customers are facing budget pressures, cutting costs, identifying more affordable solutions, performing certain work internally rather than hiring contractors, and reducing product development cycles. To remain competitive, we must maintain consistently strong customer relationships, seek to understand customer priorities, and provide superior performance, advanced technology solutions, and service at an affordable cost with the agility that our customers require to satisfy their objectives in an increasingly price competitive environment. Failure to do so could have an adverse impact on our business, financial condition, and results of operations.

The U.S. government may procure non-commercial developmental services rather than commercial products, which could materially impact our future U.S. government business and revenue.

U.S. government agencies, including our customers, often award large developmental item and service contracts to build custom software rather than firm fixed-price contracts for commercial products. We sell commercial items and services and do not contract for non-commercial developmental services. The U.S. government is required to procure commercial items and services to the maximum extent practicable in accordance with FASA, 10 U.S.C. § 2377; 41 U.S.C. § 3307, and the U.S. government may instead decide to procure non-commercial developmental items and services if commercial items and services are not practicable. In order to challenge a government decision to procure developmental items and services instead of commercial items and services, we would be required to file a bid protest at the agency level and/or with the Government Accountability Office. This can result in contentious communications with government agency legal and contracting offices, and may escalate to litigation in federal court. The results of any future challenges or potential litigation cannot be predicted with certainty, however, and any dispute or litigation with the U.S. government may not be resolved in our favor; moreover, whether or not it is resolved in our favor, such disputes or litigation could result in significant expense and divert the efforts of our technical and management personnel. These proceedings could adversely affect our reputation and relationship with government customers and could also result in negative publicity, which could harm customer and public perception of our business. The enforcement of FASA has resulted in a significant increase in our business with the U.S. federal government. Any change in or repeal of FASA, or a contrary interpretation of FASA by a court of competent jurisdiction, would adversely affect our competitive position for U.S. federal government contracts.

A decline in the U.S. and other government budgets, changes in spending or budgetary priorities, or delays in contract awards have affected and may continue to significantly and adversely affect our future revenue and limit our growth prospects.

Because we generate a substantial portion of our revenue from contracts with governments and government agencies, and in particular from contracts with the U.S. government and government agencies, our results of operations could be adversely affected by government spending caps or changes in government budgetary priorities, as well as by delays in the government budget process, program starts, or the award of contracts or orders under existing contract vehicles, including as a result of a new U.S. administration. Current U.S. government spending levels for defense-related and other programs may not be sustained beyond government fiscal year 2023. Future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of shifts in spending priorities from defense-related and other programs as a result of competing demands for federal funds and the number and intensity of military conflicts or other factors.

The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities which may shift Department of Defense budgetary priorities, reduce overall spending, or delay contract or task order awards for defense-related programs from which we would otherwise expect to derive a significant portion of our future revenue. A significant decline in overall U.S. government spending, a significant shift in spending priorities, the substantial reduction or elimination of particular defense-

related programs, or significant budget-related delays in contract or task order awards for large programs have affected and could continue to adversely affect our future revenue and limit our growth prospects.

Risks Related to Ownership of Our Class A Common Stock

The public trading price of our Class A common stock may be volatile and may decline regardless of our operating performance.

Prior to the listing of our Class A common stock, there was no public market for shares of our Class A common stock. The market prices of the securities of other recently public companies have historically been highly volatile. The public trading price of our Class A common stock has been, and may in the future be, subject to fluctuations in response to various factors, including those listed in this Annual Report on Form 10-K, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the public trading price of our Class A common stock include the following:

- the number of shares of our Class A common stock publicly owned and available for trading;
- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales or expected sales of shares of our Class A common stock by us or our stockholders;
- short-selling of our Class A common stock or related derivative securities;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- any financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new services or platform features;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or security breaches or other incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, services or technologies by us or our competitors;
- changes in our management, including any departures of one of our Founders;
- new laws or regulations, public expectations regarding new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management;
- other events or factors, including those resulting from war, including the ongoing Russia-Ukraine conflict, incidents of terrorism, pandemics, including the ongoing COVID-19 pandemic, or responses to these events; and
- general macroeconomic conditions, such as rising inflation and interest rates and slow or negative growth of our markets.

In addition, stock markets, and the market for technology companies in particular, have experienced price and volume fluctuations that have affected and continue to affect the trading prices of equity securities of many companies. Stock prices of

many companies, including technology companies, have fluctuated in a manner often unrelated to the operating performance of those companies. In the past, following periods of volatility in the overall market and the trading price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation, including the recent purported class action lawsuits and derivative lawsuits filed against us and certain of our officers and directors, could result in substantial costs and a diversion of our management's attention and resources and harm our business, financial condition, and results of operations. Further, in the future, we may be the target of additional litigation of this type.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders, or employees.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, stockholders, officers, or other employees to us or our stockholders, (c) any action or proceeding asserting a claim arising pursuant to, or seeking to enforce any right, obligation or remedy under, any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws, (d) any action or proceeding as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware, or (e) any action or proceeding asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court in Delaware or, if no state court in Delaware has jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom, in all cases subject to the court having jurisdiction over the claims at issue and the indispensable parties; provided that the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Section 22 of the Securities Act of 1933, as amended (the "Securities Act"), creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. 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 also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring or holding or owning (or continuing to hold or own) any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, stockholders, or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, officers, stockholders, or other employees. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. Further, in the event a court finds either exclusive forum provision contained in our amended and restated bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

Sales of substantial amounts of our Class A common stock in the public markets or the perception that sales might occur, including sales by our Founders and their affiliates, could cause the trading price of our Class A common stock 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.

In addition to the supply and demand and volatility risk factors discussed above, 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 in large quantities, could cause the trading price of our Class A common stock to decline. As of December 31, 2022, approximately 9.4 million options will expire through December 2023 if not exercised prior to their respective expiration dates, and we expect many holders will elect to exercise such options prior to expiration. Upon exercise, the holders will receive shares of our Class A or Class B common stock, which may subsequently be sold.

As of December 31, 2022, there were 1,995,413,508 shares of our Class A common stock outstanding, 102,656,175 shares of our Class B common stock outstanding and 1,005,000 shares of our Class F common stock outstanding. Substantially all of

these shares may be immediately sold, although sales by our affiliates remain subject to compliance with the volume limitations of Rule 144.

Further, as of December 31, 2022, there were outstanding options to purchase an aggregate of 136,930,225 shares of our Class A common stock and 189,982,548 shares of our Class B common stock, and 78,575,574 shares of our Class A common stock and 47,850,000 shares of Class B common stock subject to RSUs. All shares of our common stock reserved for future issuance under our equity compensation plans have been registered for sale under the Securities Act. Subject to compliance with Rule 144 or the availability of an alternative exemption, the shares issued upon exercise of stock options or upon settlement of RSUs will be available for immediate resale in the United States in the open market.

While the registration rights of our non-affiliates pursuant to our Amended and Restated Investors' Rights Agreement dated August 24, 2020 requiring us to register shares owned by them for public sale in the United States have expired under the terms of that agreement, our affiliates who are party to the Amended and Restated Investors' Rights Agreement, including our Founders and certain of the entities affiliated with Peter Thiel, will retain the right to cause us to register shares held by them for resale until such rights terminate in accordance with our Amended and Restated Investors' Rights Agreement. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise and whether in connection with the exercise of stock options, the settlement of RSUs, or the exercise or settlement of other awards or otherwise, could cause the trading price of our Class A common stock to decline or be volatile.

We also may issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our Class A common stock to decline.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage certain types of transactions that may involve an actual or threatened acquisition of the Company, which will likely depress the trading price of our Class A common stock.

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

- our multi-class common stock structure, which provides our Founders and their affiliates with the ability to effectively control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock;
- prior to the Final Class F Conversion Date (as defined in our amended and restated certificate of incorporation), the holders of our common stock will only be able to take action by written consent if the action also receives the affirmative consent of a majority of the outstanding shares of our Class F common stock, and after such point the holders of our common stock will only be able to take action at a meeting of the stockholders and will not be able to take action by written consent for any matter;
- from and after the Final Class F Conversion Date, our Board of Directors will be classified into three classes of directors with staggered three-year terms;
- our amended and restated certificate of incorporation does not provide for cumulative voting;
- certain transactions, other than restructuring transactions or transactions that otherwise do not involve a Change of Control (as defined in our amended and restated certificate of incorporation), which transactions require, pursuant to Section 251(c) or Section 271(a) of the Delaware General Corporation Law, the approval of the holders of a majority of the voting power of all of the outstanding shares of our capital stock entitled to vote thereon, will require approval by the holders of at least 55.0% of the voting power of all of the outstanding shares of our capital stock entitled to vote thereon if the record date for determining the stockholders entitled to vote to approve such transaction occurs prior to the Final Class F Conversion Date;
- certain transactions prior to the Final Class F Conversion Date, that would require disclosure pursuant to Item 404(a) of Regulation S-K, between any of our Founders (or their controlled affiliates), on the one hand, and us, on the other, in which consideration exchanges hands between our Founders (or their controlled affiliates) and us, and such consideration has a fair market value in excess of \$50.0 million as determined in accordance with our amended and restated bylaws will require approval by either (i) the holders of at least 66 2/3% of the voting power of all of the outstanding shares of our capital stock, voting together as a single class, or (ii) an Independent Committee (as defined in our amended and restated bylaws);
- the acquisition of our equity securities by our Founders (including their controlled affiliates), prior to the Final Class F Conversion Date, in a "Rule 13e-3 transaction" (as defined in Rule 13e-3 under the Exchange Act) will be conditioned on approval by (i) an Independent Committee and (ii) the holders of a majority of the voting power of our capital stock

that is held by our stockholders other than the Founders (including their controlled affiliates) and any holder of the Class F Common Stock;

- vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- our directors may only be removed as provided in the Delaware General Corporation Law;
- a special meeting of our stockholders may only be called by the chairperson of our Board of Directors, our Chief Executive Officer, our President, or our Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directorships, whether or not there exist any vacancies or other unfilled seats in previously authorized directorships;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders, except that any designation and issuance of preferred stock must receive the affirmative vote of a majority of the outstanding shares of our Class F common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions, alone or together, could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our business or our market, or if they change their recommendation regarding our Class A common stock adversely, the trading price and trading volume of our Class A common stock could decline.

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, our business, our market or our competitors. If one or more of the analysts who cover us downgrade our ordinary shares or publish inaccurate or unfavorable research about us, the trading price of our Class A common stock would likely decline. If these analysts publish target prices for our Class A common stock that are below the then-current public price of our Class A common stock, it could cause the trading price of our Class A common stock to decline significantly. Further, if one or more of these analysts cease coverage of Palantir or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock trading price and trading volume to decline.

Although we currently are not considered to be a “controlled company” under the NYSE corporate governance rules, we may in the future become a controlled company due to the concentration of voting power among our Founders and their affiliates.

Although we currently are not considered to be a “controlled company” under the NYSE corporate governance rules, we may in the future become a controlled company due to the concentration of voting power among our Founders and their affiliates resulting from the issuance of our Class F common stock. See “*Risks Related to the Multiple Class Structure of our Common Stock, the Founder Voting Trust Agreement, and the Founder Voting Agreement*” below. A “controlled company” pursuant to the NYSE corporate governance rules is a company of which more than 50% of the voting power is held by an individual, group, or another company. In the event that our Founders and their affiliates or other stockholders acquire more than 50% of the voting power of the Company, we may in the future be able to rely on the “controlled company” exemptions under the NYSE corporate governance rules due to this concentration of voting power and the ability of our Founders and their affiliates to act as a group. If we were a controlled company, we would be eligible, and could elect, not to comply with certain of the NYSE corporate governance standards. Such standards include the requirement that a majority of directors on our Board of Directors are independent directors, subject to certain phase-in periods, and the requirement that our compensation, nominating and governance committee consist entirely of independent directors. In such a case, if the interests of our stockholders differ from the group of stockholders holding a majority of the voting power, our stockholders would not have the same protection afforded to stockholders of companies that are subject to all of the NYSE corporate governance standards, and the ability of our independent directors to influence our business policies and corporate matters may be reduced.

We do not expect to pay dividends in the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring or paying any dividends to holders of our capital stock in the foreseeable future. In addition, our credit facility contains restrictions on our ability to pay dividends.

Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Consequently, stockholders 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 investment.

Risks Related to the Multiple Class Structure of our Common Stock, the Founder Voting Trust Agreement, and the Founder Voting Agreement

The multiple class structure of our common stock has the effect of concentrating voting power with certain stockholders, in particular, our Founders and their affiliates, which will effectively eliminate your ability to influence the outcome of important transactions, including a change in control.

Our Class A common stock has one (1) vote per share, and our Class B common stock has ten (10) votes per share with respect to each matter submitted to our stockholders. Assuming that the Founders and certain of their affiliates collectively meet the Ownership Threshold (as defined below) on the applicable record date for a vote of the stockholders (except as provided in our amended and restated certificate of incorporation), shares of Class F common stock will generally have a number of votes per share in respect of a matter submitted to our stockholders that would cause the total votes of all shares of Class F common stock, together with the votes attributable to shares of Class A common stock and Class B common stock held by our Founders and their affiliates that are subject to the voting agreement among our Founders and Wilmington Trust, National Association (the “Founder Voting Agreement”) and the votes attributable to shares of Class A common stock and Class B common stock held by our Founders and their affiliates that are designated as Designated Founders’ Excluded Shares (as defined in our amended and restated certificate of incorporation), in each case entitled to vote on such matter, to equal, with respect to such matter, 49.999999% of the voting power of (i) all of the outstanding shares of capital stock of the Company entitled to vote on such matter (including in the case of the election of directors); or (ii) the shares present in person or represented by proxy and entitled to vote on such matter only if a majority of the shares present in person or represented by proxy and entitled to vote on such matter is the applicable voting standard (as applicable, “49.999999% of the Voting Power”). Accordingly, subject to limited exceptions described in our amended and restated certificate of incorporation and amended and restated bylaws, such Founders will effectively control all matters submitted to the stockholders for the foreseeable future, including the election of directors, amendments of our organizational documents, compensation matters, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. Our Founders and their affiliates also hold the substantial majority of our outstanding Class B common stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, even without regard to the voting power of the Class F common stock, our Founders and their affiliates collectively control a significant portion of the voting power of our capital stock based on their current ownership and may significantly increase their ownership of Class B common stock in the future due to the exercise of currently outstanding warrants and stock options or the settlement of RSUs.

The Founders may have interests that differ from yours and may vote in a way with which you disagree, and which may be adverse to your interests. This concentration of voting power is likely to have the effect of limiting the likelihood of an unsolicited merger proposal, unsolicited tender offer, or proxy contest for the removal of directors. As a result, our governance structure, including the provisions of our amended and restated certificate of incorporation, may have the effect of depriving our stockholders of an opportunity to sell their shares at a premium over prevailing market prices and make it more difficult to replace our directors and management.

The Founder Voting Trust Agreement and the Founder Voting Agreement also have the effect of concentrating voting power with our Founders and their affiliates, which will effectively eliminate your ability to influence the outcome of important transactions, including a change in control.

All shares of our Class F common stock are held in a voting trust (the “Founder Voting Trust”), established by our Founders pursuant to a voting trust agreement (the “Founder Voting Trust Agreement”) with Wilmington Trust, National Association as trustee (the “Trustee”). Our Founders are also currently party to the Founder Voting Agreement. Our Founders have agreed through the Founder Voting Trust Agreement and Founder Voting Agreement that all of the shares of Class F common stock and all of the shares of our capital stock over which they and their affiliates have granted a proxy under the Founder Voting Agreement will be voted in the manner instructed by a majority of our Founders who are then party to the Founder Voting Agreement. Accordingly, together with the multiple class structure of our common stock and subject to limited exceptions described in our amended and restated certificate of incorporation and amended and restated bylaws, such Founders will effectively control all matters submitted to the stockholders for the foreseeable future, including the election of directors, amendments of our organizational documents, compensation matters, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Upon the withdrawal or removal of any of our Founders from the Founder Voting Agreement, including upon their death or disability, the remaining Founders or Founder, as the case may be, will determine the manner in which the shares of our Class F common stock as well as the shares subject to the Founder Voting Agreement are voted. In such cases, the voting power of our outstanding capital stock will be further concentrated among the remaining Founders, which may be as few as one. Further, if

there are only two Founders who are party to the Founder Voting Agreement, one Founder will be able to effectively defeat any stockholder action, except for the election of directors or other matters that are decided by a plurality of votes, if his instruction to vote the shares of Class F common stock differs from the other Founder. The Founders who are then party to the Founder Voting Agreement will retain the right to direct the voting of the Class F common stock without regard to their employment status with us.

All shares of our Class F common stock are held in the Founder Voting Trust and voted pursuant to the Founder Voting Trust Agreement. Accordingly, our Founders who are then party to the Founder Voting Agreement will control any vote that requires the affirmative vote of the holders of a majority of our Class F common stock, including action of our stockholders by written consent, the designation or issuance by us of shares of preferred stock, and certain amendments to our amended and restated certificate of incorporation relating to our preferred stock.

Although we are a third-party beneficiary of the Founder Voting Agreement and the Founder Voting Trust Agreement, we do not have a general consent right with respect to amendments thereto, and either agreement may be amended or modified in the future in a manner that is adverse to our stockholders, which may include increasing the ability of one or more of our Founders to exercise control over matters submitted to a vote of our stockholders.

In certain circumstances in the future, the Founders and their affiliates could have voting power that exceeds 49.999999% of the Voting Power.

If the voting power of shares of Class A common stock and Class B common stock held by the Founders or their affiliates that are subject to the Founder Voting Agreement or are Designated Founders' Excluded Shares collectively equals greater than 49.999999% of the Voting Power with respect to a matter submitted to our stockholders, then the Class F common stock will have zero votes with respect to such matter. In this case, although the shares of our Class F common stock would generally be entitled to zero votes per share on that matter, all of the shares that are then subject to the Founder Voting Agreement would continue to be voted in accordance with the decision of a majority in number of the Founders who are then party to the Founder Voting Agreement.

For example, if the Founders and their affiliates hold shares other than the Class F common stock, such as Class B common stock, that, in the aggregate, have voting power that exceeds 49.999999% of the Voting Power with respect to a matter submitted to our stockholders, then the total voting power of the Founders and their affiliates would exceed 49.999999% of the Voting Power with respect to such matter. Our Founders and their affiliates may acquire additional shares of our Class A common stock or Class B common stock. Shares of our Class B common stock may be transferred (without converting into shares of Class A common stock) to, among others, our Founders or their affiliates, and such transfers to our Founders or their affiliates could increase the total voting power of the Founders and their affiliates above 49.999999% of the Voting Power with respect to such matter. Excluding the voting power of the Class F common stock, our Founders and their affiliates owned shares entitled to approximately 27.1% of the voting power of our outstanding capital stock in the aggregate as of February 14, 2023.

In addition, if one or two Founders withdraw from the Founder Voting Agreement, the total voting power of the Founders and their affiliates in the aggregate could exceed 49.999999% of the Voting Power. For instance, if one Founder has withdrawn from the Founder Voting Agreement and such withdrawing Founder votes his shares in the same manner as the shares of Class F common stock are voted pursuant to the Founder Voting Trust Agreement, then our Founders and their affiliates, in the aggregate, could exercise 49.999999% of the Voting Power of our capital stock plus the voting power of shares held by the withdrawing Founder (which would no longer represent a subset of the 49.999999% of the Voting Power of our capital stock voted by those Founders that remain party to the Founder Voting Agreement).

As a result of future issuances of our common stock or the disposal of shares of our common stock by our Founders and their affiliates, our Founders and their affiliates could have voting power that is substantially greater than, and outsized in comparison to, their economic interests and the percentage of our common stock that they hold.

In certain circumstances, our Founders and their affiliates could have voting power that is substantially greater than, and outsized in comparison to, their economic interests and the percentage of our common stock that they hold. This separation between voting power and economic interests could cause conflicts of interest between our Founders and our other stockholders, which may result in our Founders undertaking, or causing us to undertake, actions that would be desirable for the Founders or their affiliates but would not be desirable for our other stockholders.

In the event that our Founders and their affiliates have less than 49.999999% of the Voting Power prior to giving effect to the voting power of the Class F common stock, the issuance of additional shares by us in the future to stockholders other than our Founders who are then party to the Founder Voting Agreement or their affiliates will dilute the economic interests of our Founders but will generally not result in further dilution of the voting power of such Founders and their affiliates. Because of the voting rights of the Class F common stock, such issuances will instead correspondingly increase the voting power of the

Class F common stock. Any future issuances of additional shares of Class A common stock and Class B common stock will not be subject to approval by our stockholders except as required by the listing standards of the NYSE.

In addition, our Founders and their affiliates are free to transfer or otherwise dispose of their shares of Class A common stock and Class B common stock without diminishing their voting power so long as our Founders and certain of their affiliates continue to collectively hold 100,000,000 Corporation Equity Securities (as defined in our amended and restated certificate of incorporation) on the applicable record date (subject to equitable adjustments as provided in our amended and restated certificate of incorporation) (the "Ownership Threshold"). Shares of our Class F common stock will not convert into shares of our Class B common stock, and our multi-class structure will not terminate, solely because our Founders and certain of their affiliates do not satisfy this Ownership Threshold on the applicable record date. Upon the withdrawal, or removal, of one or more of our Founders from the Founder Voting Agreement (including as a result of death or disability), the Ownership Threshold that must be met on the applicable record date will be reduced on a pro rata basis based on the ownership of Corporation Equity Securities (which excludes Designated Founders' Excluded Shares) of the Founders and certain of their affiliates as of August 10, 2020, which could substantially decrease the Ownership Threshold without reducing the effective voting power of the Class F common stock. Accordingly, our Founders who are then party to the Founder Voting Agreement will be able to achieve substantial liquidity in their holdings, and substantially diminish their economic interest in us, without diminishing their voting power.

Furthermore, meeting the Ownership Threshold on the applicable record date will not ensure that the Founders and their affiliates do not or will not have differing economic interests from the interests of holders of the Class A common stock. For example, the Founder Voting Agreement does not prohibit a Founder from hedging his economic exposure to our common stock; however, we have implemented a policy that will prohibit hedging by our directors, officers and employees, which currently includes the Founders. In addition, the trustee will vote shares of Class F common stock in accordance with the decision of a majority in number of the Founders who are then party to the Founder Voting Agreement, regardless of such Founders' relative ownership of any class of our common stock.

In August 2020, we granted two of our Founders, Mr. Karp, our Chief Executive Officer and a member of our Board of Directors, and Mr. Cohen, our President and a member of our Board of Directors, options and RSUs for an aggregate of 207.0 million shares of our Class B common stock (collectively, the "Founder Grants"), the substantial majority of which remain subject to vesting, exercise, and/or settlement upon the future satisfaction of service conditions and certain other conditions. These awards are expected to contribute to the Founders' ability to meet the Ownership Threshold on the applicable record date at least until the sale of such shares by Mr. Karp and Mr. Cohen.

Shares of our common stock designated by one or more of our Founders pursuant to our amended and restated certificate of incorporation may be voted or not voted by such Founders or their affiliates in their discretion and will reduce the voting power exercised in accordance with the decision of a majority in number of the Founders who are then party to the Founder Voting Agreement.

Mr. Thiel has identified a portion of the shares of Class B common stock and Class A common stock beneficially owned by him and his affiliates as Designated Founders' Excluded Shares, which will not be subject to the Founder Voting Agreement. Such Designated Founders' Excluded Shares would reduce the total voting power that will be exercised in accordance with the decision of a majority in number of the Founders who are then party to the Founder Voting Agreement. Mr. Thiel or his affiliates would vote or not vote such Designated Founders' Excluded Shares in their discretion, which may include in a manner different than the voting power exercised in accordance with the decision of a majority in number of the Founders who are then party to the Founder Voting Agreement. Depending on certain circumstances, including the extent to which other holders of Class B common stock convert or sell such shares of Class B common stock, such Designated Founders' Excluded Shares may have significant voting power and increase Mr. Thiel or his affiliates' relative voting power compared to the other Founders. The shares identified by Mr. Thiel as Designated Founders' Excluded Shares represented less than 5% of the voting power of our outstanding capital stock as of February 14, 2023. In the future, Mr. Thiel or our other Founders could designate additional shares as Designated Founders' Excluded Shares.

The Ownership Threshold that must be met on any applicable record date is a small minority of our outstanding Corporation Equity Securities, and future issuances of Corporation Equity Securities may decrease this percentage.

The Ownership Threshold that must be met on any applicable record date is currently 100,000,000 Corporation Equity Securities, which is a small minority of our outstanding Corporation Equity Securities. While the number of outstanding Corporation Equity Securities may exceed the number of shares of our outstanding capital stock, as a comparison, there were 2,099,074,683 shares of our common stock outstanding as of December 31, 2022. Except for certain equitable adjustments as provided in our amended and restated certificate of incorporation, future issuances of Corporation Equity Securities by us will not increase the Ownership Threshold that must be met on any applicable record date and, accordingly, will decrease the percentage of outstanding Corporation Equity Securities represented by the Ownership Threshold.

Upon the withdrawal, or removal, of one or more of our Founders from the Founder Voting Agreement (including as a result of death or disability), the Ownership Threshold that must be met on the applicable record date will be reduced on a pro rata basis based on the ownership of Corporation Equity Securities of the Founders and certain of their affiliates as of August 10, 2020. We expect that the Ownership Threshold will be reduced by approximately 57 million Corporation Equity Securities upon the withdrawal or removal from the Founder Voting Agreement of Alexander Karp, approximately 12 million Corporation Equity Securities upon the withdrawal or removal of Stephen Cohen, and approximately 31 million Corporation Equity Securities upon the withdrawal or removal of Peter Thiel if such withdrawals or removals were to happen.

In addition, in the future we could create a new class of equity securities with different economic or voting rights than existing classes. If we were to create a new class of equity security, because of the broad definition of “Corporation Equity Securities,” such security could qualify as Corporation Equity Securities and therefore count towards the Ownership Threshold if held by our Founders who are then party to the Founder Voting Agreement or certain of their affiliates. If such security has lesser or no economic rights, it could have the effect of further increasing the divergence between the economic interests of our Founders who are then party to the Founder Voting Agreement and their affiliates, on the one hand, and the voting power of such Founders and their affiliates, on the other. Further, Corporation Equity Securities includes, among other things, any warrants, calls, options or other right, whether vested or unvested, to acquire from the Company certain voting or equity securities from the Company. Accordingly, the Board of Directors could issue additional equity securities, or additional options, RSUs, warrants or other rights to acquire equity securities (whether vested or unvested), to our Founders or certain of their affiliates, which would increase the number of Corporation Equity Securities they hold and enable them to meet the Ownership Threshold notwithstanding sales of Corporation Equity Securities that they currently hold. As a result, any Founders who are then party to the Founder Voting Agreement or certain of their affiliates could hold a nominal equity interest with little to no voting rights but meet the Ownership Threshold and therefore have voting power that provides effective control of our company.

The multiple class structure of our common stock features certain provisions that are novel or otherwise not common among other corporations with multiple class structures.

A number of provisions relating to the multiple class structure of our common stock are novel or otherwise not common among other corporations with multiple class structures. For instance, our Founders who are then party to the Founder Voting Agreement are free to transfer or otherwise dispose of their shares of Class A common stock and Class B common stock without diminishing their voting control so long as our Founders who are then party to the Founder Voting Agreement and certain of their affiliates meet the Ownership Threshold on the applicable record date. Shares of our Class B common stock, which have ten (10) votes per share, may remain outstanding in perpetuity. Additionally, shares of our Class B common stock may be transferred (without converting into shares of Class A common stock) to, among others, our Founders or their affiliates, which could result in our Founders and their affiliates or other stockholders obtaining additional voting control.

Additionally, certain provisions of our amended and restated certificate of incorporation related to the calculation of the voting power of the Class F common stock may have an adverse effect on our stockholders other than our Founders. Under our amended and restated certificate of incorporation, our Founders have the right to challenge the calculation of the voting power of the Class F common stock. Such a challenge may cause delays in the certification of any vote of our stockholders or in the effectiveness of any action of our stockholders.

The multi-class structure of our common stock, the Founder Voting Trust Agreement and the Founder Voting Agreement by which our Founders exercise effective control over all matters submitted to a vote of our stockholders will exist for the foreseeable future.

Shares of our Class F common stock will convert automatically into shares of our Class B common stock only if the Founder Voting Trust Agreement or the Founder Voting Agreement is terminated. Each of these agreements could remain in place until the death of our last living Founder. As of December 31, 2022, our Founders were 55, 55, and 40 years old. Further, upon a discretionary or compulsory withdrawal of a Founder as a beneficiary of the Founder Voting Trust Agreement, the Trustee will instruct our transfer agent and us to convert the withdrawing Founder’s pro rata portion of the shares of Class F common stock held in the Founder Voting Trust at the time of the withdrawal into shares of Class B common stock in accordance with our amended and restated certificate of incorporation.

Because of the ten-to-one voting ratio between our Class B and Class A common stock, even if the Class F common stock converts to Class B common stock, our Founders will collectively control a significant portion of the voting power of our capital stock based on their current ownership. Future transfers by holders of shares 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 and transfers between related entities. 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 individual holders of Class B common stock who retain their shares in the long term. If our Founders and their affiliates, individually or collectively, retain a significant portion of their holdings of Class B common stock for an extended period of time, they could, in the future,

individually or collectively, continue to control a significant portion of the combined voting power of our Class A common stock and Class B common stock, even without the use of the Class F common stock, and such voting power could enable holders of Class B common stock to effectively control all matters subject to the stockholder approval. Shares of our Class B common stock may remain outstanding in perpetuity.

Further, if all, or a large portion, of the Founder Grants should be exercised or vest and settle, our Founders will increase their voting power of our Class B common stock. Although the terms of our amended and restated certificate of incorporation only provide for a separate vote of the holders of our Class B common stock on limited matters, under Delaware law, certain actions may require the approval of the holders of the Class B common stock voting as a separate class. For example, if we amend our amended and restated certificate of incorporation to adversely affect the special rights, powers, or preferences of our Class B common stock in a manner that does not so affect the Class A common stock or Class F common stock, Delaware law could require approval of the holders of our Class B common stock voting separately as single class. For any vote of the Class B common stock voting as a separate class, our Founders will significantly influence such vote if all, or a large portion, of the Founder Grants should vest and settle and the Founders retain such shares.

Our governance structure may negatively affect the decision by certain institutional investors to purchase or hold shares of our Class A common stock.

The holding of low-voting stock, such as our Class A common stock, may not be permitted by the investment policies of certain institutional investors or may be less attractive to the portfolio managers of certain institutional investors. In addition, in July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual- or multi-class capital structures to be included in their 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. Our multi-class capital structure may make us ineligible for inclusion in any of these and certain other indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these indices would not invest in our stock. These policies may depress our valuation compared to those of other similar companies that are included.

Future issuances of our Class A common stock will dilute the voting power of our Class A common stockholders but may not result in further dilution of the voting power of our Founders who are then party to the Founder Voting Agreement.

Future issuances of our Class A common stock will dilute the voting power of our Class A common stockholders, and future issuances to stockholders other than our Founders who are then party to the Founder Voting Agreement will dilute the economic interests of our Founders and their affiliates. However, because of the voting rights of the shares of Class F common stock, in the event that our Founders and their affiliates have less than 49.999999% of the Voting Power prior to giving effect to the voting power of the Class F common stock, future issuances of Class A common stock to stockholders other than our Founders and their affiliates will generally not result in dilution of the voting power of our Founders who are then party to the Founder Voting Agreement or their affiliates, but rather, will correspondingly increase the voting power of the Class F common stock. Any future issuances of additional shares of Class A common stock will not be subject to approval by our stockholders except as required by the listing standards of the NYSE.

General Risk Factors

Adverse economic conditions or reduced technology spending may adversely impact our business.

Our business depends on the economic health of our current and prospective customers and overall demand for technology. In addition, the purchase of our platforms and services is often discretionary and typically involves a significant commitment of capital and other resources. Over the past year, the United States, the EU, and the U.K. have experienced historically high levels of inflation. In response to high levels of inflation and recession fears, the U.S. Federal Reserve, the European Central Bank, and the Bank of England have raised, and may continue to raise, interest rates and implement fiscal policy interventions. Even if these interventions lower inflation, they may also reduce economic growth rates, create a recession, and have other similar effects. A further downturn in macroeconomic conditions, including rising inflation and interest rates; supply chain disruptions; global political and economic uncertainty; geopolitical tensions, such as the ongoing Russia-Ukraine conflict; a lack of availability of credit; a reduction in business confidence and activity; the curtailment of government or corporate spending; public health concerns or emergencies; financial market volatility; and other factors have in the past, and may in the future, negatively affect the industries to which we sell our platforms and services. Our customers may suffer from reduced operating budgets, which could cause them to defer, reduce, or forego purchases of our platforms or services. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers, and the increased pace of consolidation in certain industries may result in reduced overall spending on our offerings. Uncertainty about global and regional economic conditions, a downturn in the technology sector or any sectors in which our customers operate, or a reduction in information technology spending even if economic conditions are stable, could adversely impact our business, financial condition, and results of operations in a number of ways, including longer sales cycles, lower prices for our platforms

and services, material default rates among our customers, contract terminations or renegotiations by our customers, reduced sales of our platforms or services, and lower or no growth.

We cannot predict the timing, strength, or duration of any crises, economic slowdown or any subsequent recovery generally, or for any industry in particular. Although certain aspects of the effects of a crisis or an economic slowdown may provide potential new opportunities for our business, we cannot guarantee that the net impact of any such events will not be materially negative. Accordingly, if the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be adversely affected.

We may face exposure to foreign currency exchange rate fluctuations.

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro and the British pound sterling (“GBP”). We expect our non-U.S. operations to continue to grow in the near term and we are continually monitoring our foreign currency exposure to determine if we should consider a hedging program. Today, our non-U.S. contracts are denominated in either U.S. dollars or local currency, while our non-U.S. operating expenses are often denominated in local currencies. Additionally, as we expand our non-U.S. operations, a larger portion of our operating expenses may be denominated in local currencies. Volatility in exchange rates and global financial markets is expected to continue due to political and economic uncertainty globally.

In recent months, the U.S. dollar has strengthened compared to other currencies, which has increased and may continue to increase the real cost of our platforms to our customers outside of the United States, which could reduce demand for our platforms and adversely affect our financial condition and results of operations. Continued increases in the value of the U.S. dollar and decreases in the value of foreign currencies could result in the dollar equivalent of our revenues being lower, result in increased expenses for our non-U.S. operations, or otherwise impact our financial condition and results of operations.

Natural disasters, including climate change, and other catastrophic events beyond our control could harm our business.

Natural disasters, including climate change, or other catastrophic events may cause damage or disruption to our operations, non-U.S. commerce and the global economy, and thus could have a negative effect on us. Our business operations are subject to interruption by natural disasters, earthquakes, flooding, fire, power shortages, pandemics such as COVID-19, terrorism, political unrest, cyberattacks including as may be exacerbated by the ongoing Russia-Ukraine conflict, geopolitical tensions including those related to the invasion of Ukraine, the effects of climate change such as drought, wildfires, increased storm severity, and sea level rise, telecommunications failure, vandalism, and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, could decrease demand for our services, could make existing customers unable or unwilling to fulfill their contractual requirements to us, including their payment obligations, and could cause us to incur substantial expense, including expenses or liabilities arising from potential litigation. Our insurance may not be sufficient to cover losses or additional expense that we may sustain. Customer data could be lost, significant recovery time could be required to resume operations and our financial condition and results of operations could be adversely affected in the event of a major natural disaster or catastrophic event.

In addition, the impacts of climate change on the global economy and our industry are rapidly evolving. We may be subject to increased regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business. While we seek to mitigate our business risks associated with climate change, there are inherent climate-related risks wherever business is conducted. Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our Colorado headquarters have experienced and may continue to experience, climate-related events and at an increasing frequency, including drought, water scarcity, heat waves, wildfires and resultant air quality impacts and power shutoffs associated with the wildfires. Additionally, while some employees have returned to our offices, it will remain difficult to mitigate the impact of these events on our employees continuing to work remotely. Changing market dynamics, global policy developments and increasing frequency and impact of extreme weather events on critical infrastructure in the United States and elsewhere have the potential to disrupt our business, the business of our partners, suppliers, and customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations.

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

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the listing standards of the NYSE. The requirements of these rules and regulations may continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We have developed and refined our financial reporting and other disclosure controls and procedures, and will continue to do so. Our controls are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting as our business continues to grow in size and complexity. We expect to continue to hire and integrate additional accounting and financial staff with appropriate company experience and technical accounting knowledge, as well as implement and integrate new technological systems. In order to maintain and improve the effectiveness of our financial statement and disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, we have identified in the past, and may identify in the future, deficiencies in our controls. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm 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. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which could have a negative effect on the trading price of our 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 NYSE. We are required to annually comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose.

Our independent registered public accounting firm must also formally attest to the effectiveness of our internal control over financial reporting annually. Any failure to maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business, financial condition and results of operations and could cause a decline in the market price of our Class A common stock.

We have incurred and will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies which could adversely affect our business, financial condition, and results of operations.

As a public company, we have incurred and will continue to incur greater legal, accounting, finance, and other expenses than we incurred as a private company. We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the rules and regulations of the NYSE. These requirements have increased and will continue to increase our legal, accounting, and financial compliance costs and have made, and will continue to make, some activities more time-consuming and costly. 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 the day-to-day management of our business, which could harm our business, financial condition, and results of operations. 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, which will increase our operating expenses. Additionally, as a public company subject to additional rules and regulations and oversight, we may not have the same flexibility we had as a private company.

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. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We have and intend to continue 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 harmed.

We also expect these rules and regulations to make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to maintain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our Board of Directors or as our executive officers.

As a result of disclosure of information in this Annual Report on Form 10-K and other filings required of a public company, our business and financial condition has become more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition, and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Facilities

We have leased principal properties in Denver, Colorado, which is the location of our corporate headquarters; in Palo Alto, California; New York City, New York; and London, England. In addition, we lease various office space throughout the world.

We believe that our existing facilities are adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further physical expansion of operations and for any additional offices.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are subject to legal proceedings and claims arising in the ordinary course of business. Based on our current knowledge, we believe that the amount or range of reasonably possible losses will not, either individually or in the aggregate, have a material adverse effect on our business, results of operations, or financial condition.

The results of any litigation cannot be predicted with certainty, and an unfavorable resolution in any legal proceedings could materially affect our future business, results of operations, or financial condition. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

For information on legal proceedings, refer to *Note 8. Commitments and Contingencies—Litigation and Legal Proceedings* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information for Common Stock

Our Class A common stock has been listed on the NYSE under the symbol "PLTR" since September 30, 2020. Prior to that date, there was no public trading market for our Class A common stock.

Our Class B common stock and Class F common stock are not listed on any stock exchange nor traded on any public market.

Holders of Record

As of February 14, 2023, there were 850 holders of record of our Class A common stock, 32 holders of record of our Class B common stock, and one holder of record of our Class F common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

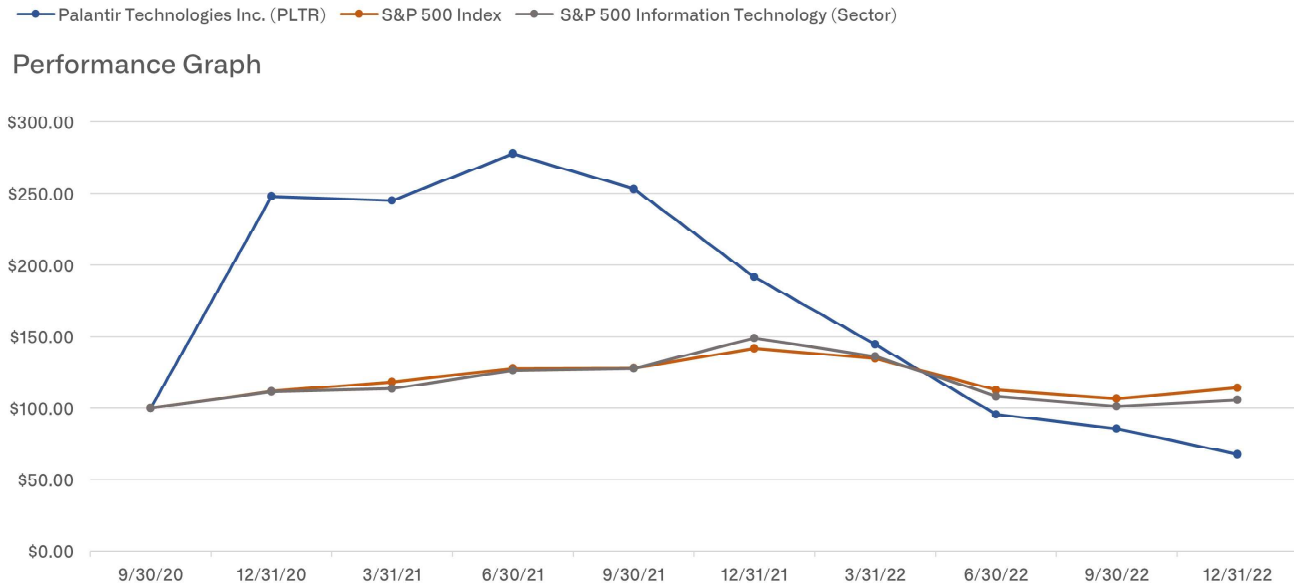
Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our Board of Directors may deem relevant. In addition, the terms of our credit facility contain restrictions on our ability to declare and pay cash dividends on our capital stock, and we may enter into credit agreements or other borrowing arrangements in the future that may restrict our ability to declare and pay cash dividends.

Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our Class A common stock since September 30, 2020 (the date our Class A common stock commenced trading on the NYSE ("Direct Listing")) relative to the cumulative total returns of the Standard & Poor's 500 Index and the Standard & Poor's Information Technology Index over the same period. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index at the market close on September 30, 2020, and its relative performance is tracked through December 31, 2022. The returns shown are based on historical results and are not intended to suggest future performance.



Unregistered Sales of Equity Securities

None.

ITEM 6. [RESERVED]

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations, and beliefs, involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements. You should review the section titled “Special Note Regarding Forward-Looking Statements” for a discussion of forward-looking statements and the section titled “Risk Factors” for a discussion of factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

This section of this Annual Report on Form 10-K generally discusses fiscal years 2022 and 2021 items and year-to-year comparisons between fiscal years 2022 and 2021. Discussions of fiscal year 2021 items and year-to-year comparisons between fiscal years 2021 and 2020 that are not included in this Annual Report on Form 10-K can be found in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on February 24, 2022 and is incorporated herein by reference.

Overview

We build software that empowers organizations to effectively integrate their data, decisions, and operations at scale.

We were founded in 2003 and started building software for the intelligence community in the United States to assist in counterterrorism investigations and operations. We later began working with commercial enterprises, who often faced fundamentally similar challenges in working with data.

We have built three principal software platforms, Gotham, Foundry, and Apollo. Gotham and Foundry enable institutions to transform massive amounts of information into an integrated data asset that reflects their operations. For over a decade, Gotham

has surfaced insights for global defense agencies, the intelligence community, disaster relief organizations and beyond. Foundry is becoming a central operating system not only for individual institutions but also for entire industries. Apollo, which we began offering as a commercial solution in 2021, is a cloud-agnostic, single control layer that coordinates ongoing delivery of new features, security updates, and platform configurations, helping to ensure the continuous operation of critical systems. Apollo allows our customers to run their software in virtually any environment.

While our focus in the short term remains on making our principal software platforms available to increasingly broad swaths of the market, we are also working to identify additional component parts and products embedded within those platforms that have potential as commercial offerings on their own.

We believe that every institution faces challenges that our platforms and products were designed to address. Our approach with all our clients is to establish a partnership that transforms the way they use data in pursuit of their goals.

We regularly evaluate partnerships and investment opportunities in complementary businesses, employee teams, technologies, and intellectual property rights in an effort to expand our product and service offerings.

Our Business

Our customers pay us to use the software platforms we have built. While we generally offer contract terms of one to five years in length, our customers sometimes enter into shorter-term contracts. Revenue is generally recognized ratably over the contract term. Many of our customer contracts contain termination for convenience provisions.

For the year ended December 31, 2022, we generated \$1.9 billion in revenue, reflecting a 24% growth rate from the year ended December 31, 2021, when we generated \$1.5 billion in revenue.

In the year ended December 31, 2022, we incurred losses from operations of \$161.2 million, or adjusted income from operations of \$420.8 million when excluding stock-based compensation and related employer payroll taxes. In the year ended December 31, 2021, our losses from operations were \$411.0 million, or adjusted income from operations of \$473.5 million when excluding stock-based compensation and related employer payroll taxes.

In the year ended December 31, 2022, our gross profit was \$1.5 billion, reflecting a gross margin of 79%, or 81% when excluding stock-based compensation. In the year ended December 31, 2021, our gross profit was \$1.2 billion, reflecting a gross margin of 78%, or 82% when excluding stock-based compensation.

For more information about our adjusted income from operations, which excludes stock-based compensation and related employer payroll taxes; and gross profit and gross margin, when excluding stock-based compensation; as well as reconciliations from loss from operations and gross profit, see the section titled “*Non-GAAP Reconciliations*” below.

Our Customers

We define a customer as an organization from which we have recognized revenue during the trailing twelve-month period. During the period ended December 31, 2022, we had 367 customers, including companies in various commercial sectors and government agencies around the world. During the period ended December 31, 2021, we had 237 customers.

For large government agencies, where a single institution has multiple divisions, units, or subsidiary agencies, each such division, unit, or subsidiary agency that enters into a separate contract with us and is invoiced as a separate entity is treated as a separate customer. For example, while the U.S. Food and Drug Administration, Centers for Disease Control and Prevention, and National Institutes of Health are subsidiary agencies of the U.S. Department of Health and Human Services, we treat each of those agencies as a separate customer given that the governing structures and procurement processes of each agency are independent.

We have built lasting and significant customer relationships and partnerships with some of the world’s leading government institutions and companies. As of December 31, 2022, we expect to generate revenue under our existing customer contracts for an additional 2.8 years on a dollar-weighted average contract duration basis. Dollar-weighted average contract duration represents the length of time we expect to generate revenue on average, including existing contractual obligations and assuming that our customers will exercise all of the contractual options available to them, and is subject to change as we enter into new contracts or if customers terminate for convenience. We calculate this duration on a dollar-weighted basis to adjust for smaller deals. The timing of our customer billings and receipt of payments varies from contract to contract. Our average revenue for the top twenty customers during the trailing twelve months ended December 31, 2022 was \$49.4 million, which grew 13% from an average of \$43.6 million in revenue from the top twenty customers during the trailing twelve months ended December 31, 2021, demonstrating our expanding relationships with existing customers.

Organizations in the commercial and government sectors face similar challenges when it comes to managing data, and we intend to expand our reach in both markets moving forward. Our decisions about which customer relationships require further investment may change over time, based on our assessment of the potential long-term value that our software can generate for them. We enter into initial pilots with customers, generally at our own expense and without a guarantee of future returns, in order to access a unique set of opportunities that others may pass over for lack of resources and shorter investment horizons. We manage customers at the account level, not by industry or sector, so that we can optimize on the specific growth opportunities for each customer. In the year ended December 31, 2022, 56% of our revenue came from government customers and 44% came from commercial customers.

Our U.S. customers have been a meaningful source of revenue growth for our business. In the year ended December 31, 2022, we generated 61% of our revenue from customers in the United States and the remaining 39% from non-U.S. customers. Revenue from our U.S. customers during the trailing twelve months ended December 31, 2022 was \$1.2 billion, which grew 32% from the prior twelve-month period. We expect that U.S. customers will continue to be a source of significant revenue growth for us.

We continue to believe that our government customers remain a meaningful and resilient source of revenue for our business, particularly during periods of economic uncertainty. However, large government customers, in particular, are generally subject to a number of uncertainties regarding budgets and spending levels, changes in timing and spending priorities, and regulatory and policy changes, which can make it difficult to predict when, or if, we will make sales to such customers or the size and scope of any contract awards. See also the discussion of “*Risks Related to Relationships and Business with the Public Sector*” within *Item 1A. Risk Factors* included in this Annual Report on Form 10-K.

Expansion of Access to Platforms

The speed with which our platforms can be deployed has significantly expanded the range of potential customers with which we plan on partnering over the long term. We anticipate that our reach among an increasingly broad set of customers, in both the commercial and government sectors, will accelerate moving forward. We believe that, as these new partners grow, we will grow with them.

We have also made a number of investments in companies whose businesses rely on the ability of their organizations to manage and analyze data effectively at scale.

Our proximity to these businesses and the industries in which they are operating has enhanced, and is expected to continue enhancing, our own product and business development efforts, as we continue expanding access to our platforms to the broadest possible set of customers.

Total Remaining Deal Value

We are focused on building strategic relationships with, and delivering significant outcomes for, our customers over the long term. Our contracts with our customers reflect that long-term orientation, often lasting for multiple years at a time.

Total remaining deal value is the total remaining value of contracts that have been awarded by our government and commercial customers and includes existing contractual obligations and unexercised contract options available to those customers. Total remaining deal value presumes the exercise of all contract options and no termination of contracts; however, the majority of our contracts are subject to termination provisions, including for convenience, and there can be no guarantee that contracts are not terminated or that contract options will be exercised. Total remaining deal value also includes remaining contract value from Strategic Commercial Contracts, which are subject to termination for cause provisions. Total remaining deal value excludes all or some portion of the value of certain commercial contracts as a result of our ongoing assessments of customers’ financial condition, including the consideration of such customers’ ability and intention to pay, and whether such contracts continue to meet the criteria for revenue recognition, among other factors.

As of December 31, 2022, the total remaining deal value of the contracts, as defined above, was \$3.7 billion, down 3% from December 31, 2021, when our total remaining deal value of such contracts was \$3.8 billion.

Of our total remaining deal value, as of December 31, 2022, the total remaining deal value of the contracts that we entered into with commercial customers, including existing contractual obligations and available contractual options, as defined above, was \$2.0 billion, down 23% from December 31, 2021, when the total remaining deal value of such contracts was \$2.6 billion. The decrease was due to the exclusion of certain contracts, as described above, as well as decreases resulting from the recognition of revenue and renegotiation of a commercial contract.

As of December 31, 2022, the total remaining deal value of the contracts that we had been awarded by government agencies in the United States and allied countries around the world, including existing contractual obligations and contractual options

available to those government agencies, was \$1.7 billion, up 37% from December 31, 2021, when the total value of such contracts was \$1.2 billion.

When calculating the total remaining deal value of government contracts, we do not include government contracts known as IDIQ contracts, totaling \$2.8 billion, as of December 31, 2022, that we have been awarded, but where the funding of such contracts has not yet been determined. The funding of these contracts is not guaranteed.

Many of our government and commercial contracts are subject to termination for convenience provisions. Additionally, the U.S. federal government is prohibited from exercising contract options more than one year in advance. As a result, there can be no guarantee that our customer contracts will not be terminated or that contract options will be exercised.

Macroeconomic Trends

As a corporation with an international presence, we are subject to risks and uncertainties caused by significant events with macroeconomic impacts, including, but not limited to, the ongoing COVID-19 pandemic, the impact of the ongoing Russia-Ukraine conflict, rising inflation and interest rates, monetary policy changes, and foreign currency fluctuations. Additionally, these macroeconomic impacts have generally disrupted the operations of our customers and prospective customers. We continuously monitor the direct and indirect impacts of these circumstances on our business and financial results, as well as the overall global economy and geopolitical landscape.

See the section titled “*Risk Factors*” included elsewhere in this Annual Report on Form 10-K for further discussion of the impact of macroeconomic trends on our business.

COVID-19 Impact

The COVID-19 pandemic continues to impact the global economy. The extent to which COVID-19 may impact our financial conditions or results of operations in future periods remains uncertain, but to date has not had a material adverse impact on our results of operations. We continue to prioritize the health and safety of our employees, our customers, and the communities in which we operate. We have reopened our offices and have allowed business travel and in-person events to resume, while continuing to closely monitor developments around the evolving nature of the pandemic. As such, our travel and office-related expenditures have increased, and may continue to increase moving forward. However, we expect that some of our employees will continue to work remotely. The economic effects of the pandemic and resulting societal changes are currently not predictable.

The COVID-19 pandemic has made clear to many of our customers that accommodating the extended timelines ordinarily required to realize results from implementing new software solutions is not an option during a crisis. As a result, customers are increasingly adopting our software, which can be ready in days, over internal software development efforts, which may take months or years.

Russia-Ukraine Conflict

We continue to closely monitor the impact of the ongoing Russia-Ukraine conflict and its global impacts on our business. While the conflict is still evolving and the outcome remains highly uncertain, we do not expect that the Russian invasion will have a material impact on our business and results of operations. We do not currently have office locations in Russia and none of our revenues came from sales to entities headquartered in Russia. In June 2022, our Chief Executive Officer, Alexander Karp, met with the President of Ukraine and other senior officials to discuss opening an office in Ukraine and providing ongoing support. Our current operations related to Ukraine are not material to our financial position or results of operations. However, if the conflict continues or worsens, leading to greater disruptions and uncertainty within the technology industry or global economy, our business and results of operations could be negatively impacted.

Foreign Currency Exchange Rates

Exchange rates are subject to significant and rapid fluctuations due to a number of factors, including interest rate changes and political and economic uncertainty which may adversely affect our results of operations or financial position.

Our contracts with customers are primarily denominated in U.S. dollars. As a result, the general strengthening of the U.S. dollar relative to other major foreign currencies (primarily the Euro and GBP) had an unfavorable impact on our revenues from certain non-U.S. customers; however, that impact for the year ended December 31, 2022 was not material to our financial position or results of operations.

Customer Impacts

Current macroeconomic conditions may also adversely impact our customers' business, particularly our early- and growth-stage customers. Relationships with early- or growth-stage customers carry inherent risks because, among other things, such customers may be unable to generate sufficient revenues or profitability or to access any necessary financing or funding in a timely manner or on favorable terms to them in the current macroeconomic environment, which has impacted, and may continue to impact, our expected revenue and collections. As a result, current macroeconomic conditions may continue to impact our ability to realize the full value of our commercial contracts with such early- or growth-stage customers. For additional information see *Note 4. Investments and Fair Value Measurements* in the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Key Business Measure

In addition to the measures presented in our consolidated financial statements, we use the following key non-GAAP business measure to help us evaluate our business, identify trends affecting our business, formulate business plans and financial projections, and make strategic decisions.

Contribution Margin

We believe that the revenue we generate relative to the costs we incur in order to generate such revenue is an important measure of the efficiency of our business. We define contribution margin as revenue less our cost of revenue and sales and marketing expenses, excluding stock-based compensation, divided by revenue.

Revenue is allocated to each customer account directly. The cost of revenue and sales and marketing costs include both the costs associated with the deployment and operation of our software as well as expenses associated with identifying new customers and expanding partnerships with existing ones. Our software engineers working with existing customers often manage the deployment and operation of our platforms as well as identify new ways that those platforms can be used. To calculate the contribution by segment, we allocate cost of revenue and sales and marketing expenses, excluding stock-based compensation, to an account pro rata based on headcount and time spent on the account during the period. To the extent certain costs or personnel are not directly assigned to a specific account, they are allocated pro rata based on total headcount staffed during such period. Direct costs, such as third-party cloud hosting services, are directly allocated to the account to which they relate. Allocated revenues and expenses are then aggregated into a segment based upon the customer account to which they relate.

Contribution margin, both across our business and segments, is intended to capture how much we have earned from customers after accounting for the costs associated with deploying and operating our software, as well as any sales and marketing expenses involved in acquiring and expanding our partnerships with those customers, including allocated overhead. We exclude stock-based compensation as it is a non-cash expense.

We believe that our contribution margin provides an important measure of the efficiency of our operations over time. We have included contribution margin because it is a key measure used by our management to evaluate our performance, and we believe that it also provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team. Our calculation of contribution margin may differ from similarly titled measures, if any, reported by other companies. Contribution margin should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

For more information about contribution margin, including the limitations of this measure, and a reconciliation to loss from operations, see the section titled "*Non-GAAP Reconciliations*" below.

Non-GAAP Reconciliations

We use the non-GAAP measures contribution margin; gross profit and gross margin, excluding stock-based compensation; and adjusted income from operations, which excludes stock-based compensation and related employer payroll taxes to help us evaluate our business, identify trends affecting our business, formulate business plans and financial projections, and make strategic decisions. We exclude stock-based compensation, which is a non-cash expense, from these non-GAAP financial measures because we believe that excluding this item provides meaningful supplemental information regarding operational performance and provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team. Additionally, we exclude employer payroll taxes related to stock-based compensation as it is difficult to predict and outside of our control.

Our definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Further, these metrics have certain limitations, as they do not include the impact of certain expenses that are reflected in our consolidated statement of operations. Thus, our non-GAAP contribution margin; gross profit and gross margin, excluding stock-based compensation; and adjusted income from operations should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP.

We compensate for these limitations by providing reconciliations of these non-GAAP measures to the most comparable GAAP measures. We encourage investors and others to review our business, results of operations, and financial information in its entirety, not to rely on any single financial measure, and to view these non-GAAP measures in conjunction with the most directly comparable GAAP financial measures.

Contribution Margin

The following table provides a reconciliation of contribution margin for the years ended December 31, 2022 and 2021 (in thousands, except percentages):

	Years Ended December 31,	
	2022	2021
Loss from operations	\$ (161,201)	\$ (411,046)
Add:		
Research and development expenses ⁽¹⁾	265,808	237,189
General and administrative expenses ⁽¹⁾	365,768	295,071
Total stock-based compensation expense	564,798	778,215
Total contribution	<u>\$ 1,035,173</u>	<u>\$ 899,429</u>
Contribution margin	<u>54 %</u>	<u>58 %</u>

⁽¹⁾ Excludes stock-based compensation.

Gross Profit and Gross Margin, Excluding Stock-Based Compensation

The following table provides a reconciliation of gross profit and gross margin, excluding stock-based compensation for the years ended December 31, 2022 and 2021 (in thousands, except percentages):

	Years Ended December 31,	
	2022	2021
Gross profit	\$ 1,497,322	\$ 1,202,485
Add: stock-based compensation	44,061	68,546
Gross profit, excluding stock-based compensation	<u>\$ 1,541,383</u>	<u>\$ 1,271,031</u>
Gross margin, excluding stock-based compensation	<u>81 %</u>	<u>82 %</u>

Adjusted Income from Operations

The following table provides a reconciliation of adjusted income from operations, which excludes stock-based compensation and related employer payroll taxes for the years ended December 31, 2022 and 2021 (in thousands):

	Years Ended December 31,	
	2022	2021
Loss from operations	\$ (161,201)	\$ (411,046)
Add: stock-based compensation	564,798	778,215
Add: employer payroll taxes related to stock-based compensation	17,156	106,283
Adjusted income from operations	<u>\$ 420,753</u>	<u>\$ 473,452</u>

Components of Results of Operations

Revenue

We generate revenue from the sale of subscriptions to access our software in our hosted environment along with ongoing O&M services (“Palantir Cloud”), software subscriptions in our customers’ environments with ongoing O&M services (“On-Premises Software”), and professional services.

Palantir Cloud

Our Palantir Cloud subscriptions grant customers the right to access the software functionality in a hosted environment controlled by Palantir and are sold together with stand-ready O&M services, as further described below. We promise to provide continuous access to the hosted software throughout the contract term. Revenue associated with Palantir Cloud subscriptions is generally recognized over the contract term on a ratable basis, which is consistent with the transfer of control of the Palantir services to the customer.

On-Premises Software

Sales of our software subscriptions grant customers the right to use functional intellectual property, either on their internal hardware infrastructure or on their own cloud instance, over the contractual term and are also sold together with stand-ready O&M services. O&M services include critical updates and support and maintenance services required to operate the software and, as such, are necessary for the software to maintain its intended utility over the contractual term. Because of this requirement, we have concluded that the software subscriptions and O&M services, which together we refer to as our On-Premises Software, are highly interdependent and interrelated and represent a single distinct performance obligation within the context of the contract. Revenue is generally recognized over the contract term on a ratable basis.

Professional Services

Our professional services support the customers’ use of the software and include, as needed, on-demand user support, user-interface configuration, training, and ongoing ontology and data modeling support. Professional services contracts typically include the provision of on-demand professional services for the duration of the contractual term. These services are typically coterminous with a Palantir Cloud or On-Premises Software subscriptions. Professional services are on-demand, whereby we perform services throughout the contract period; therefore, the revenue is recognized over the contractual term.

Cost of Revenue

Cost of revenue primarily includes salaries, stock-based compensation expense, and benefits for personnel involved in performing O&M and professional services, as well as field service representatives, third-party cloud hosting services, travel costs, allocated overhead, and other direct costs.

We expect that cost of revenue will increase in absolute dollars as our revenue grows and will vary from period to period as a percentage of revenue.

Sales and Marketing

Our sales and marketing efforts span all stages of our sales cycle, including personnel involved with sales functions, and executing pilots at new or existing customers. Sales and marketing costs primarily include salaries, stock-based compensation expense, and benefits for our sales force and personnel involved in sales functions, executing on pilots and customer growth activities; as well as third-party cloud hosting services for our pilots, marketing and sales event-related costs, travel costs, and allocated overhead. Sales and marketing costs are generally expensed as incurred.

We expect that sales and marketing expenses will increase in absolute dollars as we continue to invest in our potential and current customers, in growing our business, sales force, and enhancing our brand awareness.

Research and Development

Our research and development efforts are aimed at continuing to develop and refine our platforms, including adding new features and modules, increasing their functionality, and enhancing the usability of our platforms. Research and development costs primarily include salaries, stock-based compensation expense, and benefits for personnel involved in performing the activities to develop and refine our platforms, internal use third-party cloud hosting services and other IT-related costs, travel costs, and allocated overhead. Research and development costs are expensed as incurred.

We plan to continue to invest in personnel to support our research and development efforts. As a result, we expect that research and development expenses will increase in absolute dollars for the foreseeable future as we continue to invest to support these activities.

General and Administrative

General and administrative costs include salaries, stock-based compensation expense, and benefits for personnel involved in our executive, finance, legal, human resources, and administrative functions, as well as third-party professional services and fees, travel costs, and allocated overhead.

We expect that general and administrative expenses will increase in absolute dollars as we hire additional personnel and enhance our systems, processes, and controls to support the growth in our business as well as our increased compliance and reporting requirements as a public company.

Interest Income

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

Interest Expense

Interest expense consists primarily of interest expense and commitment fees incurred under our credit facility.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency exchange gains and losses, realized and unrealized losses from Investments, and our share of income and losses from our equity method investments. The year ended December 31, 2022 also included a gain from a step acquisition.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists of income taxes related to foreign and state jurisdictions in which we conduct business and withholding taxes.

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests represents our joint venture partners' proportionate share of the results of operations of the respective joint venture.

Segments

We have two operating segments, commercial and government, which were determined based on the manner in which the chief operating decision maker ("CODM"), who is our chief executive officer, manages our operations for purposes of allocating resources and evaluating performance. Various factors, including our organizational and management reporting structure and customer type, were considered in determining these operating segments.

Our operating segments are described below:

- *Commercial*: This segment primarily serves customers working in non-government industries.
- *Government*: This segment primarily serves customers that are U.S. government and non-U.S. government agencies.

Segment profitability is evaluated based on contribution and contribution margin. Contribution is segment revenue less the related costs of revenue and sales and marketing expenses, excluding stock-based compensation expense. Contribution margin is contribution divided by revenue. To the extent costs of revenue or sales and marketing expenses are not directly attributable to a particular segment, they are allocated based upon headcount at each operating segment during the period. We use it, in part, to evaluate the performance of, and allocate resources to, each of our operating segments, which excludes certain operating expenses that are not allocated to operating segments because they are separately managed at the consolidated corporate level. These unallocated costs include stock-based compensation expense, research and development costs, and general and administrative costs, such as legal and accounting.

Results of Operations

The following table summarizes our consolidated statements of operations data (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Revenue	\$ 1,905,871	\$ 1,541,889	\$ 1,092,673
Cost of revenue ⁽¹⁾	408,549	339,404	352,547
Gross profit	1,497,322	1,202,485	740,126
Operating expenses:			
Sales and marketing ⁽¹⁾	702,511	614,512	683,701
Research and development ⁽¹⁾	359,679	387,487	560,660
General and administrative ⁽¹⁾	596,333	611,532	669,444
Total operating expenses	1,658,523	1,613,531	1,913,805
Loss from operations	(161,201)	(411,046)	(1,173,679)
Interest income	20,309	1,607	4,680
Interest expense	(4,058)	(3,640)	(14,139)
Other income (expense), net	(216,077)	(75,415)	4,111
Loss before provision for (benefit from) income taxes	(361,027)	(488,494)	(1,179,027)
Provision for (benefit from) income taxes	10,067	31,885	(12,636)
Net loss	(371,094)	(520,379)	(1,166,391)
Less: Net income attributable to noncontrolling interests	2,611	—	—
Net loss attributable to common stockholders	\$ (373,705)	\$ (520,379)	\$ (1,166,391)

⁽¹⁾ Includes stock-based compensation expense as follows (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Cost of revenue	\$ 44,061	\$ 68,546	\$ 139,627
Sales and marketing	196,301	242,910	398,205
Research and development	93,871	150,298	357,063
General and administrative	230,565	316,461	375,807
Total stock-based compensation expense ⁽ⁱ⁾	\$ 564,798	\$ 778,215	\$ 1,270,702

(i) On September 30, 2020, in connection with our Direct Listing, we incurred \$769.5 million and \$8.4 million of stock-based compensation using the accelerated attribution method related to the satisfaction of the performance-based vesting condition for RSUs and growth units, respectively, that had satisfied the service-based vesting condition as of such date.

The following table sets forth the components of our consolidated statements of operations data as a percentage of revenue:

	Years Ended December 31,		
	2022	2021	2020
Revenue	100 %	100 %	100 %
Cost of revenue	21	22	32
Gross profit	79	78	68
Operating expenses:			
Sales and marketing	37	40	63
Research and development	19	25	51
General and administrative	31	40	61
Total operating expenses	87	105	175
Loss from operations	(8)	(27)	(107)
Interest income	1	—	—
Interest expense	—	—	(1)
Other income (expense), net	(12)	(5)	—
Loss before provision for (benefit from) income taxes	(19)	(32)	(108)
Provision for (benefit from) income taxes	1	2	(1)
Net loss	(20)	(34)	(107)
Less: Net income attributable to noncontrolling interests	—	—	—
Net loss attributable to common stockholders	<u>(20)%</u>	<u>(34)%</u>	<u>(107)%</u>

Comparison of the Years Ended December 31, 2022 and 2021

Revenue

	Years Ended December 31,		Change	
	2022	2021	Amount	%
Revenue:				
Government	\$ 1,071,776	\$ 897,356	\$ 174,420	19 %
Commercial	834,095	644,533	189,562	29 %
Total revenue	<u>\$ 1,905,871</u>	<u>\$ 1,541,889</u>	<u>\$ 363,982</u>	24 %

Revenue increased by \$364.0 million, or 24%, for the year ended December 31, 2022 compared to 2021. Revenue from government customers increased by \$174.4 million, or 19%, for the year ended December 31, 2022 compared to 2021, primarily from customers in the United States. Revenue growth slowed compared to the prior year as a result of increased delays in the completion of the U.S. government budgeting process when compared to their budgeting process in the prior year. Of the increase, \$151.1 million was from government customers existing as of December 31, 2021. Generally, increases in revenue from our existing customers are a result of expanded use of our products and services within their organizations. Revenue from U.S. government customers was \$826.3 million for the year ended December 31, 2022 compared to \$678.2 million for the same period in 2021. Revenue from commercial customers increased by \$189.6 million, or 29%, for the year ended December 31, 2022 compared to 2021. Of the increase, \$96.8 million was from new customers as of December 31, 2021, of which \$27.0 million was revenue from customers with which we had entered into concurrent Investment Agreements. See *Note 4. Investments and Fair Value Measurements* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Cost of Revenue and Gross Profit

	Years Ended December 31,		Change	
	2022	2021	Amount	%
Cost of revenue	\$ 408,549	\$ 339,404	\$ 69,145	20 %
Gross profit	1,497,322	1,202,485	294,837	25 %
Gross margin	79 %	78 %		

Cost of revenue for the year ended December 31, 2022 increased by \$69.1 million, or 20%, compared to 2021. The increase was primarily due to increases of \$33.0 million in third-party cloud hosting services driven by increased usage from customer growth and expansion, \$29.4 million in field service representatives mainly related to new projects, \$18.1 million in payroll and other payroll-related costs as a result of increased headcount attributable to our cost of revenue function, and \$11.9 million in travel and office-related costs. The increases were partially offset by a decrease of \$31.0 million in stock-based compensation expense and related expenses. For additional information, see the section titled “*Stock-Based Compensation*” below.

Our gross margin for the year ended December 31, 2022 increased by 1% compared to 2021. Gross margin increased as a result of revenue growth outpacing costs of revenue. The primary cause of this growth rate variation was the decrease in stock-based compensation expense and related expenses in cost of revenue relative to total expense growth as compared to the prior year.

Operating Expenses

	Years Ended December 31,		Change	
	2022	2021	Amount	%
Sales and marketing	\$ 702,511	\$ 614,512	\$ 87,999	14 %
Research and development	359,679	387,487	(27,808)	(7)%
General and administrative	596,333	611,532	(15,199)	(2)%
Total operating expenses	<u>\$ 1,658,523</u>	<u>\$ 1,613,531</u>	<u>\$ 44,992</u>	3 %

Sales and Marketing

Sales and marketing expenses increased by \$88.0 million, or 14%, for the year ended December 31, 2022 compared to 2021. The increase was primarily due to increases of \$93.1 million in payroll and other payroll-related costs driven by increased headcount attributable to our sales and marketing function, \$36.3 million in travel and office-related costs, and \$23.5 million in marketing and advertising expenses. The increases were partially offset by a decrease of \$81.3 million in stock-based compensation expense and related expenses. For additional information, see the section titled “*Stock-Based Compensation*” below.

Research and Development

Research and development expenses decreased by \$27.8 million, or 7%, for the year ended December 31, 2022 compared to 2021. The decrease was primarily due to a decrease of \$75.1 million in stock-based compensation expense and related expenses. For additional information, see the section titled “*Stock-Based Compensation*” below. The decrease was partially offset by increases of \$22.8 million in payroll and other payroll-related costs driven by increased headcount attributable to our research and development function, \$12.0 million in travel and office-related costs, and \$11.6 million in third-party cloud hosting services and other IT costs driven by increased usage to support customer growth and expansion, as well as other IT costs to support company growth.

General and Administrative

General and administrative expenses decreased by \$15.2 million, or 2%, for the year ended December 31, 2022 compared to 2021. The decrease was primarily due to a decrease of \$113.0 million in stock-based compensation expense and related expenses. For additional information see the section titled “*Stock-Based Compensation*” below. This decrease was partially offset by increases of \$34.1 million in travel and office-related costs, \$28.9 million in payroll and other payroll-related costs driven by increased headcount attributable to our general and administrative functions, \$15.0 million in professional service fees mainly related to legal and financial services, and a \$10.1 million allowance for credit losses.

Stock-Based Compensation

	Years Ended December 31,		Change	
	2022	2021	Amount	%
Cost of revenue	\$ 44,061	\$ 68,546	\$ (24,485)	(36)%
Sales and marketing	196,301	242,910	(46,609)	(19)%
Research and development	93,871	150,298	(56,427)	(38)%
General and administrative	230,565	316,461	(85,896)	(27)%
Total stock-based compensation expense	<u>\$ 564,798</u>	<u>\$ 778,215</u>	<u>\$ (213,417)</u>	<u>(27)%</u>

Stock-based compensation expenses decreased by \$213.4 million, or 27%, for the year ended December 31, 2022 compared to 2021. The decrease was primarily driven by forfeitures and lower expense under the accelerated attribution method for RSUs granted prior to September 30, 2020, the date of our Direct Listing, during the year ended December 31, 2022 compared to the same period in 2021, partially offset by an increase related to awards granted after December 31, 2021.

Interest Income

	Years Ended December 31,		Change
	2022	2021	Amount
Interest income	\$ 20,309	\$ 1,607	\$ 18,702

Interest income increased by \$18.7 million for the year ended December 31, 2022 compared to 2021 primarily due to an increase in U.S. interest rates on interest earned from our cash, cash equivalents, and restricted cash.

Interest Expense

	Years Ended December 31,		Change
	2022	2021	Amount
Interest expense	\$ (4,058)	\$ (3,640)	\$ (418)

Interest expense increased by \$0.4 million for the year ended December 31, 2022 compared to 2021 driven by the amendments to our credit facility during the year.

Other Income (Expense), Net

	Years Ended December 31,		Change
	2022	2021	Amount
Other income (expense), net	\$ (216,077)	\$ (75,415)	\$ (140,662)

Other income (expense), net changed by \$140.7 million for the year ended December 31, 2022 compared to 2021 primarily due to \$272.1 million of net unrealized and realized losses from our investments in marketable securities, partially offset by a \$44.3 million gain from a “step acquisition” (as defined by U.S. GAAP). For additional information see *Note 4. Investments and Fair Value Measurements* and *Note 14. Business Combinations* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Provision for Income Taxes

	Years Ended December 31,		Change
	2022	2021	Amount
Provision for income taxes	\$ 10,067	\$ 31,885	\$ (21,818)

Provision for income taxes decreased by \$21.8 million for the year ended December 31, 2022 compared to 2021 primarily due to the prior year establishment of a full valuation allowance against its U.K. deferred tax assets during the fourth quarter of 2021 partially offset by permanent differences associated with U.S. Base Erosion and Anti Abuse Tax elections. The Company maintains a full valuation allowance against its U.S. federal and state and U.K. deferred tax assets. For additional information see *Note 11. Income Taxes* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Liquidity and Capital Resources

We generated positive cash flow from operations for the year ended December 31, 2022 and had \$2.6 billion in cash and cash equivalents available as of December 31, 2022. We believe that cash flows generated from operations, cash, cash equivalents, available funds and access to financing sources, including our credit facility, will be sufficient to meet our anticipated operating cash needs for at least the next twelve months. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. We have generated significant losses from our operations as reflected in our consolidated balance sheets and we expect cash flow from operations may fluctuate for the foreseeable future. Historically, we have financed our operations primarily through the sale of our equity securities, including proceeds from option exercises, and payments received from our customers.

As of December 31, 2022, our accumulated deficit balance was \$5.9 billion, and our principal sources of liquidity were \$2.6 billion of cash and cash equivalents.

During April 2021, we repaid our outstanding term loans of \$200.0 million. As of December 31, 2022, we had no outstanding debt balances and additional available and undrawn revolving and DDTL commitments of \$950.0 million under our credit agreement to fund working capital and general corporate expenditures. No amounts were drawn as of the date of this Annual Report on Form 10-K. For more information, see Note 6. Debt in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Our future capital requirements will depend on many factors, including, but not limited to the rate of our growth, our ability to attract and retain customers and their willingness and ability to pay for our products and services, and the timing and extent of spending to support our efforts to market and develop our products. Further, we may enter into future arrangements to acquire or invest in businesses, products, services, strategic partnerships, and technologies. As such, we may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If additional funds are not available to us on acceptable terms, or at all, our business, financial condition, and results of operations could be adversely affected.

The following table summarizes our cash flows for the periods indicated (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Net cash provided by (used in):			
Operating activities	\$ 223,737	\$ 333,851	\$ (296,608)
Investing activities	(45,427)	(397,912)	(14,920)
Financing activities	85,996	306,747	1,036,453
Effect of foreign exchange on cash, cash equivalents, and restricted cash	(3,885)	(3,918)	1,259
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 260,421</u>	<u>\$ 238,768</u>	<u>\$ 726,184</u>

Operating Activities

Net cash provided by operating activities was \$223.7 million and \$333.9 million for the year ended December 31, 2022 and 2021, respectively. The decrease was primarily driven by timing of payments to vendors and timing of the receipt of payments from our customers.

Investing Activities

Net cash used in investing activities was \$45.4 million and \$397.9 million for the year ended December 31, 2022 and 2021, respectively. The decrease in cash used in investing activities was primarily due to a reduction of our purchases of alternative investments and marketable securities, as well as increases from cash acquired from business combinations and sales or redemption of certain marketable securities.

Financing Activities

Net cash provided by financing activities was \$86.0 million and \$306.7 million for the year ended December 31, 2022 and 2021, respectively. The decrease in cash provided by financing activities was driven by a decrease in proceeds from the exercise of common stock options, partially offset by the principal repayments on borrowings of \$200.0 million made during the year ended December 31, 2021.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2022 (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Noncancelable purchase commitments ⁽¹⁾	\$ 1,275,377	\$ 169,124	\$ 591,000	\$ 515,253	\$ —
Operating lease commitments, net of sublease income amounts ⁽²⁾	193,075	40,385	74,633	38,550	39,507
Total contractual obligations and commitments	<u>\$ 1,468,452</u>	<u>\$ 209,509</u>	<u>\$ 665,633</u>	<u>\$ 553,803</u>	<u>\$ 39,507</u>

⁽¹⁾ Noncancelable purchase commitments primarily relate to purchase commitments for third-party cloud hosting services and represents only contracts which are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above. Refer to *Note 8. Commitments and Contingencies* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

⁽²⁾ The contractual commitment amounts under operating leases in the table above are primarily related to facility and equipment leases. Operating lease commitments are reflected net of \$120.8 million of sublease income from tenants in certain of our leased facilities. Refer to *Note 7. Leases* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

The contractual obligations and commitments in the table above are associated with agreements that are enforceable and legally binding.

Contract Liabilities

Our contract liabilities consist of deferred revenue and customer deposits.

Deferred revenue represents billings under noncancelable contracts before the related product or service is transferred to the customer. The portion of deferred revenue that is anticipated to be recognized as revenue during the succeeding twelve-month period is recorded as deferred revenue and the remaining portion is recorded as deferred revenue, noncurrent.

Customer deposits consist of amounts billed and/or paid for anticipated revenue generating activities in advance of the start of the contractual term or for the portion of a contract term that is subject to cancellation by our customers. The portion of customer deposits that is anticipated to be recognized as revenue during the succeeding twelve-month period is recorded as customer deposits and the remaining portion is recorded as customer deposits, noncurrent.

Our deferred revenue and deferred revenue, noncurrent as of December 31, 2022 were \$183.4 million and \$10.0 million, respectively. Our customer deposits and customer deposits, noncurrent as of December 31, 2022 were \$142.0 million and \$3.9 million, respectively. Our deferred revenue and deferred revenue, noncurrent as of December 31, 2021 were \$227.8 million and \$40.2 million, respectively. Our customer deposits and customer deposits, noncurrent as of December 31, 2021 were \$161.6 million and \$33.7 million, respectively.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with GAAP. The preparation of 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. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations. For further information, see *Note 2. Significant Accounting Policies* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Revenue Recognition

We generate revenue from the sale of subscriptions to access our software Palantir Cloud and On-Premises Software, with ongoing O&M services and professional services.

In accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, we recognized revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for promised goods or services. We apply the following five-step revenue recognition model in accounting for our revenue arrangements:

- identification of the contract(s) with the customer, including whether collectability of the consideration is probable by considering the customers’ ability and intention to pay;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Each of our significant performance obligations and our application of ASC 606 to our revenue arrangements is discussed in further detail below.

Palantir Cloud

Our Palantir Cloud subscriptions grant customers the right to access the software functionality in a hosted environment controlled by Palantir and are also sold together with stand-ready O&M services. We promise to provide continuous access to the hosted software throughout the contract term. Revenue associated with Palantir Cloud subscriptions is generally recognized over the contract term on a ratable basis, which is consistent with the transfer of control of the Palantir Cloud services to the customer.

On-Premises Software

Sales of our software subscriptions grant customers the right to use functional intellectual property, either on their internal hardware infrastructure or on their own cloud instance, over the contractual term and are sold together with stand-ready O&M services. The O&M services include critical updates, support, and maintenance services required to operate our software and, as such, are necessary for our software to maintain its intended utility over the contractual term. Because of this requirement, we have concluded that the software subscriptions and O&M services, which together we refer to as our On-Premises Software, are highly interdependent and interrelated and represent a single distinct performance obligation within the context of the contract. Revenue is generally recognized over the contract term on a ratable basis.

Professional Services

Our professional services support the customers’ use of the software and include, as needed, on-demand user support, user-interface configuration, training, and ongoing ontology and data modeling support. Professional services contracts typically include the provision of on-demand professional services for the duration of the contractual term. These services are typically coterminous with a Palantir Cloud subscription or the On-Premises Software. Professional services are on-demand, whereby we perform services throughout the contract period; therefore, the revenue is recognized over the contractual term.

Contract Liabilities

The timing of customer billing and payment relative to the start of the service period varies from contract to contract; however, we bill many of our customers in advance of the provision of services under our contracts, resulting in contract liabilities consisting of either deferred revenue or customer deposits. Deferred revenue represents billings under noncancelable contracts before the related product or service is transferred to the customer. Customer deposits consist of amounts billed and/or paid in advance of the start of the contractual term or for anticipated revenue generating activities for the portion of a contract term that is subject to cancellation by our customers. Many of our arrangements include terms that allow the customer to terminate the contract for convenience and receive a pro-rata refund of the amount of the customer deposit for the period of time remaining in the contract term after the applicable termination notice period expires. In these arrangements, we concluded there are no enforceable rights and obligations after such notice period and therefore the consideration received or due from the customer that is subject to termination for convenience is recorded as customer deposits.

The payment terms and conditions vary by contract; however, our terms generally require payment within 30 to 60 days from the invoice date. In instances where the timing of revenue recognition differs from the timing of payment, we elected to apply

the practical expedient in accordance with ASC 606 to not adjust contract consideration for the effects of a significant financing component as we expect, at contract inception, that the period between when promised goods and services are transferred to the customer and when the customer pays for those goods and services will be one year or less. As such, we determined our contracts do not generally contain a significant financing component.

Areas of Judgment and Estimation

Our contracts with customers can include multiple promises to transfer goods or services to the customer. Determining whether promises are distinct performance obligations that should be accounted for separately – or not distinct within the context of the contract and, thus, accounted for together – requires significant judgment. We concluded that the promise to provide a software subscription is highly interdependent and interrelated with the promise to provide O&M services and such promises are not distinct within the context of our contracts and are accounted for as a single performance obligation for our On-Premises Software.

Additionally, the pricing of our contracts is generally fixed; however, it is possible for contracts to include variable consideration, which can be based on subjective or objective criteria. We include the estimated amount of variable consideration that we expect to receive to the extent it is probable that a significant revenue reversal will not occur. Variable consideration received was not material in the periods presented.

Significant estimates and assumptions are used in the identification of performance obligations in customer contracts and collectability of contract consideration, including accounts receivable. Estimates and judgments are based on historical experience, forecasted events, and various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could affect our financial position and results of operations.

Recent Accounting Pronouncements

For information on recently issued accounting pronouncements, if any, refer to *Note 2. Significant Accounting Policies* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business, which primarily relate to fluctuations in the value of our investments, interest rates, foreign exchange, and inflation.

Market Risk

As of December 31, 2022, we had outstanding investments in marketable securities valued at \$35.1 million. We have sold, and may continue to sell, some or all of our existing investments. These Investments are often in early- or growth-stage companies that have minimal public trading history; as such the fair value of these Investments may fluctuate depending on the financial outcome and prospects of the Investees, as well as global market conditions including recent and ongoing volatility related to the impacts of the ongoing COVID-19 pandemic, the ongoing Russia-Ukraine conflict, and rising interest rates. Additionally, investing in early- or growth-stage companies carries inherent risks because, among other things, the technologies or products that are being developed by these companies are typically in the early phases and may never materialize or they may not achieve their growth or other business objectives, and they have and may continue to experience a decline in financial condition, which could result in a loss of all or a substantial part of our investment in these companies. We record gains or losses as the fair value of these Investments change and as we sell them. We anticipate additional volatility to our consolidated statements of operations due to changes in market prices and declines in financial conditions of Investees, and as such gains and losses are realized. During the fiscal year ended December 31, 2022, net unrealized losses of \$159.0 million and net realized losses of \$113.1 million related to marketable securities were recorded in other income (expense), net on the consolidated statements of operations. We do not currently anticipate entering into new Investment Agreements to purchase, or commit to purchase, securities of special purpose acquisition companies.

Interest Rate Risk

Our cash, cash equivalents, and restricted cash consist of cash, certificates of deposit, and money market funds. Our primary investment policy and strategies are focused on the preservation of capital and supporting our liquidity requirements; however, to a lesser extent we have made and may continue to make investments in early- and growth-stage companies as disclosed in *Note 4. Investments and Fair Value Measurements* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. We do not currently anticipate entering into new Investment Agreements to purchase, or commit to purchase, securities of special purpose acquisition companies.

Due to the short-term nature of the financial instruments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

Foreign Currency Exchange Risk

Our contracts with customers are primarily denominated in U.S. dollars, with the remaining denominated in foreign currencies. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, United Kingdom, and other European countries. Our results of current and future operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro and GBP. We have experienced, and may continue to experience, fluctuations in net loss as a result of transaction gains or losses related to remeasuring certain assets and liability balances that are denominated in foreign currencies. These exposures may change over time as business practices evolve and economic conditions change. To date, foreign currency transaction gains and losses have not been material to our consolidated financial statements, and we have not engaged in any foreign currency hedging transactions.

Inflation Risk

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Palantir Technologies Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Palantir Technologies Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable convertible and convertible preferred stock and stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

Description of the Matter As discussed in Note 2 to the consolidated financial statements, the Company generates its revenue primarily from the sale of subscriptions to access its software in the Company’s hosted environment, along with ongoing operations and maintenance (“O&M”) services (“Palantir Cloud”); software licenses, primarily term licenses in the customers’ environments, with ongoing O&M services (“On-Premises Software”); and professional services. Management applies significant judgment in identifying and evaluating any non-standard terms and conditions in customer arrangements which may impact the determination of performance obligations or the timing of revenue recognition. In addition, the determining whether promises are distinct performance obligations that should be accounted for separately – or not distinct within the context of the contract and, thus, accounted for together – requires significant judgment. The Company concluded that the promise to provide a software license is highly interdependent and interrelated with the promise to provide O&M services and such promises are not distinct within the context of its contracts and are accounted for as a single performance obligation for the Company’s On-Premises Software.

Auditing revenue recognition was complex and required a significant level of auditor judgment to identify and evaluate non-standard terms and conditions that impact revenue recognition and to assess whether the software licenses and O&M services should be accounted for as distinct performance obligations or combined as a single performance obligation.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company’s controls to identify and evaluate terms and conditions and performance obligations in customer arrangements that would impact revenue recognition.

Our substantive procedures included, among others, testing the completeness and accuracy of management’s identification and evaluation of non-standard terms and conditions, reading executed contracts for a sample of revenue transactions and evaluating whether the Company appropriately applied its revenue recognition policy to the arrangements based on the terms and conditions therein and consistent with U.S. GAAP. In addition, we evaluated management’s key assumptions and analysis of its performance obligations, including their assessment of the nature, interdependency, and level of integration between the software license and O&M services. We also evaluated the appropriateness of the related disclosures in the consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2008.
San Jose, California

February 21, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Palantir Technologies Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Palantir Technologies Inc.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Palantir Technologies Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Palantir Technologies Japan K.K, which is included in the 2022 consolidated financial statements of the Company and constituted 0.3% and 0.1% of total and net assets, respectively, as of December 31, 2022 and 0.4% and 0.5% of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Palantir Technologies Japan K.K.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable convertible and convertible preferred stock and stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated February 21, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

San Jose, California

February 21, 2023

Palantir Technologies Inc.
Consolidated Balance Sheets
(in thousands, except per share amounts)

	As of December 31,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,598,540	\$ 2,290,674
Restricted cash	16,244	36,628
Accounts receivable, net	258,346	190,923
Marketable securities	35,135	234,153
Prepaid expenses and other current assets	133,312	110,872
Total current assets	3,041,577	2,863,250
Property and equipment, net	69,170	31,304
Restricted cash, noncurrent	12,551	39,612
Operating lease right-of-use assets	200,240	216,898
Other assets	137,701	96,386
Total assets	<u>\$ 3,461,239</u>	<u>\$ 3,247,450</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 44,788	\$ 74,907
Accrued liabilities	172,715	155,806
Deferred revenue	183,350	227,816
Customer deposits	141,989	161,605
Operating lease liabilities	45,099	39,927
Total current liabilities	587,941	660,061
Deferred revenue, noncurrent	9,965	40,217
Customer deposits, noncurrent	3,936	33,699
Operating lease liabilities, noncurrent	204,305	220,146
Other noncurrent liabilities	12,655	2,297
Total liabilities	818,802	956,420
Commitments and Contingencies (Note 8)		
Stockholders' equity:		
Common stock, \$0.001 par value: 20,000,000 Class A shares authorized as of December 31, 2022 and December 31, 2021; 1,995,414 and 1,926,589 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively; 2,700,000 Class B shares authorized as of December 31, 2022 and December 31, 2021; 102,656 and 99,880 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively; and 1,005 Class F shares authorized, issued, and outstanding as of December 31, 2022 and December 31, 2021	2,099	2,027
Additional paid-in capital	8,427,998	7,777,085
Accumulated other comprehensive loss	(5,333)	(2,349)
Accumulated deficit	(5,859,438)	(5,485,733)
Total stockholders' equity	2,565,326	2,291,030
Noncontrolling interests	77,111	—
Total equity	2,642,437	2,291,030
Total liabilities and equity	<u>\$ 3,461,239</u>	<u>\$ 3,247,450</u>

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

Palantir Technologies Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Years Ended December 31,		
	2022	2021	2020
Revenue	\$ 1,905,871	\$ 1,541,889	\$ 1,092,673
Cost of revenue	408,549	339,404	352,547
Gross profit	1,497,322	1,202,485	740,126
Operating expenses:			
Sales and marketing	702,511	614,512	683,701
Research and development	359,679	387,487	560,660
General and administrative	596,333	611,532	669,444
Total operating expenses	1,658,523	1,613,531	1,913,805
Loss from operations	(161,201)	(411,046)	(1,173,679)
Interest income	20,309	1,607	4,680
Interest expense	(4,058)	(3,640)	(14,139)
Other income (expense), net	(216,077)	(75,415)	4,111
Loss before provision for (benefit from) income taxes	(361,027)	(488,494)	(1,179,027)
Provision for (benefit from) income taxes	10,067	31,885	(12,636)
Net loss	(371,094)	(520,379)	(1,166,391)
Less: Net income attributable to noncontrolling interests	2,611	—	—
Net loss attributable to common stockholders	\$ (373,705)	\$ (520,379)	\$ (1,166,391)
Net loss per share attributable to common stockholders, basic	\$ (0.18)	\$ (0.27)	\$ (1.19)
Net loss per share attributable to common stockholders, diluted	\$ (0.18)	\$ (0.27)	\$ (1.20)
Weighted-average shares of common stock outstanding used in computing net loss per share attributable to common stockholders, basic	2,063,793	1,923,617	977,722
Weighted-average shares of common stock outstanding used in computing net loss per share attributable to common stockholders, diluted	2,063,793	1,923,617	979,330

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

Palantir Technologies Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Years Ended December 31,		
	2022	2021	2020
Net loss	\$ (371,094)	\$ (520,379)	\$ (1,166,391)
Other comprehensive income (loss)			
Foreign currency translation adjustments	(2,984)	396	(2,042)
Comprehensive loss	(374,078)	(519,983)	(1,168,433)
Less: Comprehensive income attributable to noncontrolling interests	2,611	—	—
Comprehensive loss attributable to common stockholders	\$ (376,689)	\$ (519,983)	\$ (1,168,433)

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

Palantir Technologies Inc.
Consolidated Statements of Redeemable Convertible and Convertible Preferred Stock and Stockholders' Equity
(in thousands)

	Redeemable Convertible Preferred Stock		Convertible Preferred Stock		Common Stock		Additional Paid-in Capital		Treasury Stock		Accumulated Other Comprehensive Loss		Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Accumulated Deficit	Stockholders' (Deficit) Equity	
Balance as of December 31, 2019	4,017	\$ 33,569	742,840	\$ 2,093,662	581,497	\$ 588	1,857,331	6,393	\$ (38,895)	(703)	\$ (3,798,963)	\$ (1,980,642)	
Conversion of Series H-1 convertible preferred stock to common stock	—	—	(28)	(100)	28	—	100	—	—	—	—	100	
Issuance of Series K convertible preferred stock	—	—	121	947	—	—	—	—	—	—	—	—	
Issuance of Series D preferred stock upon net exercise of Series D preferred stock warrants	—	—	2,380	10,810	—	—	—	—	—	—	—	—	
Repurchase of common stock, held in treasury	—	—	—	—	(808)	—	(42,665)	808	(3,777)	—	—	(3,777)	
Retirement of treasury stock	—	—	—	—	—	(7)	(42,665)	(7,201)	42,672	—	—	—	
Issuance of common stock upon net exercise of common stock warrants	—	—	—	—	7,631	8	(8)	—	—	—	—	—	
Issuance of common stock, net of issuance costs	—	—	—	—	206,501	207	942,322	—	—	—	—	942,529	
Conversion of redeemable convertible preferred stock to common stock	(4,017)	(33,569)	—	—	4,017	4	33,565	—	—	—	—	33,569	
Conversion of convertible preferred stock to common stock	—	—	(745,313)	(2,105,319)	793,726	794	2,104,525	—	—	—	—	2,105,319	
Conversion of preferred stock warrants to common stock warrants	—	—	—	—	—	—	31,007	—	—	—	—	31,007	
Issuance of common stock from the exercise of stock options	—	—	—	—	120,618	120	298,709	—	—	—	—	298,829	
Issuance of common stock upon vesting of restricted stock units ("RSUs")	—	—	—	—	82,430	82	(82)	—	—	—	—	—	
Stock-based compensation	—	—	—	—	—	—	1,264,254	—	—	—	—	1,264,254	
Settlement of employee loan accounted for as a modification to stock option	—	—	—	—	(3,500)	(4)	(201)	—	—	—	—	(205)	
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(2,042)	—	(2,042)	
Net loss	—	—	—	—	—	—	—	—	—	—	(1,166,391)	(1,166,391)	
Balance as of December 31, 2020	—	\$ —	—	\$ —	1,792,140	\$ 1,792	\$ 6,488,857	—	\$ —	(2,745)	\$ (4,965,354)	\$ 1,522,550	

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

Palantir Technologies Inc.
Consolidated Statements of Redeemable Convertible and Convertible Preferred Stock and Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2020	1,792	\$ 1,792	\$ 6,488,857	\$ (2,745)	\$ (4,965,354)	\$ 1,522,550
Issuance of common stock from the exercise of stock options	178	178,849	507,277	—	—	507,455
Issuance of common stock upon vesting of RSUs	50	50,350	(50)	—	—	—
Issuance of common stock upon vesting of growth units	1	1,471	(1)	—	—	—
Issuance of common stock upon net exercise of common stock warrants and other	6	4,664	1,706	—	—	1,712
Stock-based compensation	—	—	779,296	—	—	779,296
Other comprehensive income	—	—	—	396	—	396
Net loss	—	—	—	—	(520,379)	(520,379)
Balance as of December 31, 2021	2,027	\$ 2,027	\$ 7,777,085	\$ (2,349)	\$ (5,485,733)	\$ 2,291,030

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2021	2,027	\$ 2,027	\$ 7,777,085	\$ (2,349)	\$ (5,485,733)	\$ 2,291,030
Issuance of common stock from the exercise of stock options	20	19,660	86,068	—	—	86,088
Issuance of common stock upon vesting of RSUs	52	51,941	(52)	—	—	—
Stock-based compensation	—	—	564,897	—	—	564,897
Other comprehensive loss	—	—	—	(2,984)	—	(2,984)
Noncontrolling interests	—	—	—	—	—	74,500
Net loss	—	—	—	—	(373,705)	(373,705)
Balance as of December 31, 2022	2,099	\$ 2,099	\$ 8,427,998	\$ (5,333)	\$ (5,859,438)	\$ 2,565,326

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

Palantir Technologies Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2022	2021	2020
Operating activities			
Net loss	\$ (371,094)	\$ (520,379)	\$ (1,166,391)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	22,522	14,897	13,871
Stock-based compensation	564,798	778,215	1,270,702
Deferred income taxes	(174)	43,316	(20,385)
Non-cash operating lease expense	40,309	33,821	35,049
Unrealized and realized (gain) loss from marketable securities, net	272,108	73,311	—
Gain from step acquisition	(44,306)	—	—
Other operating activities	6,677	2,722	4,280
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(77,519)	(35,237)	(108,476)
Prepaid expenses and other current assets	(25,997)	(10,929)	(18,565)
Other assets	6,033	(3,345)	(8,605)
Accounts payable	(29,859)	57,767	(34,681)
Accrued liabilities	5,527	15,245	38,505
Deferred revenue, current and noncurrent	(61,154)	24,732	(30,905)
Customer deposits, current and noncurrent	(49,471)	(104,944)	(230,873)
Operating lease liabilities, current and noncurrent	(34,590)	(32,156)	(43,639)
Other noncurrent liabilities	(73)	(3,185)	3,505
Net cash provided by (used in) operating activities	223,737	333,851	(296,608)
Investing activities			
Purchases of property and equipment	(40,027)	(12,627)	(12,236)
Purchases of marketable securities	(124,500)	(308,315)	—
Proceeds from sales and redemption of marketable securities	52,319	851	—
Business combinations, net of cash acquired	66,708	—	—
Purchases of alternative investments	—	(50,941)	—
Purchases of privately-held securities	—	(23,009)	—
Other investing activities	73	(3,871)	(2,684)
Net cash used in investing activities	(45,427)	(397,912)	(14,920)
Financing activities			
Proceeds from the issuance of common stock, net of issuance costs	—	—	942,529
Proceeds from issuance of debt, net of borrowing costs	—	—	199,369
Principal payments on borrowings	—	(200,000)	(400,000)
Proceeds from the exercise of common stock options	86,089	507,455	298,829
Other financing activities	(93)	(708)	(4,274)
Net cash provided by financing activities	85,996	306,747	1,036,453
Effect of foreign exchange on cash, cash equivalents, and restricted cash	(3,885)	(3,918)	1,259
Net increase in cash, cash equivalents, and restricted cash	260,421	238,768	726,184
Cash, cash equivalents, and restricted cash - beginning of period	2,366,914	2,128,146	1,401,962
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 2,627,335</u>	<u>\$ 2,366,914</u>	<u>\$ 2,128,146</u>

Palantir Technologies Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2022	2021	2020
Supplemental disclosures of cash flow information			
Cash paid for income taxes	\$ 2,904	\$ 4,131	\$ 14,283
Cash paid for interest	5	2,774	11,432
Supplemental disclosures of non-cash investing and financing information:			
Conversion of redeemable convertible and convertible preferred stock to common stock	\$ —	\$ —	\$ 2,138,988
Conversion of convertible preferred stock warrants to common stock warrants	—	—	31,007
Cashless net exercise of warrants for convertible preferred stock	—	—	10,810

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

1. Organization

Palantir Technologies Inc. (including its subsidiaries, “Palantir” or the “Company”) was incorporated in Delaware on May 6, 2003. The Company builds and deploys software platforms that serve as the central operating systems for its customers.

2. Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission regarding annual financial reporting. The accompanying consolidated financial statements include the accounts of Palantir Technologies Inc. and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities where the Company holds at least a 20% ownership interest and has the ability to exercise significant influence over, but does not control, the investee are accounted for using the equity method of accounting. For such investments, the share of the investee’s results of operations is included as a component of other income (expense), net in the consolidated statements of operations and the investment balance is included in other assets and classified as noncurrent in the consolidated balance sheets. Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, loss from operations, net loss, or cash flows. The Company’s fiscal year ends on December 31.

Direct Listing

On September 30, 2020, the Company completed a direct listing of its Class A common stock on the New York Stock Exchange (“NYSE”) (the “Direct Listing”). Immediately prior to the Direct Listing, all outstanding shares of redeemable convertible preferred stock and convertible preferred stock were converted into Class B common stock, and all of the Company’s outstanding preferred stock warrants were converted into common stock warrants, which resulted in the reclassification of the warrants liability to additional paid-in capital.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods.

Significant estimates and assumptions made in the accompanying consolidated financial statements include, but are not limited to, the identification of performance obligations in customer contracts; the valuation of deferred tax assets and uncertain tax positions; the collectability of contract consideration, including accounts receivable; the useful lives of tangible assets; the valuation of assets acquired and liabilities assumed from business combinations, including intangible assets and goodwill; and the incremental borrowing rate for operating leases. Estimates and judgments are based on historical experience, forecasted events, and various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences could affect the Company’s financial position and results of operations.

Segments

The Company has two operating segments, commercial and government, which were determined based on the manner in which the chief operating decision maker (“CODM”), who is the chief executive officer, manages the operations of the Company for purposes of allocating resources and evaluating performance. Various factors, including the Company’s organizational and management reporting structure and customer type, were considered in determining these operating segments.

The Company’s operating segments are described below:

- *Commercial*: This segment primarily serves customers working in non-government industries.
- *Government*: This segment primarily serves customers that are United States (“U.S.”) government and non-U.S. government agencies.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents primarily consist of amounts invested in money market funds.

Restricted cash primarily consists of cash and certificates of deposit that are held as collateral against letters of credit and guarantees that the Company is required to maintain for operating lease agreements, certain customer contracts, and other guarantees and financing arrangements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the amounts shown in the consolidated statements of cash flows (in thousands):

	As of December 31,		
	2022	2021	2020
Cash and cash equivalents	\$ 2,598,540	\$ 2,290,674	\$ 2,011,323
Restricted cash	16,244	36,628	37,285
Restricted cash, noncurrent	12,551	39,612	79,538
Total cash, cash equivalents, and restricted cash	\$ 2,627,335	\$ 2,366,914	\$ 2,128,146

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount, net of an allowance for credit losses. The Company generally grants non-collateralized credit terms to its customers. Allowance for credit losses is based on the Company's best estimate of probable losses inherent in its accounts receivable portfolio and is determined based on expectations of the customer's ability to pay by considering factors such as customer type (commercial or government), historical experience, financial position of the customer, age of the accounts receivable, current economic conditions, including the ongoing COVID-19 pandemic, and reasonable and supportable forward-looking factors about its portfolio and future economic conditions. Accounts receivable are written-off and charged against an allowance for credit losses when the Company has exhausted collection efforts without success. Based upon the Company's assessment as of December 31, 2022 the Company recorded an allowance for credit losses of \$10.1 million. Based upon the Company's assessment as of December 31, 2021, the allowances for credit losses were not material.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, accounts receivable, and marketable securities. Cash equivalents primarily consist of money market funds with original maturities of three months or less, which are invested primarily with U.S. financial institutions. Cash deposits with financial institutions, including restricted cash, generally exceed federally insured limits. Management believes minimal credit risk exists with respect to these financial institutions and the Company has not experienced any losses on such amounts.

The Company is exposed to concentrations of credit risk with respect to accounts receivable presented on the consolidated balance sheets. The Company's accounts receivable balances as of December 31, 2022 and 2021 were \$258.3 million and \$190.9 million, respectively. No customer represented more than 10% of total accounts receivable as of December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, no customer represented 10% or more of total revenue. For the year ended December 31, 2020, Customer F, which is in the government operating segment, represented 10% of total revenue. No other customers represented more than 10% of total revenue for the year ended December 31, 2020.

Alternative Investments

Alternative investments include gold bars and are recorded in prepaid expenses and other current assets on the consolidated balance sheets. The investments are initially recorded at cost and subsequently remeasured at the lower of cost or market each reporting period. Market value is determined by using quoted market prices of identical or similar assets from active markets. Unrealized losses are recorded in other income (expense), net in the consolidated statements of operations. Realized gains and losses are recorded in other income (expense), net upon realization.

Property and Equipment, Net

Property and equipment, net are stated at cost less accumulated depreciation and amortization. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets, which are generally three years. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life, which is generally five years. Maintenance and repairs that do not improve or extend the useful lives of the assets are expensed when incurred. Upon sale or retirement of assets, the cost and related accumulated depreciation and amortization are derecognized from the consolidated balance sheet and any resulting gain or loss is recorded in the consolidated statements of operations in the period realized.

Privately-held Securities

Equity securities in private-held companies without readily determinable fair values are recorded using the measurement alternative. Such investments are carried at cost, less any impairments, and are adjusted for subsequent observable price changes in orderly transactions for identical or similar investments of the same issuer. Changes in the basis of the equity securities are recognized in other income (expense), net in the consolidated statements of operations.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*, and are included in our consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date using the appropriate valuation method. Goodwill generated from acquisitions is recognized if the fair value of the purchase consideration transferred, or the fair value of the acquirer’s interest in the acquiree if no consideration is transferred, and any noncontrolling interests is in excess of the net fair value of the identifiable assets acquired and the liabilities assumed. In determining the fair value of identifiable assets, we use various valuation techniques which require us to make estimates and assumptions surrounding projected revenues and costs, future growth, and discount rates.

Goodwill

Goodwill represents the excess of the fair value of the purchase consideration transferred, or the fair value of the acquirer’s interest in the acquiree if no consideration is transferred, and any noncontrolling interests over the net fair value of the identifiable assets acquired and the liabilities assumed in business combinations. Goodwill is not amortized but is subject to an annual impairment test. We perform our annual goodwill impairment assessment on the first day of the fourth quarter. Tests are performed more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Goodwill is recorded in other assets in the consolidated balance sheet.

Other Intangible Assets

Other intangible assets include finite-lived intangible assets, which mainly consist of customer relationships, reacquired rights, and backlog. These assets are amortized over their estimated useful lives and are tested for impairment using a similar methodology to our property and equipment, as described below. Other intangible assets are recorded in other assets in the consolidated balance sheet.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to the future undiscounted cash flows that the asset is expected to generate. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Impairments of long-lived assets during the years ended December 31, 2022, 2021, and 2020 were not material.

Leases

The Company adopted the Accounting Standard Update (“ASU”) 2016-02, *Leases*, and additional ASUs issued to clarify and update the guidance in ASU 2016-02 (collectively “ASC 842”), as of January 1, 2020.

The Company determines if an arrangement is a lease at inception. An arrangement is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If a lease is identified, classification is determined at lease commencement. Operating lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The Company’s leases do not provide an implicit interest rate and therefore the Company estimates its incremental borrowing rate to discount lease payments. The incremental borrowing rate reflects the

interest rate that the Company would have to pay to borrow on a collateralized basis an amount equal to the lease payments in a similar economic environment over a similar term. Operating lease right-of-use (“ROU”) assets are based on the corresponding lease liability adjusted for any lease payments made at or before commencement, initial direct costs, and lease incentives. Renewals or early terminations are not accounted for unless the Company is reasonably certain to exercise these options. Operating lease expense is recognized and the ROU asset is amortized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component. The Company elected to use the transition relief package of practical expedients but did not elect to use the hindsight practical expedient in determining a lease term and impairment of ROU assets at the adoption date. For short-term leases, defined as leases with a term of twelve months or less, the Company elected the practical expedient to not recognize an associated lease liability and ROU asset. Lease payments for short-term leases are expensed on a straight-line basis over the lease term.

Operating leases are included in operating lease right-of-use assets, operating lease liabilities, and operating lease liabilities, non-current on the Company’s consolidated balance sheets. Finance leases are not material.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date.

The Company measures fair value based on a three-level hierarchy of inputs, maximizing the use of observable inputs, where available, and minimizing the use of unobservable inputs when measuring fair value. A financial instrument’s level within the three-level hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three-level hierarchy of inputs is as follows:

Level 1: Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company’s own assumptions about current market conditions and require significant management judgment or estimation.

Financial instruments consist of money market funds and certificates of deposit included in cash equivalents and restricted cash, accounts receivable, marketable securities, other assets accounted for at fair value, accounts payable, and accrued liabilities. Money market funds, certificates of deposit, and marketable securities are stated at fair value on a recurring basis. Accounts 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.

Revenue Recognition

The Company generates revenue from the sale of subscriptions to access its software in the Company’s hosted environment, along with ongoing operations and maintenance (“O&M”) services (“Palantir Cloud”); software licenses, primarily term licenses in the customers’ environments, with ongoing O&M services (“On-Premises Software”); and professional services.

In accordance with ASC 606, *Revenue from Contracts with Customers*, the Company recognizes revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company applies the following five-step revenue recognition model in accounting for its revenue arrangements:

- Identification of the contract(s) with the customer, including whether collectability of the consideration is probable by considering the customers’ ability and intention to pay;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Each of the Company's significant performance obligations and the Company's application of ASC 606 to its revenue arrangements is discussed in further detail below.

Palantir Cloud

The Company's Palantir Cloud subscriptions grant customers the right to access the software functionality in a hosted environment controlled by Palantir and are sold together with stand-ready O&M services, as further described below. The Company promises to provide continuous access to the hosted software throughout the contract term. Revenue associated with Palantir Cloud subscriptions is generally recognized over the contract term on a ratable basis, which is consistent with the transfer of control of the Palantir Cloud subscription to the customer.

On-Premises Software

Sales of the Company's software licenses, primarily term licenses, grant customers the right to use functional intellectual property, either on their internal hardware infrastructure or on their own cloud instance, over the contractual term and are also sold together with stand-ready O&M services. The O&M services include critical updates, support, and maintenance services required to operate the software and, as such, are necessary for the software to maintain its intended utility over the contractual term. Because of this requirement, the Company has concluded that the software licenses and O&M services, which together the Company refers to as On-Premises Software, are highly interdependent and interrelated and represent a single distinct performance obligation within the context of the contract. Revenue is generally recognized over the contract term on a ratable basis.

Professional Services

The Company's professional services support the customers' use of the software and include, as needed, on-demand user support, user-interface configuration, training, and ongoing ontology and data modeling support. Professional services contracts typically include the provision of on-demand professional services for the duration of the contractual term. These services are typically coterminous with a Palantir Cloud subscription or the On-Premises Software. Professional services are on-demand, whereby the Company performs services throughout the contract period; therefore, the revenue is recognized over the contractual term.

Contract Liabilities

The timing of customer billing and payment relative to the start of the service period varies from contract to contract; however, the Company bills many of its customers in advance of the provision of services under its contracts, resulting in contract liabilities consisting of either deferred revenue or customer deposits ("contract liabilities"). Deferred revenue represents billings under noncancelable contracts before the related product or service is transferred to the customer. Customer deposits consist of amounts billed and/or paid in advance of the start of the contractual term or for anticipated revenue generating activities for the portion of a contract term that is subject to cancellation by our customers. Many of the Company's arrangements include terms that allow the customer to terminate the contract for convenience and receive a pro-rata refund of the amount of the customer deposit for the period of time remaining in the contract term after the applicable termination notice period expires. In these arrangements, the Company concluded there are no enforceable rights and obligations after such notice period and therefore the consideration received or due from the customer that is subject to termination for convenience is recorded as customer deposits.

The payment terms and conditions vary by contract; however, the Company's terms generally require payment within 30 to 60 days from the invoice date. In instances where the timing of revenue recognition differs from the timing of payment, the Company elected to apply the practical expedient in accordance with ASC 606 to not adjust contract consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between when promised goods and services are transferred to the customer and when the customer pays for those goods and services will be one year or less. As such, the Company determined its contracts do not generally contain a significant financing component.

Areas of Judgment and Estimation

The Company's contracts with customers can include multiple promises to transfer goods or services to the customer. Determining whether promises are distinct performance obligations that should be accounted for separately – or not distinct within the context of the contract and, thus, accounted for together – requires significant judgment. The Company concluded that the promise to provide a software license is highly interdependent and interrelated with the promise to provide O&M services and such promises are not distinct within the context of its contracts and are accounted for as a single performance obligation as the Company's On-Premises Software.

Additionally, the pricing of the Company's contracts is generally fixed; however, it is possible for contracts to include variable consideration, which can be based on subjective or objective criteria. The Company includes the estimated amount of variable

consideration that it expects to receive to the extent it is probable that a significant revenue reversal will not occur. Variable consideration received was not material in the periods presented.

Costs to Obtain and Fulfill Contracts

Incremental costs of obtaining a contract include only those costs that are directly related to the acquisition of contracts, including sales commissions, and that would not have been incurred if the contract had not been obtained. The Company recognizes a contract cost asset for the incremental costs of obtaining a contract with a customer if it is expected that the economic benefit and amortization period will be longer than one year. Costs to obtain contracts were not material in the periods presented.

The Company recognizes an asset for the costs to fulfill a contract with a customer if the costs are specifically identifiable, generate or enhance resources used to satisfy future performance obligations, and are expected to be recovered. Costs to fulfill contracts were not material in the periods presented.

Software Development Costs

The Company evaluates capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process and substantial development risks, technological feasibility is established for the Company's products when they are made available for general release. Accordingly, the Company has charged all such costs to research and development expense in the period incurred.

Cost of Revenue

Cost of revenue primarily includes salaries, stock-based compensation expense, and benefits for personnel involved in performing O&M and professional services, as well as third-party cloud hosting services, travel costs, allocated overhead, and other direct costs.

Sales and Marketing Costs

Sales and marketing costs primarily include salaries, stock-based compensation expense, and benefits for personnel involved in sales functions, executing on pilots, and performing other brand building activities, as well as third-party cloud hosting services for our pilots, marketing and sales event-related costs, travel costs, and allocated overhead. The Company generally charges all such costs to sales and marketing expense in the period incurred. Advertising costs are expensed as incurred and included in sales and marketing expense within the consolidated statements of operations. Advertising expense totaled \$38.6 million and \$26.3 million for the years ended December 31, 2022 and 2021, respectively, and was immaterial for the year ended December 31, 2020.

Research and Development Costs

Research and development costs primarily include salaries, stock-based compensation expense, and benefits for personnel involved in performing the activities to develop and improve the Company's platforms and products, as well as third-party cloud hosting services, travel costs, and allocated overhead. Research and development costs are expensed as incurred.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, disputes, legal proceedings, fines and penalties, and other sources are recorded when it is probable that a liability has been or will be incurred and the amount of the liability can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of such legal costs from insurance policies are recorded as an offset to legal expenses in the period they are received.

Stock-Based Compensation

The Company accounts for stock-based compensation expense in accordance with the fair value recognition and measurement provisions of GAAP, which require compensation cost for the grant-date fair value of stock-based awards to be recognized over the requisite service period. The Company determines the fair value of stock-based awards granted or modified on the grant date or modification date using appropriate valuation techniques.

Service-Based Vesting

The Company grants RSUs and stock option awards that vest only based upon the satisfaction of a service condition. For RSUs, the Company determines the grant-date fair value of the RSUs as the fair value of the Company's common stock on the grant date. The Company records stock-based compensation expense for stock options and RSUs that vest only based upon the

satisfaction of a service condition on a straight-line basis over the requisite service period, which is generally four years. For stock option awards, the Company uses the Black-Scholes option pricing model to determine the fair value of the stock options granted. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected term of the option, the expected volatility of the price of the common stock, risk-free interest rates, and the expected dividend yield of the common stock. The assumptions used to determine the fair value of the option awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. The Company recognizes forfeitures as they occur.

Performance-Based Vesting

The Company grants awards, including RSUs, that vest upon the satisfaction of both a service condition and a performance condition. The performance-based vesting condition for the RSUs granted prior to the Company's Direct Listing was satisfied upon the occurrence of the Direct Listing and are expensed using the accelerated attribution method over the remaining service period.

Employee Benefit Plan

The Company sponsors a 401(k) tax-deferred savings plan for all employees who meet certain eligibility requirements. Participants may contribute, on a pretax and post-tax basis, a percentage of their qualifying annual compensation, but not to exceed a maximum contribution amount pursuant to Section 401(k) of the Internal Revenue Code. The Company may make additional matching contributions on behalf of the participants. The Company did not make matching contributions for the years ended December 31, 2022, 2021, and 2020.

Income Taxes

The Company estimates its current tax expense together with assessing temporary differences resulting from differing treatment of items not currently deductible for tax purposes. These differences result in deferred tax assets and liabilities on the Company's consolidated balance sheets, which are estimated based upon the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates that will be in effect when these differences reverse. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the Company's consolidated statements of operations become deductible expenses under applicable income tax laws or loss or credit carryforwards are utilized. Accordingly, the realization of the Company's deferred tax assets is dependent on future taxable income against which these deductions, losses, and credits can be utilized.

The Company evaluates the realizability of its deferred tax assets and recognizes a valuation allowance when it is more likely than not that a future benefit on such deferred tax assets will not be realized. Changes in the valuation allowance, when recorded, would be included in the Company's consolidated statements of operations. Management's judgment is required in determining the Company's valuation allowance recorded against its net deferred tax assets.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company is subject to the Global Intangible Low Taxed Income ("GILTI") tax in the U.S. and has elected to treat taxes on future GILTI inclusions as current period expense if and when incurred.

Net Loss Per Share Attributable to Common Stockholders

The Company computes net loss per share attributable to its common stockholders using the two-class method required for participating securities, which determines net loss per common share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in distributed and undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

The rights, including the liquidation and dividend rights, of the holders of Class A, Class B, and Class F common stock (collectively, the "common stock") are identical, except with respect to voting and conversion. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share will, therefore, be the same for all classes of common stock on an individual or combined basis. As such, the Company has presented the net loss attributed to its common stock on a combined basis.

Noncontrolling Interests

A noncontrolling interest represents the proportionate equity interest in a subsidiary that is not attributable, either directly or indirectly, to the Company and is reported as equity of the Company, separate from the Company's controlling interest. Revenues, expenses, gains, losses, net income (loss), and other comprehensive income (loss) are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to both the controlling and noncontrolling interest.

Foreign Currency

Generally, the functional currency of the Company's international subsidiaries is the local currency of the country in which they operate. The Company translates the assets and liabilities of its non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each reporting period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized as a cumulative translation adjustment and included in accumulated other comprehensive income (loss).

For transactions that are not denominated in the local functional currency, the Company remeasures monetary assets and liabilities at exchange rates in effect at the end of each reporting period. Transaction gains and losses from the remeasurement are recognized in other income (expense), net within the consolidated statements of operations.

Recently Adopted Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board issued ASU 2021-08, *Business Combinations—Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)*. The new guidance requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with ASC 606 as if the acquirer had originated the contracts. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including an adoption in an interim period. The Company adopted this standard effective October 1, 2022. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

3. Contract Liabilities and Remaining Performance Obligations

Contract Liabilities

The Company's contract liabilities consist of deferred revenue and customer deposits. As of December 31, 2022 and 2021, the Company's contract liability balances were \$339.2 million and \$463.3 million, respectively. Revenue of \$384.3 million and \$378.4 million was recognized during the years ended December 31, 2022 and 2021, respectively, that was included in the contract liabilities balances as of December 31, 2021 and 2020, respectively.

Remaining Performance Obligations

The Company's arrangements with its customers often have terms that span over multiple years. However, the Company allows many of its customers to terminate contracts for convenience prior to the end of the stated term with less than twelve months' notice. Revenue allocated to remaining performance obligations represents noncancelable contracted revenue that has not yet been recognized, which includes deferred revenue and, in certain instances, amounts that will be invoiced. The Company has elected the practical expedient allowing the Company to not disclose remaining performance obligations for contracts with original terms of twelve months or less. Cancelable contracted revenue, which includes customer deposits, is not considered a remaining performance obligation.

The Company's remaining performance obligations were \$972.7 million as of December 31, 2022, of which the Company expects to recognize approximately 53% as revenue over the next 12 months, 38% as revenue over the subsequent 13 to 36 months, and the remainder thereafter.

Disaggregation of Revenue

See Note 13. *Segment and Geographic Information* for disaggregated revenue by customer segment and geographic region.

4. Investments and Fair Value Measurements

The following tables present the Company's assets that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation (in thousands):

	As of December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
<i>Cash and cash equivalents:</i>				
Money market funds	\$ 1,149,302	\$ 1,149,302	\$ —	\$ —
Certificates of deposit	6,791	—	6,791	—
<i>Restricted cash, current and noncurrent</i>				
Certificates of deposit	18,707	—	18,707	—
<i>Marketable securities:</i>				
Marketable securities	35,135	35,135	—	—
Total	<u>\$ 1,209,935</u>	<u>\$ 1,184,437</u>	<u>\$ 25,498</u>	<u>\$ —</u>

	As of December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
<i>Cash and cash equivalents:</i>				
Money market funds	\$ 507,317	\$ 507,317	\$ —	\$ —
Certificates of deposit	6,844	—	6,844	—
<i>Restricted cash, current and noncurrent</i>				
Certificates of deposit	45,048	—	45,048	—
<i>Marketable securities:</i>				
Marketable securities	234,153	234,153	—	—
Total	<u>\$ 793,362</u>	<u>\$ 741,470</u>	<u>\$ 51,892</u>	<u>\$ —</u>

Certificates of Deposit

The Company's Level 2 instruments consist of restricted cash invested in certificates of deposit. The fair value of such instruments is estimated based on valuations obtained from third-party pricing services that utilize industry standard valuation models, including both income-based and market-based approaches, for which all significant inputs are observable either directly or indirectly. These inputs include interest rate curves, foreign exchange rates, and credit ratings.

Marketable Securities

Marketable securities consist of equity securities in publicly-traded companies and are recorded at fair market value each reporting period. Realized and unrealized gains and losses are recorded in other income (expense), net on the consolidated statements of operations. During the years ended December 31, 2022 and 2021, the Company recorded net unrealized losses of \$159.0 million and \$72.8 million, respectively, and realized losses of \$113.1 million during the year ended December 31, 2022. An immaterial amount of realized gains and losses were recorded during the year ended December 31, 2021. Net realized and unrealized gains and losses are recorded within other income (expense), net on the consolidated statements of operations.

Investments

Since 2021, the Company has approved and entered into certain agreements ("Investment Agreements") to purchase shares of various entities, including special purpose acquisition companies and/or other privately-held or publicly-traded entities (each, an "Investee," and such purchases, the "Investments"). During the year ended December 31, 2021, the Company purchased shares for a total investment of \$326.0 million.

The following table presents the details of the investments purchased under such Investment Agreements during the year ended December 31, 2022 (in thousands):

Entity ⁽¹⁾	Share Amount	Investment Amount
Fast Radius	2,000	\$ 20,000
Energy Vault	850	8,500
Tritium	2,500	15,000
Rigetti	1,000	10,000
Allego	2,000	20,000
Starry Group Holdings	2,133	16,000
Rubicon Technologies	3,500	35,000
Total	13,983	\$ 124,500

⁽¹⁾ Investments are in publicly-traded marketable securities at the time of investment.

In connection with signing the Investment Agreements, each Investee or an associated entity and the Company entered into a commercial contract for access to the Company's products and services (collectively, the "Strategic Commercial Contracts"). As of December 31, 2022, the terms of such contracts, including contractual options, range from three years to eight years and are subject to termination for cause provisions.

The Company assesses the concurrent agreements under the noncash and consideration paid or payable to a customer guidance within ASC 606, *Revenue from Contracts with Customers*, as well as the commercial substance of each arrangement considering the customer's ability and intention to pay as well as the Company's obligation to perform under each contract. As currently assessed, the total value of such Strategic Commercial Contracts with Investees or associated entities was \$492.7 million as of December 31, 2022, which is inclusive of \$63.7 million of contractual options. The Company performs ongoing assessments of customers' financial condition, including the consideration of customers' ability and intention to pay, and whether all or some portion of the value of such contracts continue to meet the criteria for revenue recognition, among other factors. As of December 31, 2022, the cumulative amount of revenue recognized from Strategic Commercial Contracts was \$166.6 million, of which \$118.4 million of revenue was recognized during the year ended December 31, 2022.

Alternative Investments

During the year ended December 31, 2021, the Company purchased \$50.9 million in 100-ounce gold bars. The gold bars are kept in a secure third-party facility located in the northeastern United States. The Company is able to take physical possession of the gold bars stored at the facility at any time with reasonable notice. Net unrealized losses related to alternative investments, which are recorded within other income (expense), net on the consolidated statements of operations, were not material for the years ended December 31, 2022 and 2021.

5. Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	As of December 31,	
	2022	2021
Leasehold improvements	\$ 80,378	\$ 72,834
Computer equipment, software, and other	52,688	16,916
Furniture and fixtures	13,010	8,358
Construction in progress	5,506	3,126
Total property and equipment, gross	151,582	101,234
Less: accumulated depreciation and amortization	(82,412)	(69,930)
Total property and equipment, net	<u>\$ 69,170</u>	<u>\$ 31,304</u>

Depreciation and amortization expense related to property and equipment, net was \$19.5 million, \$12.8 million, and \$13.9 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	As of December 31,	
	2022	2021
Accrued payroll and related expenses	\$ 43,495	\$ 60,732
Accrued taxes	41,326	22,550
Accrued other liabilities	87,894	72,524
Total accrued liabilities	<u>\$ 172,715</u>	<u>\$ 155,806</u>

6. Debt

2014 Credit Facility

In October 2014, the Company entered into an unsecured revolving credit facility, which has been subsequently secured by substantially all of the Company's assets and amended from time to time (as amended, the "2014 Credit Facility"), including on March 31, 2022 (the "March 2022 Amendment") and on July 1, 2022 (the "July 2022 Amendment"). The March 2022 Amendment provided for, among other things, an extension of the revolving loan facility maturity date to March 31, 2027 and an increase of \$100.0 million to the lenders' revolving commitments for total revolving commitments of \$500.0 million. The July 2022 Amendment provided for, among other things, a new incremental delayed draw term loan ("DDTL") commitment in an aggregate principal amount of up to \$450.0 million, upon the terms and conditions set forth in the 2014 Credit Facility, as amended, with new and existing lenders. The DDTL commitment is available to draw upon through July 1, 2023 and any drawn amounts will mature on March 31, 2027. As of December 31, 2022, the 2014 Credit Facility allows for the drawdown of up to \$950.0 million to fund working capital and general corporate expenditures.

Outstanding balances under the 2014 Credit Facility would incur interest at the Secured Overnight Financing Rate ("SOFR") as administered by the Federal Reserve Bank of New York, or a successor administrator of the SOFR (or the applicable benchmark replacement), plus 2.00% or a base rate plus 1.00%, subject to certain adjustments. The Company incurs a commitment fee of 0.30% assessed on the daily average undrawn portion of revolving and DDTL commitments. Applicable interest and commitment fees are payable quarterly or more or less frequently in certain circumstances. The 2014 Credit Facility also allows for an incremental loan facility of additional term loans or revolving loans in an aggregate principal amount up to the amount and upon the terms and conditions set forth therein with one or more existing or new lenders upon mutual agreement between the Company and such lenders.

As of December 31, 2022, the Company had no outstanding debt balances and an aggregate of \$950.0 million undrawn of revolving and DDTL commitments under the 2014 Credit Facility.

The 2014 Credit Facility contains customary representations and warranties, and certain financial and nonfinancial covenants, including but not limited to maintaining minimum liquidity of \$50.0 million, and certain limitations on liens and indebtedness. The Company was in compliance with all covenants associated with the 2014 Credit Facility as of December 31, 2022.

7. Leases

The Company has operating leases primarily for corporate office space and equipment. Certain lease agreements contain renewal options, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. The Company's leases have remaining terms up to December 2033, some of which include one or more options to extend the leases up to June 2033. Additionally, some lease contracts include termination options within the next five years.

Supplemental balance sheet information related to lease liabilities at December 31, 2022 and 2021 was as follows (in thousands):

Lease-Related Assets and Liabilities	Financial Statement Line Items	As of December 31,	
		2022	2021
Right-of-use assets:			
Operating leases	Operating lease right-of-use assets	\$ 200,240	\$ 216,898
Total right-of-use assets		\$ 200,240	\$ 216,898
Lease liabilities:			
Operating leases	Operating lease liabilities	\$ 45,099	\$ 39,927
	Operating lease liabilities, noncurrent	204,305	220,146
Total lease liabilities		<u>\$ 249,404</u>	<u>\$ 260,073</u>

The components of lease expense included in the Company's consolidated statements of operations include (in thousands):

	Years Ended December 31,	
	2022	2021
Operating lease expense	\$ 55,483	\$ 51,330
Short-term lease expense	4,956	4,165
Variable lease expense	5,309	7,518
Sublease income	(13,011)	(19,957)
Total lease expense, net	<u>\$ 52,737</u>	<u>\$ 43,056</u>

Variable lease costs are primarily related to payments made to lessors for common area maintenance, property taxes, insurance, and other operating expenses. Short-term lease costs primarily represent temporary employee housing. Finance lease costs were not material for the years ended December 31, 2022 and 2021.

Maturities of operating lease liabilities as of December 31, 2022 were as follows (in thousands):

	As of December 31, 2022		
	Operating Lease Commitments	Less: Sublease Income	Net Lease Commitments
Year ended December 31,			
2023	\$ 58,843	\$ 18,458	\$ 40,385
2024	54,672	16,593	38,079
2025	50,910	14,356	36,554
2026	39,173	13,748	25,425
2027	27,548	14,423	13,125
Thereafter	82,738	43,231	39,507
Total undiscounted liabilities	313,884	120,809	193,075
Less: Leases not yet commenced	(8,446)	—	(8,446)
Less: Imputed interest	(56,034)	—	(56,034)
Total operating lease liabilities	<u>\$ 249,404</u>	<u>\$ 120,809</u>	<u>\$ 128,595</u>

The weighted-average remaining lease term related to the Company's operating lease liabilities as of December 31, 2022 and 2021 was 6.5 and 6.9 years, respectively. The weighted-average discount rate related to the Company's operating lease liabilities as of December 31, 2022 and 2021 was 6.25% and 6.03%, respectively.

The following table sets forth the supplemental information related to the Company's operating leases for the years ended December 31, 2022 and 2021 (in thousands):

	Years Ended December 31,	
	2022	2021
Cash paid for operating lease liabilities	\$ 53,772	\$ 49,228
Lease liabilities arising from obtaining right-of-use assets	\$ 28,169	\$ 34,606

As of December 31, 2022, the Company has additional operating leases for office space that have not yet commenced with future lease obligations of \$8.4 million. These operating leases will commence in 2023 with lease terms of up to ten years.

8. Commitments and Contingencies

Purchase Commitments

In December 2019, the Company entered into, and subsequently amended, a minimum annual commitment to purchase cloud hosting services of at least \$1.49 billion over six contract years, with an optional carryover period through June 30, 2029, in exchange for various discounts on such services. In May 2022, the agreement was amended to extend the second contract year from June 30, 2022 to September 30, 2022 and the optional carryover period from June 30, 2029 to September 30, 2029. If the spend does not meet the minimum annual commitment each year or at the end of the term, the Company is obligated to make a return payment. If the difference is greater than \$30.0 million for each of the first three contract years or \$50.0 million for each of the contract years thereafter ("relief amounts"), the Company has the option to pay the respective relief amount for that year for services to be utilized in the future and the excess amount of the difference above the relief amount would be added to the minimum annual commitment of the following year through the end of the contract. As of December 31, 2022, the Company had satisfied \$40.9 million of its \$199.0 million commitment for the contract year ending September 30, 2023.

Litigation and Legal Proceedings

From time to time, third parties may assert patent infringement claims against the Company. In addition, from time to time, the Company may be subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights, and other intellectual property rights; employment claims; securities claims; investor claims; corporate claims; class action claims; and general contract, tort, or other claims. The Company may from time to time also be subject to various legal or government claims, disputes, or investigations. Such matters may include, but not be limited to, claims, disputes, allegations, or investigations related to warranty; refund; breach of contract; breach, leak, or misuse of

personal data or confidential information; employment; government procurement; intellectual property; government regulation or compliance (including but not limited to anti-corruption requirements, export or other trade controls, data privacy or data protection, cybersecurity requirements, or antitrust/competition law requirements); securities; investor; corporate; or other matters. The Company establishes an accrual for loss contingencies when the loss is both probable and reasonably estimable.

On December 14, 2017, members of KT4 Partners LLC (Managing Member Marc Abramowitz) and Sandra Martin Clark, as trustee for the Marc Abramowitz Irrevocable Trust Number 7 (together, “KT4 Plaintiffs”), filed an action in the Delaware Superior Court against the Company and Disruptive Technology Advisers LLC. The complaint alleges tortious interference with prospective economic advantage and civil conspiracy in connection with a potential sale of stock by the KT4 Plaintiffs to a third party. The KT4 Plaintiffs sought compensatory and punitive damages, interest, fees, and costs. On June 27, 2022, the Company and the KT4 Plaintiffs entered into an agreement to settle the litigation and certain other matters. The Company has paid the amount of the settlement in full and has received the insurance reimbursement as of December 31, 2022. This matter is now concluded.

On September 15, 2022, October 25, 2022, and November 4, 2022, putative securities class action complaints were filed in the United States District Court for the District of Colorado, captioned *Cupat v. Palantir Technologies Inc., et al.*, Case No. 1:22-cv-02384, *Allegheny County Employees’ Retirement System v. Palantir Technologies, Inc., et al.*, Case No. 1:22-cv-02805, and *Shijun Liu, Individually and as Trustee of the Liu Family Trust 2019 v. Palantir Technologies Inc., et al.*, Case No. 1:22-cv-02893, respectively, naming the Company and certain current and former officers and directors as defendants. The suits allege false and misleading statements about our business and prospects, and purport to allege claims under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Securities Act of 1933, as amended (the “Securities Act”), and seek unspecified damages and remedies under Sections 10(b), 20(a), and 20(A) of the Exchange Act and Sections 11 and 15 of the Securities Act. These three actions subsequently were consolidated as *Cupat v. Palantir Technologies Inc., et al.*, Lead Civil Action No. 1:22-cv-02834-CNS-SKC, consolidated with civil actions 1:22-cv-02805-CNS-SKC and 1:22-cv-02893-CNS-SKC. On November 21, 2022 and January 13, 2023, stockholder derivative actions were filed in the United States District Court for the District of Colorado, captioned *Li v. Karp, et al.*, Case No. 22-cv-3028 and *Parmenter v. Karp, et al.*, Case No. 23-cv-118, and on January 27, 2023, a stockholder derivative action was filed in the United States District Court for the District of Delaware captioned *Miao v. Karp, et al.*, Case No. 1:23-cv-00103-MN, each against certain current and former officers and directors asserting breach of fiduciary duty and related claims relating to the allegations of the securities class action complaints and seek unspecified damages and injunctive remedies under Section 14(a) of the Exchange Act and Delaware law. Because the litigation is in early stages, the Company is unable to estimate the reasonably possible loss or range of loss, if any, that may result from these matters.

As of December 31, 2022 and 2021, the Company was not aware of any currently pending legal matters or claims, individually or in the aggregate, that are expected to have a material adverse impact on its consolidated financial statements.

Letters of Credit and Guarantees

The Company had irrevocable standby letters of credit and guarantees, including bank guarantees, outstanding in the amounts of \$28.8 million and \$76.2 million as of December 31, 2022 and 2021, respectively, which were fully collateralized. The Company is required to maintain these letters of credit and guarantees primarily in connection with operating lease agreements, certain customer contracts, and other guarantees and financing arrangements. As of December 31, 2022, these letters of credit and guarantees had expiration dates through August 2031.

Warranties and Indemnification

The Company generally provides a warranty for its software products and services and a service level agreement (“SLA”) for the Company’s performance of software operations via its O&M services to its customers. The Company’s products are generally warranted to perform substantially as described in the associated product documentation during the subscription term or for a period of up to 90 days where the software is hosted by the customer, and the Company includes O&M services as part of its subscription and license agreements to support this warranty and maintain the operability of the software. The Company’s services are generally warranted to be performed in a professional manner and by an adequate staff with knowledge about the products. In the event there is a failure of such warranties, the Company generally is obligated to correct the product or service to conform to the warranty provision, as set forth in the applicable SLA, or, if the Company is unable to do so, the customer is entitled to seek a refund of the purchase price of the product and service (generally prorated over the contract term). Due to the absence of historical warranty claims, the Company’s expectations of future claims related to products under warranty continue to be insignificant. The Company has not recorded warranty expense or related accruals as of December 31, 2022 and 2021.

The Company generally agrees to indemnify its customers against legal claims that the Company’s software products infringe certain third-party intellectual property rights and accounts for its indemnification obligations. In the event of such a claim, the Company is generally obligated to defend its customer against the claim and to either settle the claim at the Company’s expense

or pay damages that the customer is legally required to pay to the third-party claimant. In addition, in the event of an infringement, the Company generally agrees to secure the right for the customer to continue using the infringing product; to modify or replace the infringing product; or, if those options are not commercially practicable, to refund the cost of the software, as prorated over the period. To date, the Company has not been required to make any payment resulting from infringement claims asserted against its customers and does not believe that the Company will be liable for such claims in the foreseeable future. As such, the Company has not recorded a liability for infringement costs as of December 31, 2022 and 2021.

The Company has obligations under certain circumstances to indemnify each of the defendant directors and certain officers against judgments, fines, settlements, and expenses related to claims against such directors and certain officers and otherwise to the fullest extent permitted under the law and the Company's bylaws and Amended and Restated Certificate of Incorporation.

9. Stockholders' Equity

The Company's amended and restated certificate of incorporation authorizes the issuance of a total of 20,000,000,000 shares of Class A common stock, 2,700,000,000 shares of Class B common stock, and 1,005,000 shares of Class F common stock. In September 2020, each of the Founders exchanged 335,000 shares of their Class B common stock for an equivalent number of shares of Class F common stock.

The Company's Class A, Class B, and Class F common stock (collectively, the "common stock") all have the same rights, except with respect to voting and conversion rights. Class A and Class B common stock have voting rights of 1 and 10 votes per share, respectively. The Class F common stock has the voting rights generally described herein and each share of Class F common stock is convertible at any time, at the option of the holder thereof, into one share of Class B common stock. All shares of Class F common stock are held in a voting trust established by Stephen Cohen, Alexander Karp, and Peter Thiel (the "Founders"). The Class F common stock generally gives the Founders the ability to control up to 49.999999% of the total voting power of the Company's capital stock, so long as the Founders and certain of their affiliates collectively meet a minimum ownership threshold, which was 100.0 million of the Company's equity securities as of December 31, 2022.

Holders of the common stock are entitled to dividends when, as, and if declared by the Company's Board of Directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. No dividends have been declared as of December 31, 2022.

The following represented the total authorized, issued, and outstanding shares for each class of common stock (in thousands):

	As of December 31, 2022		As of December 31, 2021	
	Authorized	Issued and Outstanding	Authorized	Issued and Outstanding
Class A Common Stock	20,000,000	1,995,414	20,000,000	1,926,589
Class B Common Stock	2,700,000	102,656	2,700,000	99,880
Class F Common Stock	1,005	1,005	1,005	1,005
Total	22,701,005	2,099,075	22,701,005	2,027,474

10. Stock-Based Compensation

2020 Executive Equity Incentive Plan

In August 2020, the Company's Board of Directors approved the 2020 Executive Equity Incentive Plan (the "Executive Equity Plan"). The Executive Equity Plan permitted the granting of nonstatutory stock options ("NSOs") and RSUs to the Company's employees, consultants, and directors. A total of 165,900,000 shares of the Company's Class B common stock were reserved for issuance under the Executive Equity Plan. During August 2020, options to purchase 162,000,000 shares of Class B common stock and restricted stock units covering 3,900,000 shares of the Company's Class B common stock were granted to certain officers.

The Executive Equity Plan was terminated prior to the Company's Direct Listing, and no additional awards will be granted under the Executive Equity Plan. However, the Executive Equity Plan will continue to govern the terms and conditions of the outstanding awards previously granted under the Executive Equity Plan.

2020 Equity Incentive Plan

In September 2020, prior to the Direct Listing, the Company’s Board of Directors approved the 2020 Equity Incentive Plan (“2020 Plan”). The 2020 Plan provides for the grant of incentive stock options (“ISOs”), NSOs, restricted stock, RSUs, stock appreciation rights (“SARs”), and performance awards to the Company’s employees, directors, and consultants. A total of 150,000,000 shares of the Company’s Class A common stock were initially reserved for issuance pursuant to the 2020 Plan. In addition, the number of shares of Class A common stock reserved for issuance under the 2020 Plan includes certain shares of common stock subject to awards under the 2010 Plan and Executive Equity Plan in the case of certain occurrences, such as expirations, terminations, exercise and tax-related withholding, or failures to vest. Shares of Class B common stock added to the 2020 Plan from the 2010 Plan or Executive Equity Plan are reserved for issuance under the Company’s 2020 Plan as Class A common stock. The number of shares of Class A common stock available for issuance under the 2020 Plan will also include an annual increase on the first day of each fiscal year beginning on January 1, 2022, equal to the least of:

- 250,000,000 shares of the Company’s Class A common stock;
- Five percent of the outstanding shares of the Company’s common stock as of the last day of the immediately preceding fiscal year; or
- such other amount as the administrator of the 2020 Plan determines.

Under the 2020 Plan, the exercise price of options granted is generally at least equal to the fair market value of the Company’s Class A common stock on the date of grant. The term of an ISO generally may not exceed ten years. Additionally, the exercise price of any ISO granted to a 10% stockholder shall not be less than 110% of the fair market value of the common stock on the date of grant, and the term of such option grant shall not exceed five years. Options and other equity awards become vested and, if applicable, exercisable based on terms determined by the Board of Directors or another plan administrator on the date of grant, which is typically four years for new employees and varies for subsequent grants.

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2022 (in thousands, except per share amounts):

	Options Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Balance as of December 31, 2021	349,952	\$ 7.81	9.06	\$ 3,638,685
Options exercised	(19,660)	4.38		
Options canceled and forfeited	(3,379)	4.95		
Balance as of December 31, 2022	<u>326,913</u>	\$ 8.05	8.33	\$ 272,603
Options vested and exercisable as of December 31, 2022	<u>183,119</u>	\$ 5.77	7.43	\$ 257,113

The aggregate intrinsic value of options outstanding, and vested and exercisable is calculated as the difference between the exercise price of the underlying options and the fair value of the Company’s common stock as of December 31, 2022. The aggregate intrinsic value of options exercised during the years ended December 31, 2022, 2021, and 2020 was \$112.3 million, \$3.8 billion, and \$974.2 million, respectively, and is calculated based on the difference between the exercise price and the fair value of the Company’s common stock on the exercise date.

There were no options granted during the year ended December 31, 2022 and 2021. The weighted average grant-date fair value of options granted during the year ended December 31 2020 was \$2.57 per share. The total grant-date fair value of options that vested during the years ended December 31, 2022, 2021, and 2020 was \$170.8 million, \$189.5 million, and \$214.7 million, respectively.

As of December 31, 2022, the total unrecognized stock-based compensation expense related to options outstanding was \$721.9 million, which is expected to be recognized over a weighted-average service period of eight years.

Determination of Stock Option Fair Value

The estimated grant-date fair value of all the Company's stock-based option awards was calculated using the Black-Scholes option-pricing model, based on the below assumptions. There were no options granted during the years ended December 31, 2022 and 2021.

	Year Ended December 31, 2020
Fair value of common stock	\$ 7.60
Expected volatility	71.00 %
Expected term (in years)	12.04
Expected dividend yield	— %
Risk-free interest rate	0.64 %

RSUs

The following table summarizes the RSU activity for the year ended December 31, 2022 (in thousands, except per share amounts):

	RSUs Outstanding	Weighted Average Grant Date Fair Value per Share
RSUs unvested and outstanding as of December 31, 2021	153,749	\$ 9.56
RSUs granted	33,673	10.24
RSUs vested and converted to shares	(51,941)	8.73
RSUs canceled	(9,055)	9.78
RSUs unvested and outstanding as of December 31, 2022	<u>126,426</u>	\$ 10.07

Prior to September 30, 2020, the Company granted RSUs with both a service-based vesting condition and a liquidity event-related performance condition which was considered a performance-based vesting condition. The stock-based compensation expense related to such RSUs is recognized using the accelerated attribution method from the grant date. The service-based vesting period for these awards varies across service providers and is up to five years. The performance-based vesting condition for the RSUs was satisfied upon the Company's Direct Listing, which occurred on September 30, 2020. Additionally, subsequent to September 30, 2020, the Company granted RSUs with only a service based-based vesting condition. The stock-based compensation expense related to such RSUs is recognized ratably over the service period.

During the year ended December 31, 2020, the Company recognized \$940.0 million in stock-based compensation expense related to RSUs, of which \$769.5 million was recognized upon the Company's Direct Listing which satisfied the performance-based vesting condition.

The total grant-date fair value of RSUs vested during the years ended December 31, 2022, 2021, and 2020 was \$453.2 million, \$421.0 million, and \$531.9 million. As of December 31, 2022, the total unrecognized stock-based compensation expense related to the RSUs outstanding was \$770.3 million, which is expected to be recognized over a weighted-average service period of three years.

Stock-based Compensation Expense

Total stock-based compensation expense was as follows (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Cost of revenue	\$ 44,061	\$ 68,546	\$ 139,627
Sales and marketing	196,301	242,910	398,205
Research and development	93,871	150,298	357,063
General and administrative	230,565	316,461	375,807
Total stock-based compensation expense	<u>\$ 564,798</u>	<u>\$ 778,215</u>	<u>\$ 1,270,702</u>

The Company did not recognize any tax benefits related to stock-based compensation expense during the years ended December 31, 2022 or 2021, and it recognized tax benefits of \$18.2 million during the year ended December 31, 2020.

11. Income Taxes

Loss before provision for (benefit from) income taxes consisted of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
United States	\$ (402,834)	\$ (514,200)	\$ (1,203,682)
Foreign	41,807	25,706	24,655
Loss before provision for (benefit from) income taxes	<u>\$ (361,027)</u>	<u>\$ (488,494)</u>	<u>\$ (1,179,027)</u>

Provision for (benefit from) income taxes consisted of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ —	\$ —	\$ —
State	765	(88)	500
Foreign	9,476	(11,343)	7,249
Total current provision	10,241	(11,431)	7,749
Deferred:			
Federal	—	(111)	—
State	—	—	—
Foreign	(174)	43,427	(20,385)
Total deferred provision	(174)	43,316	(20,385)
Total provision for (benefit from) income taxes	<u>\$ 10,067</u>	<u>\$ 31,885</u>	<u>\$ (12,636)</u>

A reconciliation of the expected tax provision (benefit) at the statutory federal income tax rate to the Company's recorded tax provision (benefit) consisted of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Expected tax (benefit) at U.S. federal statutory rate	\$ (75,592)	\$ (102,584)	\$ (247,596)
State income taxes - net of federal benefit	766	(88)	500
Foreign tax rate differential	832	870	(4,131)
Research and development tax credits	(34,546)	(94,591)	(26,294)
Stock-based compensation	1,374	(817,839)	(194,730)
Non-deductible officers' compensation	40,629	428,682	76,093
Change in valuation allowance	49,833	616,572	373,632
Base Erosion Anti-Abuse Tax and related elections	25,200	—	—
Other	1,571	863	9,890
Total provision for (benefit from) income taxes	<u>\$ 10,067</u>	<u>\$ 31,885</u>	<u>\$ (12,636)</u>

For the year ended December 31, 2022, the Company recorded a provision for income taxes of \$10.1 million compared to \$31.9 million for the year ended December 31, 2021, primarily due to the prior year establishment of a full valuation allowance against its U.K. deferred tax assets during the fourth quarter of 2021 partially offset by permanent differences associated with U.S. Base Erosion and Anti Abuse Tax elections. The Company maintains a full valuation allowance against its U.S. federal and state and U.K. deferred tax assets.

For the year ended December 31, 2021, the Company recorded a provision for income taxes compared to a benefit from income taxes for the year ended December 31, 2020, primarily due to the establishment of a full valuation allowance against its U.K. deferred tax assets during the fourth quarter of 2021, partially offset by a one-time benefit related to the refund of the Company's U.K. 2019 taxes paid based on the tax election to carry back the 2020 U.K. net tax operating losses.

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using enacted tax rates in effect for the year in which the differences are expected to reverse. Significant deferred tax assets and liabilities consisted of the following (in thousands):

	As of December 31,	
	2022	2021
Net operating loss carryforwards	\$ 1,436,957	\$ 1,497,774
Capitalized research and experimental expenses	70,839	—
Reserves and accruals	76,905	43,348
Tax credit carryforwards	226,565	177,402
Stock-based compensation	203,735	212,163
Lease liabilities	58,056	59,787
Depreciation and amortization	29,665	35,176
Gross deferred tax assets	2,102,722	2,025,650
Outside basis difference	(6,512)	—
Acquisition related intangibles	(10,225)	—
Right-of-use assets	(46,295)	(49,665)
Total net deferred tax assets before valuation allowance	2,039,690	1,975,985
Valuation allowance	(2,051,655)	(1,977,565)
Net deferred tax assets	<u>\$ (11,965)</u>	<u>\$ (1,580)</u>

The Company performs an assessment of both positive and negative evidence, including its earnings history and results of recent operations, scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies when determining whether it is more likely than not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction by jurisdiction basis. The Company reviews the recognition of deferred tax assets on a regular basis to determine if

realization of such assets is more likely than not. A valuation allowance is provided when it is more likely than not that such assets will not be realized. The Company maintains a full valuation allowance against its U.S. federal and state deferred tax assets.

Provisions enacted by the 2017 Tax Cuts and Jobs Act related to the capitalization for tax purposes of research and experimental (“R&E”) expenditures became effective on January 1, 2022. Beginning January 1, 2022, all U.S. and non-U.S. based R&E expenditures must be capitalized and amortized over five years and 15 years, respectively. Beginning January 1, 2022, the Company began capitalizing and amortizing R&E expenditures over five years for domestic research and 15 for international research rather than expensing these costs as incurred. As a result, the Company has recorded a deferred tax asset of \$70.8 million related to the capitalization requirement.

The valuation allowance totaled \$2.1 billion and \$2.0 billion for the years ended December 31, 2022 and 2021, respectively. The valuation allowance on our net deferred tax assets increased by \$74.1 million and \$757.5 million during the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company had U.S. federal and state net operating losses of approximately \$5.6 billion and \$2.8 billion, respectively. As of December 31, 2021, the Company had U.S. federal and state net operating losses of approximately \$5.9 billion and \$2.9 billion, respectively. The U.S. federal net operating loss carryforwards will expire at various dates beginning in 2024 through 2037 if not utilized, with the exception of \$1.4 billion which can be carried forward indefinitely. The state net operating loss carryforwards will expire at various dates beginning in 2023 through 2041 if not utilized.

Additionally, as of December 31, 2022, the Company had federal and California research and development credits of approximately \$230.2 million and \$91.4 million, respectively. As of December 31, 2021, the Company had federal and California research and development credits of approximately \$184.1 million and \$68.7 million, respectively. The federal research and development credits will begin to expire in the years 2027 through 2041 if not utilized and the California research and development credits have no expiration date. Utilization of the net operating losses and research and development credit carryforwards may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the net operating loss and research and development credit carryforwards before utilization.

As of December 31, 2022, the Company had net operating losses in the United Kingdom of approximately \$303.4 million. The U.K. net operating losses can be carried forward indefinitely.

As of December 31, 2022, the Company had an immaterial amount of earnings from its wholly-owned non-U.S. subsidiaries indefinitely reinvested outside the U.S. The Company does not intend to repatriate these earnings and, accordingly, the Company does not provide for U.S. income taxes and foreign withholding tax on these earnings. The Company recorded \$6.5 million of deferred tax liability on the outside basis differences in its investment in Palantir Technologies Japan, Kabushiki Kaisha (“Palantir Japan”) that is unrelated to unremitted earnings.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implements a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases and several tax incentives to promote clean energy. Based on the Company’s current analysis of the provisions, the Company does not believe this legislation will have a material impact on its consolidated financial statements.

Uncertain Tax Positions

A reconciliation of the gross unrecognized tax benefits consists of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Unrecognized tax benefit beginning of year	\$ 65,070	\$ 75,557	\$ 31,702
Increases in current year tax positions	5,733	19,638	43,855
Increases in prior year tax positions	11,497	967	—
Decreases in prior year tax positions	(36)	(30,895)	—
Decreases in prior year tax positions due to settlements	(360)	(197)	—
Decreases in prior year tax positions due to lapse of statute of limitations	—	—	—
Unrecognized tax benefit end of year	<u>\$ 81,904</u>	<u>\$ 65,070</u>	<u>\$ 75,557</u>

For the years ended December 31, 2022, 2021, and 2020, the Company recorded gross unrecognized tax benefits of \$81.9 million, \$65.1 million, and \$75.6 million, respectively, that, if recognized, would not benefit the Company's effective tax rate due to the valuation allowance that currently offsets deferred tax assets.

As of December 31, 2022, no significant increases or decreases are expected to the Company's uncertain tax positions within the next twelve months.

It is the Company's policy to recognize interest and penalties related to income tax matters in income tax expense. The Company has recorded immaterial interest and penalties related to uncertain tax positions as of December 31, 2022 and 2021.

The Company files U.S. federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitation. The material jurisdictions where the Company is subject to potential examination by tax authorities are the U.S. (federal and state) for tax years 2004 through 2022 and the UK for tax years 2013 through 2022.

12. Net Loss Per Share Attributable to Common Stockholders

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

	As of December 31,		
	2022	2021	2020
Numerator			
Net loss attributable to common stockholders	\$ (373,705)	\$ (520,379)	\$ (1,166,391)
Less: Change in fair value attributable to participating securities	—	—	(5,483)
Net loss attributable to common stockholders for diluted net loss per share	<u>\$ (373,705)</u>	<u>\$ (520,379)</u>	<u>\$ (1,171,874)</u>
Denominator			
Weighted-average shares used in computing net loss per share, basic	2,063,793	1,923,617	977,722
Weighted-average shares used in computing net loss per share, diluted	2,063,793	1,923,617	979,330
Net loss per share			
Net loss per share attributable to common stockholders, basic	<u>\$ (0.18)</u>	<u>\$ (0.27)</u>	<u>\$ (1.19)</u>
Net loss per share attributable to common stockholders, diluted	<u>\$ (0.18)</u>	<u>\$ (0.27)</u>	<u>\$ (1.20)</u>

The following outstanding potentially dilutive common stock equivalents have been excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented due to their anti-dilutive effect (in thousands):

	As of December 31,		
	2022	2021	2020
Options and SARs issued and outstanding	326,913	349,977	535,792
RSUs outstanding	126,426	153,749	184,870
Warrants to purchase common stock	13,042	13,042	19,068
Growth units outstanding	—	—	3,583
Total	466,381	516,768	743,313

13. Segment and Geographic Information

The following reporting segment tables reflect the results of the Company's reportable operating segments consistent with the manner in which the CODM evaluates the performance of each segment and allocates the Company's resources. The CODM does not evaluate the performance of the Company's assets on a segment basis for internal management reporting and, therefore, such information is not presented.

Contribution is used, in part, to evaluate the performance of, and allocate resources to, each of the segments. A segment's contribution is calculated as segment revenue less the related costs of revenue and sales and marketing expenses. It excludes certain operating expenses that are not allocated to segments because they are separately managed at the consolidated corporate level. These unallocated costs include stock-based compensation expense, research and development expenses, and general and administrative expenses.

Financial information for each reportable segment was as follows (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Revenue:			
Government	\$ 1,071,776	\$ 897,356	\$ 610,198
Commercial	834,095	644,533	482,475
Total revenue	\$ 1,905,871	\$ 1,541,889	\$ 1,092,673

	Years Ended December 31,					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Contribution:						
Government	\$ 620,677	58 %	\$ 541,883	60 %	\$ 346,937	57 %
Commercial	414,496	50 %	357,546	55 %	247,320	51 %
Total contribution	\$ 1,035,173	54 %	\$ 899,429	58 %	\$ 594,257	54 %

The reconciliation of contribution to loss from operations is as follows (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Loss from operations	\$ (161,201)	\$ (411,046)	\$ (1,173,679)
Research and development expenses ⁽¹⁾	265,808	237,189	203,597
General and administrative expenses ⁽¹⁾	365,768	295,071	293,637
Total stock-based compensation expense	564,798	778,215	1,270,702
Total contribution	\$ 1,035,173	\$ 899,429	\$ 594,257

⁽¹⁾ Excludes stock-based compensation expense.

Geographic Information

Revenue by geography is based on the customer's headquarters or agency location at the time of sale. Revenue is as follows (in thousands, except percentages):

	Years Ended December 31,					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Revenue:						
United States	\$ 1,161,416	61 %	\$ 879,156	57 %	\$ 573,549	52 %
United Kingdom	220,942	12 %	173,362	11 %	132,427	12 %
Rest of world ⁽¹⁾	523,513	27 %	489,371	32 %	386,697	36 %
Total revenue	\$ 1,905,871	100 %	\$ 1,541,889	100 %	\$ 1,092,673	100 %

⁽¹⁾ No other country represented 10% or more of total revenue for the years ended December 31, 2022, 2021, or 2020.

Property and equipment, net is attributed to the Company's office locations as follows (in thousands, except percentages):

	As of December 31,			
	2022		2021	
	Amount	%	Amount	%
Property and equipment, net:				
United States	\$ 46,599	67 %	\$ 18,728	60 %
Japan	13,318	19 %	1,340	4 %
United Kingdom	6,746	10 %	8,375	27 %
Rest of world	2,507	4 %	2,861	9 %
Total property and equipment, net	\$ 69,170	100 %	\$ 31,304	100 %

14. Business Combinations

On November 8, 2022, the Company gained the right to majority representation on the board of directors of Palantir Japan, thereby obtaining a controlling interest. Prior to obtaining a controlling interest, the Company accounted for its 50% ownership in Palantir Japan as an equity method investment, which was created to distribute Palantir platforms to the Japanese market. This transaction was accounted for as a "step acquisition" (as defined by U.S. GAAP), as such, the Company remeasured its pre-existing equity interest in Palantir Japan immediately prior to the completion of the acquisition to its estimated fair value. The results of Palantir Japan have been included in the Company's consolidated financial statements since the acquisition date, with the portion outside of its control forming a noncontrolling interest.

The fair value of Palantir Japan on the acquisition date totaled \$149.0 million, which included the Company's equity interest immediately prior to the acquisition of \$74.5 million and the noncontrolling interest of \$74.5 million. The amounts recognized

of assets acquired and liabilities assumed as of the acquisition date included: cash of \$66.7 million; goodwill of \$36.1 million; intangible assets of \$34.7 million related to customer relationships, reacquired rights, and backlog; \$32.5 million of other identifiable assets; and \$21.0 million of net liabilities. The intangible assets are reported in other assets and are being amortized over a period of two to seven years in accordance with the underlying pattern of economic benefit reflected by the future net cash flows. Goodwill is reported in other assets and is primarily attributed to the value expected from synergies resulting from the Palantir Japan acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The acquisition-date fair value of the noncontrolling and controlling equity interest was determined using a combination of the income and market approaches. With respect to intangible assets, the estimated fair values were determined based on the excess earnings method of the income approach. These models used primarily Level 3 inputs, including estimates of projected revenue growth rates, projected EBITDA margins, and an estimated discount rate.

In accordance with accounting for a step acquisition, the Company recognized a gain of \$44.3 million as a result of remeasuring its pre-existing interest in Palantir Japan held immediately before the business combination, which is included in other income (expense), net in the consolidated statements of operations.

The amounts of Palantir Japan's revenue and net income included in the Company's consolidated statement of operations for the year ended December 31, 2022 were immaterial. This acquisition did not have a material impact on the Company's reported revenue or net loss amounts for any period presented; therefore, historical and pro forma disclosures have not been presented.

15. Intangible Assets and Goodwill

Intangible assets subject to amortization that are not fully amortized are as follows (in thousands):

	Weighted average useful life	As of December 31, 2022			As of December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	4.85	\$ 10,400	\$ (347)	\$ 10,053	\$ —	\$ —	\$ —
Reacquired rights	6.85	17,618	(419)	17,199	—	—	—
Backlog	1.85	6,700	(558)	6,142	—	—	—
Other	1.27	5,717	(3,572)	2,145	5,717	(1,881)	3,836
Total intangible assets		<u>\$ 40,436</u>	<u>\$ (4,897)</u>	<u>\$ 35,539</u>	<u>\$ 5,717</u>	<u>\$ (1,881)</u>	<u>\$ 3,836</u>

Amortization expense of intangible assets was not material for the years ended December 31, 2022 and 2021.

As of December 31, 2022, expected amortization expense for the unamortized finite-lived intangible assets for the next five years and thereafter is as follows (in thousands):

Year ended December 31,	Amount
2023	\$ 9,637
2024	7,844
2025	4,597
2026	4,597
2027	4,250
Thereafter	4,614
Total	<u>\$ 35,539</u>

Palantir Technologies Inc.
Notes to Consolidated Financial Statements (continued)

Changes in the carrying amount of goodwill, which is reported in the commercial segment, for the year ended December 31, 2022 are as follows (in thousands):

	Amount
Goodwill at December 31, 2021	\$ 1,869
Acquisitions	36,069
Goodwill at December 31, 2022	<u>\$ 37,938</u>

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation and supervision 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 Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our principal executive officer and principal financial officer and oversight of the Board of Directors, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2022.

In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. Our management's evaluation of internal control over financial reporting excluded the internal control activities of Palantir Japan, which we acquired in November 2022, as discussed in *Note 14. Business Combinations* in the consolidated financial statements included elsewhere within this Annual Report on Form 10-K. The financial results of Palantir Japan were included in the consolidated financial statements from the date of acquisition and constituted less than 5% of total and net assets as of December 31, 2022 and less than 1% of revenues for the year then ended.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which is included in *Part II, Item 8, "Financial Statements and Supplementary Data"*, of this Annual Report on Form 10-K.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, 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, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, 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.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item will be set forth in our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022 (“Proxy Statement”) and is incorporated herein by reference.

Our Board of Directors has adopted a code of conduct that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of conduct is posted on the investor relations page on our website, which is located at <https://investors.palantir.com>. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our code of conduct by posting such information on the website address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

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

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

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

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

The information, if any, required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) We have filed the following documents as part of this Annual Report on Form 10-K:

1. Financial Statements

See Index under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedules not listed above have been omitted because they are not required, because they are not applicable, or because the required information is otherwise included.

3. Exhibits

The exhibits listed below are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference, in each case as indicated below.

Incorporated by Reference

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Amended and restated certificate of incorporation of the registrant.	8-K	001-39540	3.1	December 28, 2022
3.2	Amended and restated bylaws of the registrant.	8-K	001-39540	3.2	December 28, 2022
4.1	Form of Class A common stock certificate of the registrant.	S-1	333-248413	4.1	August 25, 2020
4.2	Amended and Restated Investors' Rights Agreement among the registrant and certain holders of its capital stock, dated as of August 24, 2020.	S-1/A	333-248413	4.2	September 14, 2020
4.3	Form of Series I convertible preferred stock lead investor IPO warrant.	S-1	333-248413	4.6	August 25, 2020
4.4	Form of Series I convertible preferred stock IPO warrant.	S-1	333-248413	4.7	August 25, 2020
4.5*	Description of Capital Stock of Palantir Technologies Inc.				
9.1	Founder Voting Agreement.	S-1/A	333-248413	9.1	September 21, 2020
9.2	Founder Voting Trust Agreement.	S-1/A	333-248413	9.2	September 18, 2020
10.1+	Form of Indemnification Agreement between the registrant and each of its directors and executive officers.	S-1	333-248413	10.1	September 9, 2020
10.2	Amendment No. 13 to Revolving Credit Agreement and Incremental Agreement, dated as of July 1, 2022, among the registrant, Palantir USG, Inc., the lenders party thereto, and Wells Fargo Bank, National Association (in its capacity as successor-in-interest to Morgan Stanley Senior Funding, Inc.), as Administrative Agent (including the Credit Agreement, dated as of October 7, 2014, as amended and restated).	8-K	001-39540	10.1	July 1, 2022
10.3+	Palantir Technologies Inc. 2020 Equity Incentive Plan and related form agreements.	S-1/A	333-248413	10.3	September 9, 2020
10.4+	Palantir Technologies Inc. Amended 2010 Equity Incentive Plan and related form agreements.	S-1/A	333-248413	10.4	September 3, 2020
10.5+	Palantir Technologies Inc. 2020 Executive Equity Incentive Plan.	S-1/A	333-248413	10.7	September 9, 2020
10.6+	Palantir Technologies Inc. Outside Director Compensation Policy.	S-1/A	333-248413	10.8	September 14, 2020
10.7+	Employee Incentive Compensation Plan.	S-1/A	333-248413	10.9	September 14, 2020
10.8+	Security Program Continuation Agreement between the registrant and Alexander Karp dated June 5, 2019.	S-1/A	333-248413	10.10	September 14, 2020
10.9	Consulting Agreement between the Company and Spencer Rascoff, dated June 6, 2022.	10-Q	001-39540	10.1	August 8, 2022
21.1*	List of subsidiaries of Palantir Technologies Inc.				
23.1*	Consent of Independent Registered Public Accounting Firm.				
24.1*	Power of Attorney (included in signature page hereto)				
31.1*	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of the Chief Executive Officer and Chief 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	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Extension Schema Document.				

- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104.1* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed Herewith

+ Indicates a management contract or compensatory plan or arrangement

† The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

PALANTIR TECHNOLOGIES INC.

Date: February 21, 2023

By: /s/ Alexander C. Karp

Alexander C. Karp

Chief Executive Officer

(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Alexander C. Karp, Stephen Cohen, and David Glazer, and each one of them, as their true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for them and in their name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
<u>/s/ Alexander C. Karp</u> Alexander C. Karp	Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2023
<u>/s/ Stephen Cohen</u> Stephen Cohen	President and Director	February 21, 2023
<u>/s/ David Glazer</u> David Glazer	Chief Financial Officer (Principal Financial Officer)	February 21, 2023
<u>/s/ Jeffrey Buckley</u> Jeffrey Buckley	Chief Accounting Officer (Principal Accounting Officer)	February 21, 2023
<u>/s/ Lauren Friedman Stat</u> Lauren Friedman Stat	Director	February 21, 2023
<u>/s/ Alexander Moore</u> Alexander Moore	Director	February 21, 2023
<u>/s/ Alexandra Schiff</u> Alexandra Schiff	Director	February 21, 2023
<u>/s/ Peter Thiel</u> Peter Thiel	Director	February 21, 2023
<u>/s/ Eric Woerschling</u> Eric Woerschling	Director	February 21, 2023

Board of Directors

Peter Thiel

*President, Thiel Capital LLC
Partner, Founders Fund, LLC*

Alexander Karp

*Chief Executive Officer and Co-Founder,
Palantir Technologies Inc.*

Stephen Cohen

*President, Secretary and Co-Founder,
Palantir Technologies Inc.*

Alexander Moore

Partner, 8VC

Alexandra Schiff

Freelance Writer and Journalist

Lauren Friedman Stat

*Managing Member and Chief Executive
Officer, Figa Jewelry
Chairwoman of the Board, Valkyrie
Intelligence LLC*

Eric Woerschling

*Private Consultant for Early Stage Software
Companies*

Executive Officers

Alexander Karp

Chief Executive Officer and Co-Founder

Stephen Cohen

President, Secretary and Co-Founder

Shyam Sankar

*Chief Technology Officer and Executive
Vice President*

David Glazer

Chief Financial Officer and Treasurer

Ryan Taylor

*Chief Revenue Officer and Chief Legal
Officer*

