

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

August 1, 2024

YEXT, INC.

(Exact name of registrant as specified in its charter)

001-38056

(Commission File Number)

20-8059722

(IRS Employer
Identification No.)

Delaware

(State or other jurisdiction of incorporation)

**61 Ninth Avenue
New York, NY 10011**

(Address of principal executive offices, including zip code)

(212) 994-3900

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	YEXT	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging Growth Company

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

EXPLANATORY NOTE

On August 2, 2024, Yext, Inc., a Delaware corporation (the “Company” or “Yext”) filed a Current Report on Form 8-K (the “Initial Report”) reporting the completion of the previously announced acquisition (the “Merger”) of Hearsay Social, Inc. (“Hearsay”) pursuant to an Agreement and Plan of Merger, dated June 10, 2024 (the “Merger Agreement”) with Hearsay, Houston Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Yext, and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the representative, agent and attorney-in-fact of Hearsay’s stockholder. As reported on the Initial Report, the Merger was completed on August 1, 2024.

This Amendment No. 1 to Current Report on Form 8-K/A (“Amendment No. 1”) is being filed to amend the Initial Report to include the historical financial statements of Hearsay and certain pro forma financial information required by Item 9.01(a) and Item 9.01(b) of Form 8-K. Except for the filing of such financial statements and pro forma financial information, this Amendment No. 1 does not modify or update the Initial Report.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business or Funds Acquired

The audited consolidated financial statements of Hearsay as of and for the year ended December 31, 2023, the related notes thereto, and related report of Grant Thornton LLP, Hearsay's independent registered public accounting firm, as set forth in their report thereon, are filed as Exhibit 99.1 to this Amendment No. 1 and incorporated by reference herein.

The unaudited consolidated financial statements of Hearsay as of and for the three months ended March 31, 2024 and the related notes thereto are filed as Exhibit 99.2 to this Amendment No. 1 and incorporated by reference herein.

(b) Pro Forma Financial Information

The Company’s unaudited pro forma condensed combined balance sheet as of April 30, 2024 and unaudited pro forma condensed combined statements of operations for the year ended January 31, 2024 and the three months ended April 30, 2024, together with the notes related thereto, are filed as Exhibit 99.3 to this Amendment No. 1 and incorporated by reference herein.

The pro forma financial information included in this Amendment No. 1 has been presented for informational purposes only. It does not purport to represent the actual results of operations that Yext and Hearsay would have achieved had the companies been combined during the periods presented in the pro forma financial information and is not intended to project the future results of operations that the combined company may achieve after the consummation of the Merger.

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Grant Thornton LLP, independent registered public accounting firm of Hearsay Social, Inc.
99.1	Audited financial statements of Hearsay Social, Inc. as of and for the year ended December 31, 2023.
99.2	Unaudited financial statements of Hearsay Social, Inc. as of and for the three months ended March 31, 2024
99.3	Unaudited pro forma condensed combined financial statements of Yext, Inc. as of April 30, 2024 for the three months ended April 30, 2024 and for the year ended January 31, 2024.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

YEXT, INC.

By: /s/ Darryl Bond

Darryl Bond
Chief Financial Officer
(Principal Financial Officer)

Date: October 17, 2024

Consent of Independent Registered Public Accounting Firm

We have issued our report dated July 29, 2024 (except for Note 10, as to which the date is October 17, 2024), with respect to the consolidated financial statements of Hearsay Social, Inc. for the year ended December 31, 2023, included in the Current Report on Form 8-K/A of Yext, Inc. We consent to the incorporation by reference of said report in the Registration Statements of Yext, Inc. on Forms S-8 (File Nos. 333-281441, 333-277887, 333-270666, 333-263369, 333-254358, 333-237330, 333-230344, 333-223732 and 333-217280).

/s/ GRANT THORNTON LLP

San Jose, California
October 17, 2024

Consolidated Financial Statements
Hearsay Social, Inc. and Subsidiaries
December 31, 2023

Contents	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
Consolidated Financial Statements	5
Consolidated Balance Sheet	5
Consolidated Statements of Operations and Comprehensive Loss	6
Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Hearsay Social, Inc.

Opinion

We have audited the consolidated financial statements of Hearsay Social, Inc. (a Delaware corporation) and subsidiaries (the “Company”), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statement of operations and comprehensive loss, convertible preferred stock and stockholders’ deficit, and cash flows for the year then ended, and the related notes to the financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures

include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Dent Thornton LLP

San Jose, California
July 29, 2024 (except for Note 10, as to which the date is October 17, 2024)

Consolidated Financial Statements
Hearsay Social, Inc.
Consolidated Balance Sheet
(In thousands, except per share data)

	December 31, 2023
Assets	
Current assets:	
Cash and cash equivalents	\$ 12,162
Accounts receivable, net of allowance of \$94 as of December 31, 2023	18,741
Prepaid expenses and other current assets	2,310
Deferred commissions	978
Total current assets	34,191
Property and equipment, net	4,160
Operating lease right-of-use assets	103
Restricted cash	493
Deferred commissions, noncurrent	1,727
Other assets	199
Total assets	\$ 40,873
Liabilities, convertible preferred stock, and stockholders' deficit	
Current liabilities:	
Accounts payable	\$ 78
Accrued liabilities	10,975
Deferred revenue, current	37,132
Operating lease liabilities, current	511
Total current liabilities	48,696
Other non-current liabilities	110
Deferred revenue, net of current portion	726
Operating lease liabilities, net of current portion	8
Total liabilities	49,540
Convertible preferred stock	
Series A convertible preferred stock, par value \$0.0001 – 23,500 shares authorized; 23,488 shares issued and outstanding at December 31, 2023 (liquidation preference \$3,000)	\$ 2,950
Series B convertible preferred stock, par value \$0.0001 – 16,240 shares authorized; 16,129 shares issued and outstanding at December 31, 2023 (liquidation preference \$18,000)	17,900
Series C convertible preferred stock, par value \$0.0001 – 18,620 shares authorized; 18,610 shares issued and outstanding at December 31, 2023 (liquidation preference \$29,999)	29,960
Series CRM convertible preferred stock, par value \$0.0001 – 11,334 shares authorized; 11,334 shares issued and outstanding at December 31, 2023 (liquidation preference \$9,999)	9,933
Total convertible preferred stock liabilities	60,743
Stockholders' deficit:	
Common stock, par value \$0.0001; 153,979 authorized shares, 39,490 shares issued and outstanding at December 31, 2023	1
Additional paid-in capital	19,566
Accumulated deficit	(88,977)
Total stockholders' deficit	(69,410)
Total liabilities, convertible preferred stock, and stockholders' deficit	\$ 40,873

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

Hearsay Social, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(In thousands)

		December 31, 2023
Revenue	\$	60,471
Cost of revenue		15,537
Gross profit		44,934
Operating expenses:		
Product development		23,828
Sales and marketing		20,021
General and administrative		10,969
Total operating expenses		54,818
Operating loss		(9,884)
Other income (expense), net		84
Loss before provision for income taxes		(9,800)
Provision for income taxes		390
Net loss		(10,190)
Total comprehensive loss	\$	(10,190)

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

Hearsay Social, Inc.
Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance, December 31, 2022	69,561	\$ 60,743	38,933	\$ 1	\$ 17,854	\$ (78,960)	\$ (61,105)
Exercise of stock options	—	—	557	—	260	—	260
Stock-based compensation	—	—	—	—	1,452	—	1,452
Cumulative effect adoption of ASC 326	—	—	—	—	—	173	173
Net loss	—	—	—	—	—	(10,190)	(10,190)
Balance, December 31, 2023	69,561	\$ 60,743	39,490	\$ 1	\$ 19,566	\$ (88,977)	\$ (69,410)

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

Hearsay Social, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Fiscal year ending December 31,	
	2023	
Operating activities:		
Net loss	\$	(10,190)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt issuance costs		1
Amortization of deferred commissions		933
Depreciation and amortization		876
Stock-based compensation		1,452
Bad debt expense		(5)
Changes in operating assets and liabilities:		
Accounts receivable		891
Prepaid assets, other current assets and other assets		160
Deferred commissions		(1,806)
Accounts payable		60
Accrued liabilities and other liabilities		665
Lease obligations		(1,369)
Deferred revenue		329
Net cash used in operating activities		<u>(8,003)</u>
Investing activities:		
Capitalized internally developed software		(1,974)
Purchases of property and equipment		(362)
Net cash used in investing activities		<u>(2,336)</u>
Financing activities:		
Proceeds from exercise of stock options and stock warrants		260
Repayment of debt		(2,500)
Net cash used in financing activities		<u>(2,240)</u>
Net decrease in cash, cash equivalents and restricted cash		(12,579)
Cash, cash equivalents and restricted cash:		
Beginning of year	\$	25,234
End of year	\$	<u>12,655</u>
Cash, cash equivalents and restricted cash at end of year:		
Cash and cash equivalents	\$	12,162
Restricted cash		493
Total cash, cash equivalents, and restricted cash at end of year	\$	<u>12,655</u>
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	\$	517
Interest		42

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

Hearsay Social, Inc.
Notes to Consolidated Financial Statements
December 31, 2023

NOTE 1 - THE COMPANY

Hearsay Social, Inc. (“Company”) was incorporated in August 2009 in the state of Delaware under the name of Hearsay Labs, Inc. and was renamed Hearsay Social, Inc. in March 2012. The Company develops and sells an enterprise class “software as a service” application that empowers global sales forces to efficiently and successfully use social media, text messaging, voice calling, and websites to attract prospective customers, to retain customers, and to grow businesses. Its employees are located in Canada, Hungary, Philippines, Spain, United Kingdom, France, Mexico, and several states in the United States. As of December 31, 2023 the Company has wholly owned subsidiaries in the United Kingdom, Hungary, Philippines, and Mexico. During the year ended December 31, 2023 the Company established a wholly owned subsidiary in Mexico.

Liquidity and Capital Resources

As of December 31, 2023, the Company had incurred net losses and has an accumulated deficit of \$89.0 million. Management believes that existing sources of liquidity will satisfy the Company’s working capital requirements for at least 12 months from the balance sheet date of December 31, 2023 and one year from the date the consolidated financial statements are issued. There can be no assurance, however, that the Company will be successful in executing its business plan, increasing its existing customer base, or maintaining profitability. Failure to generate sufficient revenues, achieve planned gross margins, control operating costs or raise sufficient additional funds may require the Company to modify, delay or abandon some of its planned future expansion or expenditures, which could have a material adverse effect on the Company’s business, operating results, financial condition and ability to achieve its intended business objectives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Any intercompany accounts and transactions have been eliminated in consolidation.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the US dollar. Accordingly, the consolidation of the financial statements does not require the recording of translation adjustments. Foreign exchange gains or losses associated with foreign currency transactions are included in the results of operations and amounted to approximately \$0.1 million for the year ended December 31, 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting periods covered by the consolidated financial statements and accompanying notes. In particular, the Company makes estimates with respect to the standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations, the period of benefit for deferred commissions, expected credit losses, useful lives of long-lived assets, including property, plant and equipment and internal use software, the capitalization of internal-use software development costs, stock-based compensation, income taxes and contingencies. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of certain of the Company’s financial instruments, which include accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities. The fair value of the Company’s debt is determined to be not materially different from the carrying amount.

Fair Value Measurements

The Company records its common stock warrant liability at fair value. The Company determines fair value based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market, at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as 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.

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. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The Company recognizes transfers among Level 1, Level 2, and Level 3 classifications as of the actual date of the events or changes in circumstances that caused the transfers. There were no transfers in 2023. The following summarizes assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

(in thousands)	December 31, 2023				Total Estimated Fair Value
	Level 1	Level 2	Level 3		
Cash equivalents - Money market funds	\$ 5,400	\$ —	\$ —	\$ —	\$ 5,400
Liabilities - common stock warrant liability	—	—	110	—	110
Total	\$ 5,400	\$ —	\$ 110	\$ —	\$ 5,510

As of December 31, 2023, certain of the Company's cash equivalents were held in money market funds. The Company's investments in money market funds are classified within Level 1 of the fair value hierarchy as they are valued using quoted market prices in active markets.

The fair value of the common stock warrants is measured using a weighted average calculation of several valuations representing certain outcomes. These valuations are based on the Black-Scholes-Merton option pricing model or the Monte Carlo simulation option pricing model. Inputs to the Black-Scholes model include: (i) the remaining contractual terms of the warrants, (ii) the risk-free interest rate over the term, (iii) the expected volatility based on volatility data of a group of representative peer companies, (iv) the estimated fair value of the underlying class of common stock as of the valuation date, and (v) an expected dividend yield, which is assumed to be 0% as the Company has historically not paid dividends and does not anticipate paying dividends in the foreseeable future. Inputs to the Monte Carlo simulation model include: (i) the estimated remaining term until the simulated event, (ii) the risk-free interest rate over the estimated term, (iii) the earnings per share ("EPS") expected annual growth rate based on growth rates of a group of representative peer companies, (iv) the estimated fair value of the underlying class of common stock, and (iv) a discount rate based on the Company's estimated weighted average cost of capital.

There was no change in the fair value of the common stock warrants for the year ended December 31, 2023.

The fair value of the warrants during the year ended December 31, 2023 was determined using the following range of assumptions:

	2023
Expected term (years)	2.0 - 4.4
Risk-free interest rate	4.1% - 4.4%
Expected volatility	75.36%
Expected dividend yield	—
EPS expected annual growth rate	22.4%
Discount rate	29.0%
Weighted average fair value of warrants	\$0.90

Cash Balances

Cash and cash equivalents are stated at cost, which approximates fair value. The Company considers highly liquid investments with original maturities from the date of purchase of three months or less to be cash equivalents. Cash consists of deposits held by a financial institution with a high credit standing. The Company commonly has cash balances in excess of insurance provided by government-sponsored agencies. The Company held \$5.4 million of cash equivalents in money market funds as of December 31, 2023. The Company has not experienced any credit-related losses in such accounts, and management believes it is not exposed to any significant credit risks.

Restricted Cash

Restricted cash consists of deposits held for the Company's San Francisco lease in a collateral account. The cash balance was approximately \$0.5 million as of December 31, 2023.

Property and Equipment

Property and equipment greater than \$2,000 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally three years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life. Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Research and Development Costs

Except as set forth below, the Company expenses the cost of research and development as incurred. Research and development expenses consist primarily of wages for research and development staff and the cost of certain third-party service providers.

Capitalized Internal Use Software Development Costs

For development costs related to internal use software projects, such as those used in the Company's services and network, the Company capitalized \$2.0 million incurred during the application development stage for the year ended December 31, 2023. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Amortization of the costs of software developed for internal use begins when the assets are placed in productive use and are generally amortized over a period of two to five years.

Deferred Commissions

Sales commissions on initial product subscriptions and certain upsells earned by the sales team are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for contracts signed with new customers and upsells with existing customers over certain thresholds are deferred and then amortized on a straight-line basis over a period of benefit that the Company has estimated to be four years. The Company determined such period by taking into consideration customer contracts, the technology lifecycle, and other relevant factors. Sales commissions for renewal contracts are expensed as incurred. Amortization expense is included in sales and marketing expenses on the consolidated statements of operations and comprehensive loss. The Company applied the practical expedient in Accounting Standards Codification ("ASC") 606 to expense sales commissions as incurred when the amortization period would have been one year or less.

During the year ended December 31, 2023, the Company deferred sales commissions costs of \$1.8 million and amortized \$0.9 million of deferred commissions.

Leases

The Company determines if an arrangement contains a lease at inception. At the commencement date, we will perform the classification tests to determine whether our leases are operating or financing and recognize the related lease liability and right of use ("ROU") asset. Lease liabilities are recognized based on the present value of unpaid lease payments over the lease term and the ROU assets include prepaid lease payments and exclude lease incentives and initial direct costs. Operating lease assets and liabilities are reflected within operating lease ROU assets, operating lease liabilities, current, and operating lease liabilities, non-current on the consolidated balance sheets. As the Company's leases do not provide an implicit rate, the Company uses an estimated incremental borrowing rate based on the information available at lease commencement in determining the present value of lease payments. The Company estimated the incremental borrowing rate based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term.

Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. At December 31, 2023, we did not include any options to extend leases in our lease terms as we were not reasonably certain to exercise them. The Company's lease agreements do not contain residual value guarantees or covenants.

We also utilize certain practical expedients and policy elections available under the lease accounting standard. Leases with a term of one year or less are not recognized on our consolidated balance sheets; we recognize rent expense for these leases in the consolidated statements of operations on a straight-line basis over the lease term. Additionally, we have elected not to separate lease and non-lease components for all asset classes. Non-lease components are expensed as incurred as variable lease payments. Our real estate operating leases typically include non-lease components such as common area maintenance costs.

Income Taxes

The Company uses the asset and liability method to account for income taxes in accordance with the authoritative guidance for income taxes. Under this method, deferred tax assets and liabilities are determined based on future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

In accordance with the applicable authoritative guidance, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

Prepaid Expenses and Other Assets

Prepaid expenses consist of various payments that the Company has made in advance for goods or services to be received in the future. These prepaid expenses include subscription fees, hosting fees, rent, insurance and service contracts requiring up-front payments.

Revenue Recognition

The Company derives its revenues primarily from subscriptions. Subscription revenues are comprised of fees paid by customers for access to the Company's hosted application. The subscription arrangements are considered service contracts and the customers do not have the right to take possession of the software. Subscription service arrangements are generally non-cancelable and do not provide for refunds to customers in the event of cancellations or any other right of return. Revenues are recorded and presented net of sales taxes.

Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;

- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to each performance obligation in the contract; and
- Recognition of revenue when, or as, the performance obligations are satisfied.

Subscription revenue is recognized on a ratable basis over the contractual subscription term of the arrangement beginning on the date that the service is made available to the customer. Payments received in advance of services being rendered are recorded as deferred revenue.

Some customer contracts contain multiple performance obligations. For these contracts, performance obligations are accounted for individually when they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on overall pricing objectives, taking into consideration market conditions, volume, and other factors, including other groupings such as historical sales and geography.

Deferred Revenue

Deferred revenue is a contract liability primarily related to billings or payments received in advance of revenue recognition from our subscription services and, to a lesser extent, professional services. Deferred revenue is recognized as we satisfy our performance obligations. The Company generally invoices customers in annual installments for subscription services. Accordingly, the deferred revenue balance does not generally represent the total contract value of a subscription arrangement. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as the current portion of deferred revenue and the remaining portion is recorded as long-term.

The Company recognized \$36.1 million of revenue in 2023 associated with its deferred revenue balance as of December 31, 2022.

Cost of Revenue

Cost of revenue consists primarily of costs related to supporting the Company's customers, third-party royalties, expenses related to its hosting facility, and amortization of capitalized internal-use software development costs.

Warranties and Indemnification

The Company has entered into service level agreements ("SLA") with the majority of its customers, providing service availability and response times, and permitting, in a few instances, those customers to receive service credits and/or to terminate their agreements in the event that the Company does not cure a breach of such SLAs. To date, the Company has not experienced any failures to meet the SLAs, and accordingly, has not accrued any liabilities related to these agreements in the accompanying consolidated financial statements.

Additionally, the Company's arrangements generally include provisions for indemnifying customers against liabilities if its services infringe a third party's intellectual property rights or if there is a breach by the Company of its customer's confidential information. To date, the Company has not incurred any material costs as a result of those indemnification obligations and has not accrued any liabilities related to these obligations in the accompanying consolidated financial statements.

Advertising and Promotion Costs

Expenses related to advertising and promotions of products are charged to sales and marketing expenses as incurred. During the year ended December 31, 2023, the Company incurred advertising expenses of \$0.1 million.

Allowance for Credit Losses

The allowance for credit losses reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio determined by a forward-looking current expected credit loss model. The Company performs a regular review of its customers' payment histories and associated credit risks and it generally does not require collateral from its customers.

	Year ended December 31, 2023	
Balance at beginning of the period	\$	272
Provisions for credit losses, net of recoveries		(5)
Write offs		—
Cumulative effect adoption of ASC 326		(173)
Balance at end of the period	\$	94

Concentrations of Credit Risk

The majority of the Company's customers are located in North America. The Company sells its products and services under customary credit terms. One individual customer represented 10% of the Company's revenues in the year ended December 31, 2023. As of December 31, 2023, one customer accounted for 35% of the Company's accounts receivable.

Stock-Based Compensation

The Company accounts for stock-based awards to employees using the fair value-based method in accordance with the authoritative guidance for stock-based compensation, which requires the measurement of compensation expense based on the estimated fair value of the awards on the date of grant and the recognition of the expense over the requisite service period.

The Company estimates the fair value of stock options using the Black-Scholes option-pricing model, which requires the use of the following assumptions: (i) the expected volatility of the Company's common stock, which is based on volatility data of a group of peer companies; (ii) the expected term of the option award, which is based on the simplified method, which assumes the expected term to be the mid-point between the vesting term and the contractual term; (iii) an expected dividend yield, which is assumed to be 0% as the Company has historically not paid dividends and does not anticipate paying dividends in the foreseeable future; and (iv) a risk-free interest rate, which is based on the U.S. Treasury yield curve in effect on the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the option award.

The fair value of options granted to employees during the year ended December 31, 2023 was determined using the following weighted average assumptions:

	December 31, 2023	
Expected dividend yield		—
Expected volatility		52.5%
Risk-free interest rate		4.0%
Expected term (years)		6.0
Weighted average fair value of options granted		\$0.27

The Company accounts for stock-based compensation arrangements with non-employees in accordance with ASC 505-50, Equity - Equity-Based Payments to Non-Employees, which requires that such equity instruments be recorded at their fair value on the measurement date. The measurement of stock-based compensation for non-employees is subject to periodic adjustment as the underlying equity instruments vest, and the related compensation expense is based on the estimated fair value of the equity instruments using the Black-Scholes option pricing model. For the year ended December 31, 2023, stock-based compensation expense related to options granted to non-employees was immaterial.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment when 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 undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by

which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell.

Recently Issued or Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected, with further clarifications made more recently. The guidance establishes a new forward-looking "expected loss model" that requires entities to estimate current expected credit losses on accounts receivable and other financial instruments by using all practical and relevant information. The guidance was adopted effective January 1, 2023 and resulted in a cumulative effect adjustment of \$0.2 million to accumulated deficit.

With the exception of the new standard discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2023 that are of significance or potential significance to the Company.

NOTE 3 - BALANCE SHEET

Property and equipment, net (in thousands):	December 31, 2023
Furniture	\$ 482
Computer hardware	1,049
Leasehold improvements	1,695
Internally developed software cost	9,481
Software	23
Total property and equipment, gross	12,730
Less: accumulated depreciation and amortization	(9,219)
Total depreciable property and equipment	3,511
Construction in progress - internally developed software	649
Total	\$ 4,160

Depreciation expense, including amortization of leasehold improvements, was \$0.1 million for the year ended December 31, 2023. Amortization expense for capitalized internal use software was \$0.8 million for the year ended December 31, 2023.

Accrued and other current liabilities (in thousands):	December 31, 2023
Accrued salaries and taxes	\$ 367
Accrued royalty	10
Accrued commissions	1,102
Accrued bonuses	2,355
Accrued sales taxes payable	6,244
Other accrued expenses	897
Total accrued and other current liabilities	\$ 10,975

Leases

During the year ended December 31, 2023, the Company had operating leases related to its office facilities in California, Hungary, and Mexico under non-cancelable operating leases that expire at various dates through January 2025.

Rent expense was \$0.3 million during the year ended December 31, 2023. Operating lease costs recorded in the consolidated statements of operations and comprehensive loss for the year ending December 31, 2023 was \$0.2 million. Variable rent expense and short-term lease costs were not material for the year ended December 31, 2023.

Future minimum payments under all operating and finance lease agreements as of December 31, 2023, are as follows:

Years ending December 31,	
2024	\$ 515
2025	8
Total future minimum lease payments	523
Less: imputed interest	(4)
Present value of lease liabilities	<u>\$ 519</u>

Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows (in thousands):

	December 31, 2023	
Cash paid for operating leases	\$	1,542

For leases commenced and active, as of December 31, 2023, the weighted average remaining lease term was 0.88 years and the weighted average discount rate was 4.0%.

Commitments and Contingencies

Contractual commitments are cash that we are obligated to pay as part of certain contracts that we have entered during our course of business. Our contractual commitments consist of operating lease liabilities that are included in our consolidated balance sheet and vendor commitments associated with agreements that are legally binding. We have entered into various non-cancelable lease agreements for corporate offices as described in the section above. As of December 31, 2023 our vendor commitment was \$0.5 million, of which \$0.2 million is expected in the next twelve months.

From time to time, the Company could be subject to legal proceedings arising in the normal course of its business activities. Depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect the Company's future results of operations, cash flows or financial position. The Company records a liability for legal matters if and when such liability is probable and reasonably estimable. As of December 31, 2023, the Company did not have any material recorded liabilities related to legal matters nor did the Company have any exposure to a reasonably possible material contingency.

NOTE 4 - CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT COMMON STOCK

The Company's Certificate of Incorporation, as amended, authorizes the Company to issue 153,979 shares of \$0.0001 par value common stock. The holders of common stock are entitled to receive dividends whenever funds are legally available and when and if declared by the Board of Directors, subject to the prior rights of holders of all classes of preferred stock outstanding.

Preferred Stock

The table below provides information on the Company's preferred stock offerings (in thousands) as of December 31, 2023:

Shares Preferred Stock	Authorized	Shares Issued and Outstanding	Original Issuance Value (Less Issuance Costs)	Liquidation Value
Series A preferred stock	23,500	23,488	\$ 2,950	\$ 3,000
Series B preferred stock	16,240	16,129	17,900	18,000
Series C preferred stock	18,620	18,610	29,960	29,999
Series CRM preferred stock	11,334	11,334	9,933	9,999

Voting

Each holder of the Series A, Series B, Series C, and Series CRM preferred stock is entitled to the number of votes equal to the number of shares of common stock into which such shares of preferred stock are convertible.

Dividends

The holders of the Series A, Series B, Series C, and Series CRM preferred stock are entitled to cash dividends at a rate of 6.0% (per annum) of the original issue price for the particular series of preferred stock per share (as adjusted for stock splits, combinations, reorganizations and the like with respect to the preferred stock), per annum. The dividends are noncumulative and payable only when and as declared by the Board of Directors. No dividends have been declared as of December 31, 2023.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the holders of Series A, Series B, Series C, and Series CRM preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of common stock, an amount per share equal to the respective original issue price plus all declared but unpaid dividends, on such share of Series A, Series B, Series C, and Series CRM preferred stock.

If upon any liquidation, dissolution or winding up of the Company, the assets to be distributed among the holders of the Series A, Series B, Series C, and Series CRM preferred stock are insufficient to permit the payment to such holders of the full liquidation preference (original issue price plus all declared but unpaid dividends), then the holders of the Series A, Series B, Series C, and Series CRM preferred stock shall share ratably in any distribution of the assets available for distributing in proportion to the respective amounts that would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such share were paid in full.

Conversion

Each share of preferred stock is convertible, at the option of the holder at any time after the date of issuance of such share, into such number of fully paid and nonassessable shares of common stock, determined by dividing the original issue price of \$0.1277, \$1.116, \$1.612, and \$0.8823 for the Series A, Series B, Series C, and Series CRM preferred stock, respectively, by the conversion price for such series in effect at the time of conversion. The initial conversion prices for the Series A, Series B, and Series C preferred stock are \$0.1277, \$1.116, \$1.612, and \$0.8823, respectively.

Each share of the Series A, Series B, Series C, and Series CRM preferred stock shall automatically be converted into shares of common stock at the then effective conversion price for such share immediately upon (i) the affirmative vote of written consent of the holders of at least 70% of the then outstanding shares of the Series A, Series B, Series C, and Series CRM preferred stock, voting together as a single class and not as separate series, and on an as-if converted to common stock basis, or (ii) the Company's sale of its common stock in a public offering provided that the offering price is not less than five times the original issue price of the Series C preferred stock (as adjusted for recapitalizations, stock combinations, stock dividends, stock splits and the like) and which results in aggregate cash proceeds of not less than \$30.0 million (before underwriting discounts, commissions, and fees). Alternatively, each share of a particular series of preferred stock shall automatically be converted into shares of common stock at the then effective conversion price for such shares immediately upon the affirmative vote of written consent of the holders of at least a majority of the then outstanding shares of such series of preferred stock, voting as a separate class.

Redemption

None of the series of preferred stocks are redeemable.

NOTE 5 - STOCK-BASED COMPENSATION

The Company's 2009 and 2019 Equity Incentive Plans (the "Plans") provide for the issuance of stock options to eligible employees of the Company. Under the Plan, options to purchase common stock may be granted at no less than the fair value of the Company's common stock on the date of the grant. These awards generally have vesting terms of 1/4th of the total number of shares on the 12-month anniversary of the vesting commencement date and 1/48th of the original number of shares each month thereafter, and expire 10 years from the date of grant. Fair value is determined by the Board of Directors. The fair value estimate incorporates various subjective assumptions, including information about comparable public companies and expectations as to future cash flows and liquidity events. As of December 31, 2023, 45.3 million shares were authorized for issuance to officers, directors, employees and

consultants of the Company pursuant to the Plan, of which approximately 5.2 million shares were available for future grants under the Plan.

The following table summarizes the total stock-based compensation expense included in the consolidated statements of operations and comprehensive loss for year ended December 31, 2023 (in thousands):

	December 31, 2023	
Cost of revenue	\$	84
Product development		396
Sales and marketing		371
General and administrative		601
	\$	<u>1,452</u>

The following table summarizes the activity for stock options for the year ended December 31, 2023 (in thousands, except per share and term data):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Balance, December 31, 2022	31,139	\$ 0.47	5.9
Granted	4,327	0.50	
Exercised	(557)	0.47	
Forfeited	(1,543)	0.48	
Canceled	(3,420)	0.43	
Balance, December 31, 2023	<u>29,946</u>	<u>\$ 0.48</u>	<u>5.7</u>
Unvested as of December 31, 2023	8,343	\$ 0.49	
Exercisable at December 31, 2023	21,603	\$ 0.48	

The weighted average grant date fair value of options granted in the year ended December 31, 2023 was \$0.27 per share. The aggregate intrinsic value of vested and expected to vest stock options was \$1.5 million at December 31, 2023. The total intrinsic value of options exercised during 2023 was immaterial (aggregate difference between the estimated fair value of the Company's common stock on December 31, 2023 and the exercise price of the stock option). The total estimated fair value of options vested during 2023 was \$1.1 million.

As of December 31, 2023, the Company had approximately \$1.9 million of unrecognized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of approximately 2.3 years. The Company had no capitalized stock-based compensation expense for the year ended December 31, 2023.

NOTE 6 - INCOME TAXES

The components of the provision for income taxes for the year ended December 31, 2023 are as follows:

(in thousands)	December 31, 2023
Current:	
Federal	\$ —
State	267
Foreign	123
Total current	390
Deferred:	
Federal	—
State	—
Foreign	—
Total deferred	—
Total provision for income taxes	\$ 390

The effective income tax rate differs from the statutory rate on an estimated annual basis primarily due to a 100% valuation allowance made against all deferred tax assets including net operating loss carryforwards.

The tax effects of temporary differences and related deferred tax assets and liabilities at December 31, 2023 are as follows:

(in thousands)	December 31, 2023
Assets	
Net operating loss and research credit carryforwards	\$ 7,675
Deferred revenue	369
Stock-based compensation	566
Accruals and reserves	1,296
Capitalized research and development costs	10,227
Leasing assets	108
Other	113
Gross deferred tax assets	20,354
Valuation allowance	(19,606)
Total deferred tax assets	748
Liabilities	
Fixed and intangible assets	(748)
Total deferred tax liabilities	(748)
Net deferred tax assets	\$ —

Based on the available objective evidence, management believes it is more-likely-than-not that the net deferred tax assets will not be fully realizable as of the year ended December 31, 2023. Accordingly, the Company has maintained a full valuation allowance against its net US deferred tax assets. The valuation allowance increased by \$3.3 million during the year ended December 31, 2023.

The Tax Cuts and Jobs Act of 2017 (TCJA) made a significant change to Section 174 that went into effect for taxable years beginning after December 31, 2021. The change eliminated the ability to currently deduct research and experimental costs. Instead, these costs must be capitalized and amortized over a period of five and 15 years for costs incurred in the United States and internationally, respectively. As a result, the Company capitalized on research and development costs of approximately \$25.5 million for the year ended December 31, 2023.

On June 29, 2020 California Assembly Bill 85 (“AB 85”) was signed into law, which suspends the use of California net operating losses and limits the use of California research tax credits for tax years beginning in 2020 and before 2023. However, on February 9, 2022 California Senate Bill 113 (SB 113) was signed into law and removed the limitation on the net operating losses and credits for the 2022 year and allows, after taxable years beginning on or after January 1, 2022, the ability to utilize net operating losses and credits. These changes did not result in a significant impact on the value of the Company's deferred tax assets.

As of December 31, 2023, the Company had approximately \$22.3 million of Federal net operating loss carryforwards. The federal net operating loss carryforwards of approximately \$19.8 million generated before January 1, 2018 will begin to expire in 2033, and approximately \$2.5 million will carry forward indefinitely but are subject to the 80% taxable income limitation. The Company also had federal research and development tax credit carryforwards of approximately \$20 thousand that will expire beginning in 2030, if not utilized.

As of December 31, 2023, the Company has approximately \$17.8 million of California net operating loss carryforwards, which will begin to expire in 2031. The Company also had approximately \$28.9 million net operating loss carryforwards in multiple state jurisdictions that will begin to expire in 2023. The Company also had state research and development tax credit carryforwards of approximately \$21 thousand, which have no expiration.

Utilization of the net operating loss carryforwards and credits may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended and similar state provisions. Any annual limitation may result in the expiration of net operating losses and credits before utilization.

The following table summarizes the activity relating to the Company's unrecognized tax benefits (in thousands):

Balance as of December 31, 2022	\$	8
Gross increases/decreases related to current period tax positions		—
Gross increases/decreases related to prior period tax positions		—
Balance as of December 31, 2023	<u>\$</u>	<u>8</u>

The Company recognizes interest and/or penalties related to income tax matters as a component of income tax expense. As of December 31, 2023, there were no accrued interest and penalties related to uncertain tax positions. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next 12 months.

The Company files income tax returns in the United States, the United Kingdom, Hungary, the Philippines, Mexico, and in various state jurisdictions. The Company's federal returns for the tax years 2018 through 2023 remain open to examination by the tax authorities. In addition, the years prior to 2018 remain open to the extent of the utilization of net operating losses. Generally, the tax years 2016 through 2023 remain open to examination by major state taxing jurisdictions. The Company's 2022 and 2023 tax years will remain open for examination by the United Kingdom tax authority for one year from the filing deadline. The Company's 2020 through 2023 tax years will remain open for examination by the Hungary tax authority for five years from the end of the year in which the return should be filed. The Company's Hong Kong returns for the tax years 2015 through 2022 remain open to examination by Hong Kong tax authorities. The Company's Philippines returns for the tax years 2019 through 2023 remain open to examination by Philippines tax authorities.

NOTE 7 - CREDIT FACILITY

In December 2015, the Company entered into a loan and security agreement (the “credit facility”) with a lender for a revolving credit arrangement in an amount up to \$9.0 million, subject to borrowing base availability and other terms and conditions, for working capital and other general corporate purposes. Amounts borrowed under the credit facility bore interest at a floating rate per annum equal to the lender's prime rate plus 1.0%. The amounts borrowed are collateralized by certain properties, rights, and assets of the Company. The credit facility contains customary affirmative and negative covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in other certain transactions, subject to certain exclusions. Subject to certain conditions stated in the credit agreement, the lender may also accelerate maturity of the loan upon the occurrence of an event of default. In April 2017, the Company signed a first amendment to the credit facility to increase the facility amount up to \$20.0 million and extend the expiration date from June 23, 2017 to March 1, 2019. In February 2019, the Company signed a second amendment to the credit facility to extend the expiration date to May 30, 2019. In May 2019, a third amendment was signed to extend

the expiration to July 29, 2019. In July 2019, a fourth amendment to the credit facility was signed extending the maturity date to January 29, 2021. In January 2021, a fifth amendment was signed to extend the expiration date to March 30, 2021. In March 2021, a sixth amendment was signed to extend the expiration to April 29, 2021. On May 26, 2021, a seventh amendment was signed extending the maturity date to January 31, 2023. On January 23, 2023, an eighth amendment was signed extending the maturity date to March 2, 2023. On March 1, 2023 a ninth amendment was signed extending the maturity date to April 16, 2023. No further amendment was signed to extend the maturity date beyond April 16, 2023. The Company accordingly repaid the outstanding balance of \$2.5 million in March 2023.

Pursuant to the seventh amendment to the credit facility, amounts borrowed bear interest equal to the greater of 4.0% or the lender's prime rate plus 0.75%. No borrowings under this credit facility were outstanding as of December 31, 2023.

Upon the first amendment of the credit facility, the Company granted warrants to the lender to purchase 121,622 shares of the Company's common stock at an exercise price of \$0.74 per share. Upon the fourth amendment, these warrants were amended to carry a put right, where the lender coincident with a liquidity event or warrant termination, can elect to sell the warrant back to the Company for an aggregate purchase price of \$200,000. The amendment to the warrants increased its carrying value to \$0.1 million. The warrants expire on April 17, 2027 and were outstanding as of December 31, 2023.

No debt issuance costs were outstanding as of December 31, 2023. Interest expense in connection with the credit facility was immaterial for the year ended December 31, 2023.

In January 2024, the Company entered into a loan and security agreement (the "credit facility") with a lender for a revolving credit arrangement in an amount up to \$20.0 million, subject to borrowing base availability and other terms and conditions, for working capital and other general corporate purposes. Refer to Note 9 subsequent events for details.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement savings plan covering substantially all of the Company's full-time employees who meet minimum age and service requirements. Under the provisions of the plan, participants may contribute a portion of their compensation on a pretax basis, subject to certain limitations. The Company may make discretionary contributions to the 401(k) retirement savings plan. The Company did not make any contributions to the 401(k) plan during the fiscal year ended December 31, 2023.

NOTE 9 - SUBSEQUENT EVENTS

In January 2024, the Company entered into a loan and security agreement (the "credit facility") with a lender for a revolving credit arrangement in an amount up to \$20.0 million, subject to borrowing base availability and other terms and conditions, for working capital and other general corporate purposes. Amounts borrowed under the credit facility bore interest at a floating rate per annum equal to the greater of 9.25% and the lender's prime rate plus 1.0%. The amounts borrowed are collateralized by certain properties, rights, and assets of the Company. The credit facility contains customary affirmative and negative covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in other certain transactions, subject to certain exclusions. Subject to certain conditions stated in the credit agreement, the lender may also accelerate maturity of the loan upon the occurrence of an event of default. The credit facility requires a minimum advance on the loan of \$3.0 million. Total borrowings under this credit facility were \$3.0 million as of July 29, 2024.

On June 10, 2024 the Company entered into a definitive agreement with Yext, Inc. to be acquired for \$125 million and up to an additional \$75 million if certain performance targets are achieved and up to \$20 million for incentive payments related to specific performance and retention bonuses for certain individuals. Pending closing conditions and regulatory approvals, the acquisition is expected to be finalized in 2024. As of July 29, 2024, the acquisition has not yet been finalized.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through July 29, 2024, the date the consolidated financial statements were available to be issued, and determined that no additional items required disclosure.

NOTE 10 - SUBSEQUENT EVENTS IN CONNECTION WITH REISSUANCE (UNAUDITED)

The Company is reissuing its 2023 financial statements in order to remove the comparative presentation of 2022 financial statements as only one year of the Company's audited financial statements was required under SEC Rule 3-05. In connection with the reissuance of these financial statements, the company has considered whether there are other subsequent events that have occurred since July 29, 2024 and through October 17, 2024 that require recognition or disclosure in the 2023 financial statements and have identified the following events.

Pursuant to the definitive agreement entered into on June 10, 2024 where the Company was to be acquired, the Company became a wholly owned subsidiary of Yext upon closing of the transaction on August 1, 2024. The Company was acquired for approximately \$125 million in cash, as adjusted for customary adjustments set forth in the merger agreement, and the assumption of the Company's employee equity awards. The Company was also offered participation rights for key employees and former founders in a bonus pool of \$20 million that can be settled in cash or Yext's common stock and shall be subject to 100% vesting on the first anniversary of closing, generally subject to continued employment. In addition, subject to the terms of the Merger Agreement, Yext may also be required to pay additional contingent consideration of up to \$75 million to the Company based on the achievement of certain milestones (the "Earnout Consideration"). The Earnout Consideration shall be payable based on the achievement of certain annual recurring revenue targets. The targets shall be measured at the end of the first and second anniversaries of closing. The Earnout Consideration may be settled in cash or Yext's common stock at Yext's election. In addition, in connection with the acquisition of the Company, the credit facility advance of \$3.0 million which was outstanding at December 31, 2023 was repaid on August 1, 2024, with funds settling on August 2, 2024, at which point the credit facility was terminated.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 17, 2024, the date the consolidated financial statements were available to be issued, and determined that no additional items required disclosure.

Condensed Consolidated Financial Statements
Hearsay Social, Inc. and Subsidiaries

For the three months ended March 31, 2024

Contents	Page	
Interim Financial Statements		1
Condensed Consolidated Balance Sheet		1
Condensed Consolidated Statements of Operations and Comprehensive Loss		2
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit		3
Condensed Consolidated Statements of Cash Flows		4
Notes to Condensed Consolidated Financial Statements		5

Interim Financial Statements

Hearsay Social, Inc.
Condensed Consolidated Balance Sheet
(In thousands, except per share data)
(Unaudited)

	As of March 31, 2024	
Assets		
Current assets:		
Cash and cash equivalents	\$	19,014
Accounts receivable, net of allowances		4,915
Prepaid expenses and other current assets		2,760
Deferred commissions		918
Total current assets		27,607
Property and equipment, net		4,317
Operating lease right-of-use assets		80
Deferred commissions, noncurrent		1,593
Other long term assets		223
Total assets	\$	33,820
Liabilities, convertible preferred stock, and stockholders' deficit		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$	9,650
Deferred revenue, current		28,817
Lease liability, current		496
Line of credit		3,000
Total current liabilities		41,963
Other non-current liability		110
Deferred revenue, net of current portion		1,266
Total liabilities		43,339
Convertible preferred stock		
Series A convertible preferred stock, par value \$0.0001 – 23,500 shares authorized; 23,488 shares issued and outstanding at March 31, 2024 (liquidation preference \$3,000)		2,950
Series B convertible preferred stock, par value \$0.0001 – 16,240 shares authorized; 16,129 shares issued and outstanding at March 31, 2024 (liquidation preference \$18,000)		17,900
Series C convertible preferred stock, par value \$0.0001 – 18,620 shares authorized; 18,610 shares issued and outstanding at March 31, 2024 (liquidation preference \$29,999)		29,960
Series CRM convertible preferred stock, par value \$0.0001 – 11,334 shares authorized; 11,334 shares issued and outstanding at March 31, 2024 (liquidation preference \$9,999)		9,933
Total convertible preferred stock liabilities		60,743
Stockholders' deficit:		
Common stock, \$0.0001 par value per share;		1
Additional paid-in capital		19,905
Accumulated deficit		(90,168)
Total stockholders' deficit		(70,262)
Total liabilities, convertible preferred stock, and stockholders' deficit	\$	33,820

See the accompanying notes to the condensed consolidated financial statements.

Hearsay Social, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands)
(Unaudited)

		Three months ended March 31, 2024
Revenue	\$	15,251
Cost of revenue		3,877
Gross profit		11,374
Operating expenses:		
Product development		5,384
Sales and marketing		4,542
General and administrative		2,647
Total operating expenses		12,573
Operating loss		(1,199)
Other income (expense), net		69
Loss before provision for income taxes		(1,130)
Provision for income taxes		61
Net loss	\$	(1,191)
Comprehensive loss	\$	(1,191)

See the accompanying notes to the condensed consolidated financial statements.

Hearsay Social, Inc.
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Deficit
(In thousands)
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Stockholders' Deficit
Balance, December 31, 2023	69,561	\$ 60,743	39,490	\$ 1	\$ 19,566	\$ (88,977)	\$ (69,410)
Exercise of stock options	—	—	16	—	8	—	8
Stock-based compensation	—	—	—	—	331	—	331
Net loss	—	—	—	—	—	(1,191)	(1,191)
Balance, March 31, 2024	69,561	\$ 60,743	39,506	\$ 1	\$ 19,905	\$ (90,168)	\$ (70,262)

See the accompanying notes to the condensed consolidated financial statements.

Hearsay Social, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

		Three months ended March 31, 2024
Operating activities:		
Net loss	\$	(1,191)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of deferred commissions		276
Depreciation and amortization		403
Stock-based compensation		331
Amortization of debt issuance costs		15
Changes in operating assets and liabilities:		
Accounts receivable		13,826
Deferred contract acquisition costs		(82)
Prepaid assets, other current assets and other assets		(193)
Accounts payable, accrued expenses and other current liabilities		(1,392)
Deferred revenue		(7,774)
Net cash provided by operating activities		4,219
Investing activities:		
Capitalized internally developed software		(510)
Purchases of property and equipment		(62)
Net cash used in investing activities		(572)
Financing activities:		
Proceeds from exercise of stock options and stock warrants		8
Debt borrowings		3,000
Net cash provided by financing activities		3,008
Net increase in cash, cash equivalents and restricted cash		6,655
Cash, cash equivalents and restricted cash:		
Beginning of year		12,655
End of year	\$	19,310
Cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	\$	19,014
Restricted cash		296
Total cash, cash equivalents and restricted cash at end of period	\$	19,310

See the accompanying notes to the condensed consolidated financial statements.

Hearsay Social, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2024

NOTE 1 - THE COMPANY

Hearsay Social, Inc. (“Company”) was incorporated in August 2009 in the state of Delaware under the name of Hearsay Labs, Inc. and was renamed Hearsay Social, Inc. in March 2012. The Company develops and sells an enterprise class “software as a service” application that empowers global sales forces to efficiently and successfully use social media, text messaging, voice calling, and websites to attract prospective customers, to retain customers, and to grow businesses. Its employees are located in Canada, Hungary, Philippines, Spain, United Kingdom, France, Mexico, and several states in the United States. As of March 31, 2024 the Company has wholly owned subsidiaries in the United Kingdom, Hungary, Philippines, and Mexico.

Liquidity and Capital Resources

As of March 31, 2024, the Company had incurred net losses and has an accumulated deficit of \$90.2 million. Management believes that existing sources of liquidity will satisfy the Company’s working capital requirements for at least 12 months from the balance sheet date of March 31, 2024 and one year from the date the condensed consolidated financial statements are issued. There can be no assurance, however, that the Company will be successful in executing its business plan, increasing its existing customer base, or maintaining profitability. Failure to generate sufficient revenues, achieve planned gross margins, control operating costs or raise sufficient additional funds may require the Company to modify, delay or abandon some of its planned future expansion or expenditures, which could have a material adverse effect on the Company’s business, operating results, financial condition and ability to achieve its intended business objectives. See Note 9 “Subsequent Events”.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Any intercompany accounts and transactions have been eliminated in consolidation.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the US dollar. Accordingly, the consolidation of the financial statements does not require the recording of translation adjustments. Foreign exchange gains or losses associated with foreign currency transactions are included in the results of operations and amounted to less than \$0.1 million for the three months ended March 31, 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and reported amounts of revenues and expenses during the reporting periods covered by the condensed consolidated financial statements and accompanying notes. In particular, the Company makes estimates with respect to the standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations, the period of benefit for deferred commissions, expected credit losses, useful lives of long-lived assets, including property, plant and equipment and internal use software, the capitalization of internal-use software development costs, stock-based compensation, income taxes and contingencies. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of certain of the Company’s financial instruments, which include accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities. The fair value of the Company’s line of credit is determined to be not materially different from the carrying amount.

Fair Value Measurements

The Company records its common stock warrant liability at fair value. The Company determines fair value based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as

determined by either the principal market or the most advantageous market, at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as 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.

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. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The Company recognizes transfers among Level 1, Level 2, and Level 3 classifications as of the actual date of the events or changes in circumstances that caused the transfers. There were no transfers during the three months ended March 31, 2024. The following summarizes assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

(in thousands)	<u>March 31, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents - Money market funds	\$ 7,768	\$ —	\$ —	\$ 7,768
Other non-current liabilities - common stock warrant liability	—	—	110	110
Total	\$ 7,768	\$ —	\$ 110	\$ 7,878

As of March 31, 2024, certain of the Company's cash equivalents were held in money market funds. The Company's investments in money market funds are classified within Level 1 of the fair value hierarchy as they are valued using quoted market prices in active markets.

As of March 31, 2024, there were no changes in the fair value warrant assumptions or methodology.

Restricted Cash

Restricted cash consists of deposits held for the Company's San Francisco lease in a collateral account. The cash balance was approximately \$0.3 million as of March 31, 2024 and is reflected within prepaid expenses and other current assets on the condensed consolidated balances sheet.

Capitalized Internal Use Software Development Costs

For development costs related to internal use software projects, such as those used in the Company's services and network, the Company capitalized \$0.5 million incurred during the application development stage for the three months ended March 31, 2024. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Amortization of the costs of software developed for internal use begins when the assets are placed in productive use and are generally amortized over a period of two to five years.

Deferred Commissions

The Company deferred sales commissions costs of \$0.1 million and amortized \$0.3 million of deferred commissions during the three months ended March 31, 2024.

Deferred Revenue

The Company recognized \$14.3 million of revenue in 2024 associated with its deferred revenue balance as of December 31, 2023.

Allowance for Credit Losses

The allowance for credit losses reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio determined by a forward-looking current expected credit loss model. The Company performs a regular review of its

customers' payment histories and associated credit risks and it generally does not require collateral from its customers. As of March 31, 2024, there were no significant changes to the allowance for credit losses.

Concentrations of Credit Risk

The majority of the Company's customers are located in North America. The Company sells its products and services under customary credit terms. Two customers represented 22% of the Company's revenues during the three months ended March 31, 2024. As of March 31, 2024, four customers accounted for 46% of the Company's accounts receivable.

Recently Issued or Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments are effective for annual periods beginning after December 15, 2024, with early adoption permitted, and should be applied either prospectively or retrospectively. The Company is currently evaluating the impact of ASU 2023-09.

With the exception of the new standards discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2024 that are of significance or potential significance to the Company.

NOTE 3 - BALANCE SHEET

Property and equipment, net (in thousands):	March 31, 2024	
Furniture	\$	485
Computer hardware		1,097
Leasehold improvements		1,695
Internally developed software cost		10,130
Software		23
Total property and equipment, gross		13,430
Less: accumulated depreciation and amortization		(9,623)
Total depreciable property and equipment		3,807
Construction in progress - internally developed software		510
Total	\$	4,317

Depreciation expense, including amortization of leasehold improvements, was less than \$0.1 million for the three months ended March 31, 2024. Amortization expense for capitalized internal use software was \$0.4 million for the three months ended March 31, 2024.

Accounts payable, accrued expenses and other current liabilities (in thousands):	March 31, 2024	
Accounts payable	\$	172
Accrued salaries and taxes		788
Accrued royalty		676
Accrued commissions		179
Accrued bonuses		822
Accrued sales taxes payable		5,973
Other accrued expenses		1,040
Total accounts payable, accrued expenses and other current liabilities	\$	9,650

Commitments and Contingencies

Contractual commitments are cash that the Company is obligated to pay as part of certain contracts that have been entered into during the course of business. The Company's contractual commitments consist of operating lease liabilities that are included in its condensed consolidated balance sheet and vendor commitments associated with agreements that are legally binding. The Company has entered into various non-cancelable lease agreements for corporate offices and as of March 31, 2024, substantially all remaining commitments of \$0.5 million are expected in the next twelve months. As of March 31, 2024 the Company's vendor commitment was \$0.4 million, of which \$0.2 million is expected in the next twelve months.

From time to time, the Company could be subject to legal proceedings arising in the normal course of its business activities. Depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect the Company's future results of operations, cash flows or financial position. The Company records a liability for legal matters if and when such liability is probable and reasonably estimable. As of March 31, 2024, the Company did not have any material recorded liabilities related to legal matters nor did the Company have any exposure to a reasonably possible material contingency.

NOTE 4 - CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT COMMON STOCK

The Company's Certificate of Incorporation, as amended, authorizes the Company to issue 153,979 shares of \$0.0001 par value common stock. The holders of common stock are entitled to receive dividends whenever funds are legally available and when and if declared by the Board of Directors, subject to the prior rights of holders of all classes of preferred stock outstanding.

Preferred Stock

The table below provides information on the Company's preferred stock offerings (in thousands) as of March 31, 2024:

Shares Preferred Stock	Authorized	Shares Issued and Outstanding	Original Issuance Value (Less Issuance Costs)	Liquidation Value
Series A preferred stock	23,500	23,488	\$ 2,950	\$ 3,000
Series B preferred stock	16,240	16,129	17,900	18,000
Series C preferred stock	18,620	18,610	29,960	29,999
Series CRM preferred stock	11,334	11,334	9,933	9,999

As of March 31, 2024, there have been no significant changes to preferred stock.

NOTE 5 - INCOME TAXES

The Company uses the asset and liability method to account for income taxes in accordance with the authoritative guidance for income taxes. Under this method, deferred tax assets and liabilities are determined based on future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

In accordance with the applicable authoritative guidance, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

NOTE 6 REVENUE

The Company's revenue is predominately related to subscriptions and associated support to the Company's platform, and professional services to a lesser extent. Professional services revenue accounted for approximately 4% of the Company's total revenue for the three months ended March 31, 2024.

NOTE 7 - CREDIT FACILITY

In December 2015, the Company entered into a loan and security agreement (the "credit facility") with a lender for a revolving credit arrangement in an amount up to \$9.0 million, subject to borrowing base availability and other terms and conditions, for working capital and other general corporate purposes. Amounts borrowed under the credit facility bore interest at a floating rate per annum equal to the lender's prime rate plus 1.0%. The amounts borrowed are collateralized by certain properties, rights, and assets of the Company. The credit facility contains customary affirmative and negative covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in other certain transactions, subject to certain exclusions. Subject to certain conditions stated in the credit agreement, the lender may also accelerate maturity of the loan upon the occurrence of an event of default. In April 2017, the Company signed a first amendment to the credit facility to increase the facility amount up to \$20.0 million and extend the expiration date from June 23, 2017 to March 1, 2019. In February 2019, the Company signed a second amendment to the credit facility to extend the expiration date to May 30, 2019. In May 2019, a third amendment was signed to extend the expiration to July 29, 2019. In July 2019, a fourth amendment to the credit facility was signed extending the maturity date to January 29, 2021. In January 2021, a fifth amendment was signed to extend the expiration date to March 30, 2021. In March 2021, a

sixth amendment was signed to extend the expiration to April 29, 2021. On May 26, 2021, a seventh amendment was signed extending the maturity date to January 31, 2023. On January 23, 2023, an eighth amendment was signed extending the maturity date to March 2, 2023. On March 1, 2023 a ninth amendment was signed extending the maturity date to April 16, 2023. No further amendment was signed to extend the maturity date beyond April 16, 2023. The Company accordingly repaid the outstanding balance of \$2.5 million in March 2023.

Upon the first amendment of the credit facility, the Company granted warrants to the lender to purchase 121,622 shares of the Company's common stock at an exercise price of \$0.74 per share. Upon the fourth amendment, these warrants were amended to carry a put right, where the lender coincident with a liquidity event or warrant termination, can elect to sell the warrant back to the Company for an aggregate purchase price of \$200,000. The amendment to the warrants increased its carrying value to \$0.1 million. The warrants expire on April 17, 2027 and were outstanding as of March 31, 2024.

In January 2024, the Company entered into a loan and security agreement (the "credit facility") with a lender for a revolving credit arrangement in an amount up to \$20.0 million, subject to borrowing base availability and other terms and conditions, for working capital and other general corporate purposes. Amounts borrowed under the credit facility bore interest at a floating rate per annum equal to the greater of 9.25% and the lender's prime rate plus 1.0%. The amounts borrowed are collateralized by certain properties, rights, and assets of the Company. The credit facility contains customary affirmative and negative covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in other certain transactions, subject to certain exclusions. Subject to certain conditions stated in the credit agreement, the lender may also accelerate maturity of the loan upon the occurrence of an event of default. The credit facility requires a minimum advance on the loan of \$3.0 million. As of March 31, 2024, issuance costs and interest expense were not significant. Total borrowings under this credit facility were \$3.0 million as of March 31, 2024, which were subsequently repaid in connection with the acquisition of the Company by Yext, Inc. on August 1, 2024. See Note 9 "Subsequent Events" for details.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement savings plan covering substantially all of the Company's full-time employees who meet minimum age and service requirements. Under the provisions of the plan, participants may contribute a portion of their compensation on a pretax basis, subject to certain limitations. The Company may make discretionary contributions to the 401(k) retirement savings plan. The Company did not make any contributions to the 401(k) plan during the three months ended March 31, 2024.

NOTE 9 - SUBSEQUENT EVENTS

On June 10, 2024 the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Yext, Inc. ("Yext") to be acquired. Pursuant to the Merger Agreement, the Company became a wholly owned subsidiary of Yext upon closing of the transaction on August 1, 2024. The Company was acquired for approximately \$125 million in cash, as adjusted for customary adjustments set forth in the Merger Agreement, and the assumption of the Company's employee equity awards. The Company was also offered participation rights for key employees and former founders in a bonus pool of \$20 million that can be settled in cash or Yext's common stock and shall be subject to 100% vesting on the first anniversary of closing, generally subject to continued employment. In addition, subject to the terms of the Merger Agreement, Yext may also be required to pay additional contingent consideration of up to \$75 million to the Company based on the achievement of certain milestones (the "Earnout Consideration"). The Earnout Consideration shall be payable based on the achievement of certain annual recurring revenue targets. The targets shall be measured at the end of the first and second anniversaries of closing. The Earnout Consideration may be settled in cash or Yext's common stock at Yext's election.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 17, 2024, and determined that no additional items required disclosure.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On August 1, 2024, Yext, Inc. (“Yext”, or the “Company”) completed its acquisition (the “Acquisition”) of Hearsay Social, Inc. (“Hearsay”). The unaudited pro forma condensed combined financial information presented below is derived from the historical consolidated financial statements of Yext and the historical consolidated financial statements of Hearsay adjusted, to give effect to the Acquisition.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X using the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information has been adjusted to include adjustments, which reflect the application of the accounting required by generally accepted accounting principles in the United States (“GAAP”), and rules of the Securities and Exchange Commission (the “SEC”), and linking the effects of the Acquisition to the historical combined financial statements (“Transaction Adjustments”).

The unaudited pro forma condensed combined balance sheet as of April 30, 2024, gives pro forma effect to the Acquisition as if it had been completed on April 30, 2024. The unaudited pro forma condensed combined statements of operations for the three months ended April 30, 2024 and for the year ended January 31, 2024 give pro forma effect to the Acquisition as if it had been completed on February 1, 2023. The Company’s fiscal year ends on January 31, while Hearsay’s fiscal year ends on December 31. While a one month difference in fiscal year ends exists, no adjustment for this difference was made in the unaudited pro forma condensed combined balance sheet or unaudited pro forma condensed combined statements of operations. Accordingly, the unaudited pro forma condensed combined balance sheet includes Hearsay’s financial information as of March 31, 2024 and the unaudited pro forma condensed combined statements of operations include the three months ended March 31, 2024 and the year ended December 31, 2023.

The unaudited pro forma condensed combined financial information is for illustrative and informational purposes only and is not necessarily indicative of the operating results that would have occurred if the Acquisition had been completed as of the dates indicated in each pro forma presentation, nor is it indicative of the future combined results of operations or financial position of the Company. Further, Transaction Adjustments represent management’s best estimates based on information available as of the date of this filing and are subject to change as additional information becomes available.

The pro forma adjustments reflecting the completion of the Acquisition in this unaudited pro forma condensed combined financial information have been prepared using the acquisition method of accounting under Accounting Standards Codification Topic 805, *Business Combinations*. The unaudited pro forma condensed combined financial information is based on the assumptions and adjustments that are described in the accompanying notes. The application of the acquisition method of accounting is dependent upon certain valuations and other studies that have yet to be completed. Accordingly, the acquisition adjustments included in the pro forma information are preliminary, subject to further revision as additional information becomes available and additional analyses are performed and have been made solely for the purpose of providing unaudited pro forma combined financial information. There can be no assurances that the final valuations will not result in material changes to the preliminary estimated purchase price allocation. The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the Acquisition or any integration costs. The actual results reported in periods following the Acquisition may differ significantly from those reflected in this pro forma financial information presented herein for a number of reasons, including, but not limited to, differences between the assumptions used to prepare this pro forma financial information and actual results.

The assumptions and estimates underlying the unaudited adjustments to the pro forma combined financial statements are described in the accompanying notes, which should be read together with the unaudited pro forma condensed combined financial statements.

The following unaudited pro forma condensed combined financial information and accompanying notes are based on and should be read in conjunction with (i) Yext’s Annual Report on Form 10-K for the year ended January 31, 2024, (ii) Yext’s Quarterly Report on Form 10-Q for the three months ended April 30, 2024, (iii) the historical audited consolidated financial statements of Hearsay as of and for the year ended December 31, 2023, which are

included in Exhibit 99.1 to this Current Report on Form 8-K/A., and (iv) the historical unaudited condensed consolidated financial statements of Hearsay for the three months ended March 31, 2024, which are included in Exhibit 99.2 to this Current Report on Form 8-K/A.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF APRIL 30, 2024
(In thousands)

	Yext, Inc. (Historical)	Hearsay Social, Inc. (Historical)	Transaction Adjustments (Note 4)		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	\$ 246,114	\$ 19,014	\$ (125,765)	a	\$ 139,363
Accounts receivable, net	53,552	4,915	704	b	59,171
Prepaid expenses and other current assets	15,462	2,760	22,871	c	41,093
Costs to obtain revenue contracts, current	24,446	918	(918)	d	24,446
Total current assets	339,574	27,607	(103,108)		264,073
Property and equipment, net	46,203	4,317	(3,919)	e	46,601
Operating lease right-of-use assets	73,896	80	334	f	74,310
Costs to obtain revenue contracts, non-current	14,534	1,593	(1,593)	d	14,534
Goodwill	4,450	—	78,502	g	82,952
Intangible assets, net	162	—	135,400	g	135,562
Other long term assets	2,911	223	(131)	h	3,003
Total assets	\$ 481,730	\$ 33,820	\$ 105,485		\$ 621,035
Liabilities, convertible preferred stock and stockholders' equity/(deficit)					
Current liabilities:					
Accounts payable, accrued expenses and other current liabilities	\$ 33,080	\$ 9,650	\$ 26,656	i	\$ 69,386
Unearned revenue, current	185,220	28,817	7,306	j	221,343
Short term debt	—	3,000	(3,000)	h	—
Operating lease liabilities, current	17,215	496	(422)	f	17,289
Total current liabilities	235,515	41,963	30,540		308,018
Operating lease liabilities, non-current	86,305	—	340	f	86,645
Unearned revenue, non-current	—	1,266	(1,266)	j	—
Other long term liabilities	4,236	110	60,805	k	65,151
Total liabilities	326,056	43,339	90,419		459,814
Convertible preferred stock	—	60,743	(60,743)	l	—
Stockholders' equity/(deficit):					
Preferred stock	—	—	—		—
Common stock	149	1	—	l	150
Additional paid-in capital	955,363	19,905	(12,255)	l	963,013
Accumulated other comprehensive loss	(4,608)	—	—		(4,608)
Accumulated deficit	(682,989)	(90,168)	88,064	l	(685,093)
Treasury stock, at cost	(112,241)	—	—		(112,241)
Total stockholders' equity/(deficit)	155,674	(70,262)	75,809		161,221
Total liabilities, convertible preferred stock and stockholders' equity/(deficit)	\$ 481,730	\$ 33,820	\$ 105,485		\$ 621,035

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
THREE MONTHS ENDED APRIL 30, 2024
(In thousands, except share and per share data)

	Yext, Inc. (Historical)	Hearsay, Social, Inc. (Historical)	Transaction Adjustments (Note 5)		Pro Forma Combined
Revenue	\$ 95,990	\$ 15,251	\$ —		\$ 111,241
Cost of revenue	21,546	3,877	1,208	i	26,631
Gross profit	74,444	11,374	(1,208)		84,610
Operating expenses:					
Sales and marketing	43,254	4,542	2,443	i	50,239
Research and development	17,059	5,384	87	i	22,530
General and administrative	19,557	2,647	(112)	i	22,092
Total operating expenses	79,870	12,573	2,418		94,861
Loss from operations	(5,426)	(1,199)	(3,626)		(10,251)
Interest income	2,360	—	177	ii	2,537
Interest expense	(392)	—	—	ii	(392)
Other (expense) income, net	(138)	69	(137)	ii	(206)
Loss from operations before income taxes	(3,596)	(1,130)	(3,586)		(8,312)
Benefit from (provision for) income taxes	(221)	(61)	1,117	iii	835
Net loss	<u>\$ (3,817)</u>	<u>\$ (1,191)</u>	<u>\$ (2,469)</u>		<u>\$ (7,477)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.03)</u>				<u>\$ (0.06)</u>
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>125,387,162</u>		1,020,474	iv	<u>126,407,636</u>

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED JANUARY 31, 2024
(In thousands, except share and per share data)

	Yext, Inc. (Historical)	Hearsay, Social, Inc. (Historical)	Transaction Adjustments (Note 5)		Pro Forma Combined
Revenue	\$ 404,322	\$ 60,471	\$ —		\$ 464,793
Cost of revenue	87,468	15,537	5,898	i	108,903
Gross profit	<u>316,854</u>	<u>44,934</u>	<u>(5,898)</u>		<u>355,890</u>
Operating expenses:					
Sales and marketing	178,830	20,021	18,666	i	217,517
Research and development	72,040	23,828	5,200	i	101,068
General and administrative	72,185	10,969	12,492	i	95,646
Total operating expenses	<u>323,055</u>	<u>54,818</u>	<u>36,358</u>		<u>414,231</u>
Loss from operations	(6,201)	(9,884)	(42,256)		(58,341)
Interest income	7,094	—	427	ii	7,521
Interest expense	(470)	—	(43)	ii	(513)
Other (expense) income, net	(761)	84	(384)	ii	(1,061)
Loss from operations before income taxes	(338)	(9,800)	(42,256)		(52,394)
Benefit from (provision for) income taxes	(2,292)	(390)	9,330	iii	6,648
Net loss	<u>\$ (2,630)</u>	<u>\$ (10,190)</u>	<u>\$ (32,926)</u>		<u>\$ (45,746)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.02)</u>				<u>\$ (0.37)</u>
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>124,056,949</u>		1,004,150	iv	<u>125,061,099</u>

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

Notes To Unaudited Pro Forma Condensed Combined Financial Information

Note 1. Basis of Presentation and Description of the Acquisition

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X and presents the pro forma financial condition and results of operations based upon the historical financial information after giving effect to the Acquisition and related adjustments set forth in the notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet as of April 30, 2024, gives pro forma effect to the Acquisition as if it had been completed on April 30, 2024. The unaudited pro forma condensed combined statements of operations for the three months ended April 30, 2024, and for the year ended January 31, 2024 give pro forma effect to the Acquisition as if it had been completed on February 1, 2023. The historical financial statements of Yext and Hearsay have been adjusted to give pro forma effect to events that are directly attributable to the Acquisition, and where management believes there is a reasonable and supportable basis for the adjustment.

Description of the Acquisition

On June 10, 2024, Yext entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Hearsay. The Acquisition was completed on August 1, 2024 (the “Closing Date” or “Effective Time”) for total consideration of \$187.9 million.

The Acquisition was accounted for under the acquisition method in accordance with Accounting Standards Codification 805, Business Combinations (“ASC 805”). In accordance with ASC 805, the assets acquired, and liabilities assumed have been measured at fair value based on various estimates and methodologies, including the income and market approaches. The excess of the fair value of purchase consideration over the values of the identifiable assets and liabilities is recorded as goodwill. Under the acquisition method, acquisition-related transaction costs (e.g., advisory, legal, valuation and other professional fees) are not included as consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. In accordance with ASC 805, the Company will recognize the fair value of contingent consideration as of the acquisition date as part of the consideration transferred in exchange for an acquired business. The Company has not yet finalized a valuation analysis of the fair market value of the contingent consideration and the preliminary fair market value was used in the calculation of the preliminary purchase consideration for the Acquisition. The final fair market value of the contingent consideration could differ materially from the preliminary fair market value used to prepare the preliminary purchase consideration.

When determining the fair value of assets acquired, liabilities assumed and contingent consideration, the Company makes significant estimates and assumptions, especially with respect to fair value of intangible assets and contingent consideration. These estimates are based on key assumptions related to the Acquisition, including reviews of publicly disclosed information for other acquisitions in the industry, historical experience of the Company, data that was available through the public domain and unobservable inputs, such as historical financial information of the acquiree business.

The Company has not yet finalized a valuation analysis of the fair market value of Hearsay’s assets to be acquired and liabilities to be assumed, including identifiable intangible assets. Using the estimated total consideration for the Acquisition, the Company has estimated the allocations to such assets and liabilities. This preliminary purchase price allocation has been used to prepare the Transaction Adjustments in the unaudited pro forma condensed combined balance sheet. The final purchase price allocation will be determined when Yext has determined the final consideration and completed the detailed valuations and necessary calculations. The final purchase price allocation could differ materially from the preliminary purchase price allocation used to prepare the Transaction Adjustments. The final purchase price allocation may include (i) changes in allocations to intangible assets or goodwill based on the results of certain valuations that have yet to be finalized, (ii) other changes to assets and liabilities, and (iii) assessment of tax positions and tax rates.

For purposes of measuring the estimated fair value of the tangible and intangible assets acquired and the liabilities assumed, the Company has applied the guidance in Accounting Standards Codification 820, Fair Value Measurements

(“ASC 820”), which establishes a framework for measuring fair value. ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Note 2. Significant accounting policies

The accounting policies used in the preparation of this unaudited pro forma condensed combined financial information are those set out in the Company’s audited consolidated financial statements as of and for the year ended January 31, 2024. Management has determined that certain adjustments, including those described in Note 4 and 5, are necessary to conform Hearsay’s historical financial statements to the Company’s accounting policies in the preparation of the unaudited pro forma condensed combined financial information. The adjustment amounts are subject to change as further assessment is performed and finalized for purchase accounting. These reclassifications and adjustments have no effect on the Company’s previously reported total assets, liabilities or equity, or results of operation.

As part of the application of ASC 805, Yext will continue conducting a detailed review of Hearsay’s accounting policies to determine if differences in accounting policies require further reclassification or adjustment of Hearsay’s results of operations, assets or liabilities to conform to the Company’s accounting policies and classifications. Therefore, the Company may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial information.

Note 3. Preliminary purchase price allocation

Preliminary purchase consideration

The preliminary purchase consideration was comprised of the following (in thousands):

Consideration and liabilities incurred	\$	134,841
Contingent consideration		45,200
Other equity - exchange of stock awards		7,825
Preliminary purchase consideration	\$	<u>187,866</u>

The total preliminary purchase consideration included \$133.1 million paid in cash at closing, which included escrow payments of \$17.2 million for indemnity holdback and final cash and net working capital adjustments. The Company is also required to make additional payments of \$1.7 million which has been included in the preliminary purchase consideration. This amount relates primarily to post-closing period adjustments determined in accordance with the Merger Agreement.

In addition, the fair value of contingent consideration of up to \$75.0 million was included in the purchase consideration. The final earnout consideration to be paid is dependent on the achievement of certain annual recurring revenue targets over the course of two years beginning in September 2024. The Company preliminarily estimated the fair value of the contingent consideration to be \$45.2 million as of the date of the Acquisition using a Monte-Carlo simulation methodology. The fair value of contingent consideration excludes amounts attributable to employees of Hearsay that are subjected to future service to the Company, as these amounts will be recognized as compensation expense in the post-acquisition period.

As part of the Acquisition, Yext also replaced the stock options of Hearsay with restricted stock units (“RSUs”) to receive shares of Yext’s common stock. These RSUs are subjected to the same terms and conditions of the original Hearsay options. Accordingly, the fair value of any Hearsay stock options that were vested at the time of the Acquisition were included in the preliminary purchase consideration. Yext will recognize compensation expenses associated with those RSUs that were not vested and subjected to future service to the Company in the post-acquisition period.

The Company is also required to make additional payments primarily related to a \$20.0 million bonus pool that can be settled in cash or shares at the Company’s election. Payments to be made under this bonus plan will be recognized as

compensation expense by the Company in the post-acquisition period as the payments were initiated by Yext and primarily related to continuing employees of Hearsay that are subjected to future service to the Company.

Preliminary Purchase Price Allocation

The Company performed a preliminary valuation analysis of the estimated fair market value of the assets acquired and liabilities assumed in connection with the Acquisition. The following table summarizes the allocation of the preliminary purchase price as of the Closing Date (in thousands):

Assets	August 1, 2024	
Cash and cash equivalents	\$	26,365
Accounts receivable, net		5,619
Prepaid expenses and other current assets		8,406
Property and equipment		397
Operating lease right-of-use assets		414
Goodwill		78,502
Intangible assets		135,400
Other long term assets		94
Total assets acquired	\$	255,197
Liabilities		
Accounts payable, accrued expenses and other current liabilities	\$	15,078
Unearned revenue, current		36,123
Operating lease liabilities, current		74
Operating lease liabilities, non-current		340
Other long term liabilities		15,716
Total liabilities assumed		67,331
Net assets acquired	\$	187,866

This estimated preliminary purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma condensed combined balance sheet and statements of operations. The final purchase price will be completed when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary calculation used in the pro forma adjustments. The final allocation may include (i) changes in allocations to intangible assets including goodwill, (ii) other changes to assets and liabilities, and (iii) assessment of tax positions and tax rates.

Intangible assets

Preliminary identifiable intangible assets in the unaudited pro forma condensed combined financial information consist of the following (in thousands, excluding years):

Intangible Assets	Approximate Fair Value	Estimated Useful Life
		(in years)
Customer relationships	\$ 117,200	12.0
Technology	17,300	3.0
Mark	900	3.0
	\$ 135,400	

The amortization related to the identifiable intangible assets is reflected as a Transaction Adjustment in the unaudited pro forma condensed combined statements of operations based on the estimated useful lives above and as further described in Note 4. The fair values of the identifiable intangible assets are preliminary and are based on management's estimates as of the Closing Date. The preliminary fair value of the intangible assets was determined using the multi-period excess earnings method and relief from royalty method, under the income approach. The Company applied judgment in estimating the fair value of customer relationship which involved the use of significant assumptions with respect to revenue growth rates, customer attrition rate, discount rate, and terminal growth rate. The preliminary fair value of the developed technology was estimated using the relief from royalty method which incorporates assumptions for annual obsolescence, royalty rates, tax rate, and discount rate.

As discussed above, the amount that will ultimately be allocated to identifiable intangible assets may differ materially from this preliminary allocation. In addition, the amortization impacts will ultimately be based upon the periods in which the associated economic benefits or detriments are expected to be derived. Therefore, the amount of amortization following the Acquisition may differ significantly between periods based upon the final value and useful life assigned and amortization methodology used for each identifiable intangible asset.

te 4. Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

Transaction Adjustments include the following adjustments, which are based on the Company's preliminary estimates and assumptions, related to the unaudited pro forma condensed combined balance sheet as of April 30, 2024:

- a. Represents the recognition of preliminary purchase consideration transferred as described in Note 3. The components of the preliminary purchase consideration are summarized below (in thousands):

Cash and cash equivalents ⁽¹⁾⁽⁶⁾	\$	(133,116)
Prepaid expenses and other current assets ⁽²⁾		17,225
Accounts payable, accrued expenses and other current liabilities ⁽³⁾		(19,124)
Other long term liabilities ⁽⁴⁾		(45,200)
Common stock ⁽⁵⁾		(1)
Additional paid-in-capital ⁽⁵⁾		(7,650)
Total preliminary consideration transferred	\$	(187,866)

(1) Reflects the cash paid on the Closing Date which included escrow payments of \$17.2 million.

(2) Reflects the recognition of restricted cash related to amounts held in escrow of \$17.2 million to be distributed to former stockholders of Hearsay, subjected to resolutions of any applicable indemnities.

(3) Reflects liabilities primarily consisting of \$17.2 million due to former stockholders of Hearsay for the amounts held in escrow.

(4) Reflects amounts related to the earnout consideration.

(5) Reflects the rollover equity (exclusive of the related payroll taxes) issued as part of the Acquisition.

(6) The adjustments to cash and cash equivalents were summarized as follows:

Purchase considerations	\$	(133,116)
Adjustment to Fair value as of Closing Date -Note 3		7,351
Total Transaction Adjustments	\$	(125,765)

- b. Represents the adjustment to reflect fair value of assets acquired and liabilities assumed as of the Closing Date as described in Note 3.

- c. The following summarizes the adjustments for prepaid expenses and other current assets (in thousands):

Restricted cash - Note 4(a)	\$	17,225
Adjustment to Fair value as of Closing Date - Note 3		(204)
Indemnification asset ⁽¹⁾		5,850
Total Transaction Adjustments	\$	22,871

⁽¹⁾ Represents the recognition of an indemnification asset related to certain indirect tax liabilities of Hearsay.

- d. Represents the elimination of the historical Hearsay current and non-current costs as of the Closing Date (Note 3) related to costs to obtain revenue contracts as these costs do not qualify for separate asset recognition in accordance with ASC 805.
- e. Represents the write-off of the historical Hearsay property and equipment as of the Closing Date (Note 3) related to internally developed software due to the inclusion of the software in the Company's preliminary estimate of fair value of acquired technology.
- f. Represents the elimination of the short term operating lease right-of-use assets and liabilities as of the Closing Date (Note 3) based on Yext's election to not recognize assets and liabilities for leases with a remaining term of 12 months or less from the Closing Date. In addition, the Company recognized operating right-of-use assets and liabilities related to a long term lease arrangement as of the Closing Date. The following summarizes the adjustments as follows:

	Operating Lease Right-of- Use Assets	Operating Lease Liabilities, Current	Operating Lease Liabilities, Non- Current
Fair value as of Closing Date – Note 3	\$ 414	\$ 74	\$ 340
Elimination of short term leases	(80)	(496)	—
Total Transaction Adjustments	\$ 334	\$ (422)	\$ 340

- g. Reflects the recognition of intangible assets and goodwill as described in Note 3.
- h. Reflects the elimination of the historical Hearsay short term debt and related issuance costs as of the Closing Date (Note 3) as the liability was not assumed as part of the Acquisition.
- i. The following summarizes the adjustments for accounts payable, accrued expenses and other current liabilities (in thousands):

Yext transaction costs ⁽¹⁾	\$	2,104
Adjustment to Fair value of Closing Date - Note 3		5,428
Liabilities incurred - Note 4(a)		19,124
Total Transaction Adjustments	\$	26,656

⁽¹⁾ Reflects the recognition of Yext's non-recurring transaction-related costs of \$2.1 million associated with the Acquisition.

- j. The following summarizes the adjustments for unearned revenue, current and unearned revenue, non-current liabilities (in thousands):

	Unearned Revenue, Current	Unearned Revenue, Non- Current
Note 3 Adjustment to Fair value as of Closing Date –	\$ 7,306	\$ 317
Reclassification	—	(1,583)
Total Transaction Adjustments	\$ 7,306	\$ (1,266)

k. The following summarizes the adjustments for other long term liabilities (in thousands):

Earnout consideration - Note 4(a)	\$	45,200
Common stock warrant liability ⁽¹⁾		(110)
Unearned revenue, non-current - Note 4(j)		1,583
Deferred tax liabilities ⁽²⁾		12,632
Assumed liability ⁽²⁾		1,500
Total Transaction Adjustments	\$	60,805

⁽¹⁾ Represents the elimination of the historical Hearsay common stock warrant liability as the underlying warrants were settled as part of the Acquisition in the amount of \$0.1 million.

⁽²⁾ Represents the recognition of the acquired deferred tax liabilities resulting primarily from the deferred tax liabilities associated with the acquired intangible assets and a liability assumed as part of the Acquisition.

l. The following summarizes the adjustments related to stockholder's equity, including the elimination of Hearsay's historical equity and convertible preferred stock (in thousands):

As of April 30, 2024	Consideration Transferred (Note 4(a))	Yext Transaction Costs (Note 4(i))	Elimination of Historical Hearsay Equity ⁽¹⁾	Total Transaction Adjustments
Convertible preferred stock	\$ —	\$ —	(60,743)	\$ (60,743)
Stockholders' equity/(deficit):				—
Common stock	1	—	(1)	—
Additional paid-in capital	7,650	—	(19,905)	(12,255)
Accumulated deficit	—	(2,104)	90,168	88,064
Total	\$ 7,651	\$ (2,104)	\$ 9,519	\$ 15,066

⁽¹⁾ Represents the elimination of the historical Hearsay equity including the impact of the Transaction Adjustments as of the Closing Date and primarily for the elimination of (i) historical Hearsay costs to obtain revenue contracts, (ii) property and equipment related to internally developed software, (iii) operating lease right-of-use assets and liabilities, and (iv) and short term debt and related issuance costs as described in Note 4(d), Note 4(e), Note 4(f) and Note 4(h), respectively.

ote 5. Notes to Unaudited Pro Forma Condensed Combined Statements of Operations

Transaction Adjustments include the following adjustments, which are based on the Company's preliminary estimates and assumptions, related to the unaudited pro forma condensed combined statements of operations for the three months ended April 30, 2024 and for the year ended January 31, 2024.

i. The following summarizes the adjustments for costs of revenue, sales and marketing, research and development and general and administrative expenses (in thousands):

Three Months Ended April 30, 2024	Reclassifications (a)	Capitalized Software and other (b)	Transaction costs (c)	Commission expense (d)	Employee-based Compensation (e)	Other Compensation Expense (f)	Intangible Asset Amortization (g)	Total Transaction Adjustments
Revenue	\$ 139	(\$68)	\$—	\$—	\$15	\$—	1,442	1,208
Expenses:								
sales and marketing	50	—	—	(276)	152	—	2,517	2,443
research and development	(25)	2	—	—	110	—	—	87
general and administrative	(144)	—	—	—	32	—	—	(112)
Total	\$ —	(\$66)	\$—	(\$76)	\$109	\$—	3,959	3,626

For the Three Months Ended January 31, 2024	Reclassifications (a)	Capitalized Software and other (b)	Transaction costs (c)	Commission expenses (d)	Stock-based Compensation (e)	Other Compensation Expenses (f)	Intangible Asset Amortization (g)	Total Transaction Adjustments
nue	\$ 456	(\$15)	\$—	\$—	\$79	391	5,867	5,898
expenses:								
marketing	201	—	—	(1,196)	1,284	8,310	10,067	18,666
ind development	(102)	101	—	—	676	4,525	—	5,200
id administrative	(575)	(9)	2,104	—	221	10,751	—	12,492
\$	\$—	(\$23)	2,104	(1,196)	2,260	23,977	15,834	42,256

- a. Reflects the reclassification of expense allocations included in the historical financial statements of Hearsay to conform with the Company's financial statement presentation.
- b. Reflects primarily the adjustments related to Hearsay's historical amortization expense related to capitalized software which was replaced by amortization of acquired intangible assets.
- c. Reflects the recognition of non-recurring transaction costs with the Acquisition. These non-recurring transaction-related costs are reflected as if they were incurred on February 1, 2023, the date of the Acquisition for purposes of the unaudited pro forma condensed combined statement of operations.
- d. Represents the elimination of commission expenses as the costs to obtain revenue contracts was written off by Yext upon the Acquisition and to conform Hearsay's policy to expense short term costs to obtain revenue contracts as incurred to Yext's policy where these costs are capitalized and amortized.
- e. Represents stock-based compensation expenses related to equity awards issued to Hearsay employees as part of the Acquisition which are subjected to continued service requirements. In addition, for the year ended January 31, 2024, stock-based compensation expenses include \$0.6 million related to the excess fair value of replacement RSUs granted in exchange for former Hearsay options that were vested as of the date of the Acquisition.
- f. Represents the recognition of compensation expense related to certain compensation arrangements including the \$20.0 million bonus pool initiated by Yext, and the portion of the earnout consideration as well as other bonuses subject to continuing service. The service requirements tied to these arrangements do not exceed 12 months.
- g. Reflects amortization expense recognized related to finite-lived intangible assets acquired in connection with the Acquisition.
- ii. Reflects the reclassification of interest income, interest expense and other expense. In addition, an adjustment was made to eliminate the interest expense incurred by Hearsay for the three months ended April 30, 2024 as the short term debt was not assumed by Yext as part of the Acquisition. There were no borrowings and interest expenses recognized by Hearsay for the year ended December 31, 2023 related to the borrowings repaid. The following summarizes the adjustments (in thousands):

For the Three Months Ended April 30, 2024	Reclassification	Elimination	Total Transaction Adjustments
Interest income	\$ 177	\$ —	\$ 177
Interest expense	(40)	40	—
Other (expense) income, net	(137)	—	(137)
Total	\$ —	\$ 40	\$ 40

For the Year Ended January 31, 2024	Reclassification	Elimination	Total Transaction Adjustments
Interest income	\$ 427	\$ —	\$ 427
Interest expense	(43)	—	(43)
Other (expense) income, net	(384)	—	(384)
Total	\$ —	\$ —	\$ —

iii. The Company and Hearsay have full valuation allowances against their respective U.S. federal and state deferred taxes. The Transaction Adjustments related to the benefit from (provision for) income taxes were computed for the change in the valuation allowance and for the current tax liabilities of the combined entities and reflect the following:

	Three months ended April 30, 2024	Year Ended January 31, 2024
Valuation allowance release ⁽¹⁾	\$ —	\$ 9,280
Other income tax adjustments ⁽²⁾	1,117	50
Total Transaction Adjustments	\$ 1,117	\$ 9,330

⁽¹⁾ Represents the release of a portion of the valuation allowance related to the Company's deferred tax assets primarily due to the recognition of deferred income tax liabilities associated with the acquired intangible assets.

⁽²⁾ Other income tax adjustments were made to reflect the current state taxes impacts associated with the pro forma condensed combined statements of operations for the three months ended April 30, 2024 and for the year ended January 31, 2024. There are no expected changes in federal taxes due to tax loss carryforwards.

iv. The Company's basic net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Since the Company was in a net loss position for all periods presented, net loss per share attributable to common stockholders was the same on a basic and diluted basis. The following table presents the adjustment to the denominator of the pro forma basic and diluted net loss per share attributable to common stockholders:

Denominator	Three months ended April 30, 2024	Year ended January 31, 2024
Yext historical weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	125,387,162	124,056,949
Pro forma adjustment to reflect the issuance of Yext common stock for the vesting of the RSUs, net of estimated shares withheld for estimated employee taxes	1,020,474	1,004,150
Pro forma weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	126,407,636	125,061,099