

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For transition period from to

Commission File Number 001-36773

WORKIVA INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-2509828
(I.R.S. Employer
Identification Number)

**2900 University Blvd
Ames, IA 50010
(888) 275-3125**

(Address of principal executive offices and zip code)

(888) 275-3125

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$.001	WK	New York Stock Exchange

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of October 24, 2023, there were approximately 50,202,454 shares of the registrant's Class A common stock and 3,845,583 shares of the registrant's Class B common stock outstanding.

WORKIVA INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2022, in “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC, as well as in any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no duty to update any of these forward-looking statements after completion of this Quarterly Report on Form 10-Q to conform these statements to actual results or revised expectations.

Part I. Financial Information

Item 1. Financial Statements

WORKIVA INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	<u>As of September 30, 2023</u>	<u>As of December 31, 2022</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 404,885	\$ 240,197
Marketable securities	377,533	190,595
Accounts receivable, net of allowance for doubtful accounts of \$801 and \$744 at September 30, 2023 and December 31, 2022, respectively	98,861	106,316
Deferred costs	36,953	38,350
Other receivables	7,017	6,674
Prepaid expenses and other	21,902	17,957
Total current assets	<u>947,151</u>	<u>600,089</u>
Property and equipment, net	25,102	27,096
Operating lease right-of-use assets	10,228	13,932
Deferred costs, non-current	28,816	33,682
Goodwill	108,851	109,740
Intangible assets, net	23,585	28,234
Other assets	5,395	6,847
Total assets	<u>\$ 1,149,128</u>	<u>\$ 819,620</u>

WORKIVA INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)
(in thousands, except share and per share amounts)

	<u>As of September 30, 2023</u>	<u>As of December 31, 2022</u>
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable	\$ 4,909	\$ 6,174
Accrued expenses and other current liabilities	94,158	83,999
Deferred revenue	338,418	316,263
Finance lease obligations	525	504
Total current liabilities	438,010	406,940
Convertible senior notes, non-current	761,847	340,257
Deferred revenue, non-current	38,216	38,237
Other long-term liabilities	1,539	1,518
Operating lease liabilities, non-current	9,023	12,102
Finance lease obligations, non-current	14,186	14,583
Total liabilities	1,262,821	813,637
Stockholders' (deficit) equity		
Class A common stock, \$0.001 par value per share, 1,000,000,000 shares authorized, 50,173,423 and 48,761,804 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	50	49
Class B common stock, \$0.001 par value per share, 500,000,000 shares authorized, 3,845,583 and 3,890,583 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	4	4
Preferred stock, \$0.001 par value per share, 100,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in-capital	541,093	537,732
Accumulated deficit	(648,445)	(525,116)
Accumulated other comprehensive loss	(6,395)	(6,686)
Total stockholders' (deficit) equity	(113,693)	5,983
Total liabilities and stockholders' (deficit) equity	\$ 1,149,128	\$ 819,620

See accompanying notes.

WORKIVA INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue				
Subscription and support	\$ 143,421	\$ 118,591	\$ 409,857	\$ 339,064
Professional services	14,754	14,258	53,529	55,008
Total revenue	158,175	132,849	463,386	394,072
Cost of revenue				
Subscription and support	24,864	19,235	74,080	56,683
Professional services	13,491	13,184	42,297	38,846
Total cost of revenue	38,355	32,419	116,377	95,529
Gross profit	119,820	100,430	347,009	298,543
Operating expenses				
Research and development	41,747	38,583	130,235	113,644
Sales and marketing	72,576	64,560	215,168	184,879
General and administrative	21,022	27,405	86,660	75,507
Total operating expenses	135,345	130,548	432,063	374,030
Loss from operations	(15,525)	(30,118)	(85,054)	(75,487)
Interest income	7,294	1,440	15,546	2,325
Interest expense	(47,437)	(1,510)	(50,437)	(4,540)
Other (expense) income, net	(71)	964	(1,450)	1,467
Loss before provision for income taxes	(55,739)	(29,224)	(121,395)	(76,235)
Provision for income taxes	530	467	1,934	810
Net loss	\$ (56,269)	\$ (29,691)	\$ (123,329)	\$ (77,045)
Net loss per common share:				
Basic and diluted	\$ (1.04)	\$ (0.56)	\$ (2.28)	\$ (1.46)
Weighted-average common shares outstanding - basic and diluted	54,256,941	53,081,564	53,987,791	52,844,532

See accompanying notes.

WORKIVA INC.**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(in thousands)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net loss	\$ (56,269)	\$ (29,691)	\$ (123,329)	\$ (77,045)
Other comprehensive (loss) income				
Foreign currency translation adjustment	(3,189)	(7,256)	(1,180)	(13,344)
Unrealized gain (loss) on available-for-sale securities	208	(619)	1,471	(3,033)
Other comprehensive (loss) income	(2,981)	(7,875)	291	(16,377)
Comprehensive loss	<u>\$ (59,250)</u>	<u>\$ (37,566)</u>	<u>\$ (123,038)</u>	<u>\$ (93,422)</u>

See accompanying notes.

WORKIVA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)
(unaudited)
Nine Months Ended September 30, 2023

	Common Stock (Class A and B)			Additional Paid-in- Capital	Accumulated Other Comprehen- sive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balances at December 31, 2022	52,652	\$ 53	\$ 537,732	\$ (6,686)	\$ (525,116)	\$ 5,983	
Stock-based compensation expense	—	—	38,042	—	—	38,042	
Issuance of common stock upon exercise of stock options	102	—	1,457	—	—	1,457	
Issuance of common stock under employee stock purchase plan	107	—	5,546	—	—	5,546	
Issuance of restricted stock units	449	—	—	—	—	—	
Tax withholding related to net share settlements of stock-based compensation awards	(78)	—	(7,228)	—	—	(7,228)	
Net loss	—	—	—	—	(46,150)	(46,150)	
Other comprehensive income	—	—	—	3,280	—	3,280	
Balances at March 31, 2023	53,232	\$ 53	\$ 575,549	\$ (3,406)	\$ (571,266)	\$ 930	
Stock-based compensation expense	—	—	20,610	—	—	20,610	
Issuance of common stock upon exercise of stock options	47	1	746	—	—	747	
Issuance of restricted stock units	266	—	—	—	—	—	
Tax withholding related to net share settlements of stock-based compensation awards	(12)	—	(1,212)	—	—	(1,212)	
Net loss	—	—	—	—	(20,910)	(20,910)	
Other comprehensive loss	—	—	—	(8)	—	(8)	
Balances at June 30, 2023	53,533	\$ 54	\$ 595,693	\$ (3,414)	\$ (592,176)	\$ 157	
Stock-based compensation expense	—	—	19,377	—	—	19,377	
Issuance of common stock upon exercise of stock options	70	—	1,120	—	—	1,120	
Issuance of common stock under employee stock purchase plan	93	—	6,967	—	—	6,967	
Issuance of restricted stock units	332	—	—	—	—	—	
Tax withholding related to net share settlements of stock-based compensation awards	(9)	—	(984)	—	—	(984)	
Induced conversion of convertible senior notes	—	—	(81,080)	—	—	(81,080)	
Net loss	—	—	—	—	(56,269)	(56,269)	
Other comprehensive loss	—	—	—	(2,981)	—	(2,981)	
Balances at September 30, 2023	54,019	\$ 54	\$ 541,093	\$ (6,395)	\$ (648,445)	\$ (113,693)	

WORKIVA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(continued)
(in thousands)
(unaudited)

Nine Months Ended September 30, 2022

Common Stock (Class A and B)							
	Shares	Amount	Additional Paid-in- Capital	Accumulated Other Comprehen- sive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)	
Balances at December 31, 2021	51,444	\$ 51	\$ 525,646	\$ (288)	\$ (452,430)	\$ 72,979	
Stock-based compensation expense	—	—	15,309	—	—	15,309	
Issuance of common stock upon exercise of stock options	62	1	824	—	—	825	
Issuance of common stock under employee stock purchase plan	53	—	5,218	—	—	5,218	
Issuance of restricted stock units	545	—	—	—	—	—	
Tax withholding related to net share settlements of stock-based compensation awards	(73)	—	(8,570)	—	—	(8,570)	
Adoption of ASU 2020-06	—	—	(58,560)	—	18,261	(40,299)	
Net loss	—	—	—	—	(18,493)	(18,493)	
Other comprehensive loss	—	—	—	(1,776)	—	(1,776)	
Balances at March 31, 2022	52,031	\$ 52	\$ 479,867	\$ (2,064)	\$ (452,662)	\$ 25,193	
Stock-based compensation expense	—	—	18,447	—	—	18,447	
Issuance of common stock upon exercise of stock options	76	—	1,145	—	—	1,145	
Issuance of restricted stock units	144	—	—	—	—	—	
Tax withholding related to net share settlements of stock-based compensation awards	(12)	—	(1,344)	—	—	(1,344)	
Net loss	—	—	—	—	(28,861)	(28,861)	
Other comprehensive loss	—	—	—	(6,726)	—	(6,726)	
Balances at June 30, 2022	52,239	\$ 52	\$ 498,115	\$ (8,790)	\$ (481,523)	\$ 7,854	
Stock-based compensation expense	—	—	20,297	—	—	20,297	
Issuance of common stock upon exercise of stock options	43	—	625	—	—	625	
Issuance of common stock under employee stock purchase plan	79	1	4,037	—	—	4,038	
Issuance of restricted stock units	145	—	—	—	—	—	
Tax withholding related to net share settlements of stock-based compensation awards	(11)	—	(738)	—	—	(738)	
Net loss	—	—	—	—	(29,691)	(29,691)	
Other comprehensive loss	—	—	—	(7,875)	—	(7,875)	
Balances at September 30, 2022	52,495	\$ 53	\$ 522,336	\$ (16,665)	\$ (511,214)	\$ (5,490)	

See accompanying notes.

WORKIVA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(in thousands) (unaudited)			
	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash flows from operating activities				
Net loss	\$ (56,269)	\$ (29,691)	\$ (123,329)	\$ (77,045)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	2,686	2,681	8,353	7,365
Stock-based compensation expense	19,377	20,297	78,029	54,053
Provision for doubtful accounts	8	91	57	82
Realized loss on sale of available-for-sale securities, net	—	—	708	—
(Accretion) amortization of premiums and discounts on marketable securities, net	(1,930)	129	(4,530)	1,242
Amortization of issuance costs and debt discount	472	325	1,122	973
Induced conversion expense	45,144	—	45,144	—
Deferred income tax	(14)	57	(17)	(91)
Changes in assets and liabilities:				
Accounts receivable	(15,234)	(7,927)	7,243	(6,190)
Deferred costs	3,116	(1,372)	6,248	(2,662)
Operating lease right-of-use asset	1,244	1,269	3,807	3,877
Other receivables	(1,556)	(527)	(1,842)	38
Prepaid expenses and other	3,452	3,593	(3,985)	870
Other assets	1,043	(1,140)	1,479	(1,105)
Accounts payable	(386)	3,931	(1,267)	5,995
Deferred revenue	11,120	14,775	22,225	28,573
Operating lease liability	(750)	(1,113)	(3,129)	(3,757)
Accrued expenses and other liabilities	3,468	(523)	10,217	384
Net cash provided by operating activities	14,991	4,855	46,533	12,602
Cash flows from investing activities				
Purchase of property and equipment	(895)	(1,023)	(1,732)	(2,226)
Purchase of marketable securities	(144,989)	(41,618)	(322,008)	(99,564)
Sale of marketable securities	—	—	65,052	14,981
Maturities of marketable securities	36,906	40,071	76,811	106,857
Acquisitions, net of cash acquired	—	—	—	(99,186)
Purchase of intangible assets	(48)	(62)	(167)	(108)
Net cash used in investing activities	(109,026)	(2,632)	(182,044)	(79,246)

WORKIVA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
**(in thousands)
(unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash flows from financing activities				
Proceeds from option exercises	1,120	625	3,324	2,595
Taxes paid related to net share settlements of stock-based compensation awards	(984)	(738)	(9,424)	(10,652)
Proceeds from shares issued in connection with employee stock purchase plan	6,967	4,038	12,513	9,256
Proceeds from the issuance of convertible senior notes, net of issuance costs	691,113	—	691,113	—
Payments for repurchase of convertible senior notes	(396,869)	—	(396,869)	—
Principal payments on finance lease obligations	(127)	(454)	(376)	(1,342)
Net cash provided by (used in) financing activities	301,220	3,471	300,281	(143)
Effect of foreign exchange rates on cash	(1,239)	(2,450)	(82)	(4,102)
Net increase (decrease) in cash and cash equivalents	205,946	3,244	164,688	(70,889)
Cash and cash equivalents at beginning of period	198,939	226,253	240,197	300,386
Cash and cash equivalents at end of period	<u>\$ 404,885</u>	<u>\$ 229,497</u>	<u>\$ 404,885</u>	<u>\$ 229,497</u>
Supplemental cash flow disclosure				
Cash paid for interest	\$ 2,160	\$ 2,152	\$ 4,509	\$ 4,535
Cash paid for income taxes, net of refunds	\$ 604	\$ 225	\$ 2,126	\$ 852

See accompanying notes.

WORKIVA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Organization

Workiva Inc., a Delaware corporation, and its wholly-owned subsidiaries (the “Company” or “we” or “us”) is on a mission to power transparent reporting for a better world. We believe that consumers, employees, shareholders, and other stakeholders today expect more from business – more action, transparency, and disclosure of financial and non-financial information. We build solutions to meet that demand and streamline processes, connect data and teams, and ensure consistency – all within the Workiva platform, the world’s leading cloud platform for assured integrated reporting. Our operational headquarters are located in Ames, Iowa, with additional offices located in the United States, Europe, the Asia-Pacific region and Canada.

Basis of Presentation and Principles of Consolidation

The financial information presented in the accompanying unaudited condensed consolidated financial statements has been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and in accordance with rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. The condensed consolidated balance sheet data as of December 31, 2022 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of our financial position and results of operations. The operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the full year ending December 31, 2023.

Seasonality affects our revenue, expenses and cash flows from operations. Revenue from professional services has been higher in the first quarter as many of our customers file their 10-K in the first calendar quarter. Our sales and marketing expense also has some degree of seasonality. With the exception of September 2020 and September 2021 when we transitioned to a virtual event, sales and marketing expense has historically been higher in the third quarter due to our annual user conference in September. In addition, the timing of the payments of cash bonuses to employees during the first and fourth calendar quarters may result in some seasonality in operating cash flow. The condensed consolidated financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in this report and the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on February 21, 2023.

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. These estimates include, but are not limited to, the allowance for doubtful accounts, the determination of the relative selling prices of our services, the measurement of material rights, health insurance claims incurred but not yet reported, valuation of available-for-sale marketable securities, useful lives of deferred contract costs, intangible assets and property and equipment, goodwill, income taxes, discount rates used in the valuation of right-of-use assets and lease liabilities, and certain assumptions used in the valuation of equity awards. While these estimates are based on our best knowledge of current events and actions that may affect us in the future, actual results may differ materially from these estimates.

Recently Adopted Accounting Pronouncements

None.

New Accounting Pronouncements Not Yet Adopted

None.

2. Supplemental Consolidated Balance Sheet Information

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	As of September 30, 2023	As of December 31, 2022
Accrued vacation	\$ 15,551	\$ 12,939
Accrued commissions	6,083	10,841
Accrued bonuses	21,796	5,597
Accrued payroll	5,181	5,318
Estimated health insurance claims	2,573	1,841
Accrued interest	1,116	1,455
ESPP employee contributions	4,163	5,661
Customer deposits	24,932	25,520
Operating lease liabilities	4,463	5,720
Accrued other liabilities	8,300	9,107
	<u>\$ 94,158</u>	<u>\$ 83,999</u>

3. Cash Equivalents and Marketable Securities

At September 30, 2023, cash equivalents and marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
Money market funds	\$ 260,895	\$ —	\$ —	\$ 260,895
Commercial paper	72,852	—	—	72,852
U.S. treasury debt securities	157,080	7	(305)	156,782
U.S. government agency debt securities	61,190	—	(118)	61,072
Corporate debt securities	125,397	2	(728)	124,671
Foreign government debt securities	997	—	(16)	981
	<u>\$ 678,411</u>	<u>\$ 9</u>	<u>\$ (1,167)</u>	<u>\$ 677,253</u>
Included in cash and cash equivalents	<u>\$ 299,720</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 299,720</u>
Included in marketable securities	<u>\$ 378,691</u>	<u>\$ 9</u>	<u>\$ (1,167)</u>	<u>\$ 377,533</u>

At December 31, 2022, cash equivalents and marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
Money market funds	\$ 182,878	\$ —	\$ —	\$ 182,878
U.S. treasury debt securities	72,151	1	(899)	71,253
Corporate debt securities	120,081	62	(1,771)	118,372
Foreign government debt securities	993	—	(23)	970
	<u>\$ 376,103</u>	<u>\$ 63</u>	<u>\$ (2,693)</u>	<u>\$ 373,473</u>
Included in cash and cash equivalents	<u>\$ 182,878</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 182,878</u>
Included in marketable securities	<u>\$ 193,225</u>	<u>\$ 63</u>	<u>\$ (2,693)</u>	<u>\$ 190,595</u>

The contractual maturities of the investments classified as marketable securities are as follows (in thousands):

	As of September 30, 2023
Due within one year	\$ 250,767
Due in one to two years	126,766
	<u>\$ 377,533</u>

The following table presents gross unrealized losses and fair values for those cash equivalents and marketable securities that were in an unrealized loss position as of September 30, 2023, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	As of September 30, 2023			
	Less than 12 months		12 months or greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury debt securities	\$ 90,224	\$ (230)	\$ 6,567	\$ (76)
U.S. government agency debt securities	61,072	(118)	—	—
Corporate debt securities	90,732	(463)	27,945	(264)
Foreign government debt securities	—	—	981	(16)
Total	\$ 242,028	\$ (811)	\$ 35,493	\$ (356)

We do not believe the unrealized losses represent credit losses based on our evaluation of available evidence as of September 30, 2023, which includes an assessment of whether it is more likely than not we will be required to sell the investment before recovery of the investment's amortized cost basis.

4. Fair Value Measurements

We determine the fair values of our financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined 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. The fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal or most advantageous market for the asset or liability and establishes that the fair value of an asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 - Inputs are unobservable inputs based on our assumptions.

Financial Assets

Cash equivalents primarily consist of AAA-rated money market funds with overnight liquidity and no stated maturities. We classified cash equivalents as Level 1 due to the short-term nature of these instruments and measured the fair value based on quoted prices in active markets for identical assets.

When available, our marketable securities are valued using quoted prices for identical instruments in active markets. If we are unable to value our marketable securities using quoted prices for identical instruments in active markets, we value our investments using broker reports that utilize quoted market prices for comparable instruments. We validate, on a sample basis, the derived prices provided by the brokers by comparing their assessment of the fair values of our investments against the fair values of the portfolio balances of another third-party professional pricing service. As of September 30, 2023, all of our marketable securities were valued using quoted prices for comparable instruments in active markets and are classified as Level 2.

Based on our valuation of our money market funds and marketable securities, we concluded that they are classified in either Level 1 or Level 2, and we have no financial assets measured using Level 3 inputs on a recurring basis. The following table presents information about our assets that are measured at fair value on a recurring basis using the above input categories (in thousands):

Description	Fair Value Measurements as of September 30, 2023			Fair Value Measurements as of December 31, 2022		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Money market funds	\$260,895	\$260,895	\$ —	\$182,878	\$182,878	\$ —
Commercial paper	72,852	—	72,852	—	—	—
U.S. treasury debt securities	156,782	—	156,782	71,253	—	71,253
U.S. government agency debt securities	61,072	—	61,072	—	—	—
Corporate debt securities	124,671	—	124,671	118,372	—	118,372
Foreign government debt securities	981	—	981	970	—	970
	<u>\$677,253</u>	<u>\$260,895</u>	<u>\$416,358</u>	<u>\$373,473</u>	<u>\$182,878</u>	<u>\$190,595</u>
Included in cash and cash equivalents	\$299,720			\$182,878		
Included in marketable securities	\$377,533			\$190,595		

Convertible Senior Notes

As of September 30, 2023, the fair value of our convertible senior notes due in 2026 and 2028 was \$97.7 million and \$689.7 million, respectively. The fair value was determined based on the quoted price of the convertible senior notes in an over-the-counter market on the last trading day of the reporting period and has been classified as Level 2 in the fair value hierarchy. See Note 5 to the condensed consolidated financial statements for more information.

5. Convertible Senior Notes

The following table presents details of our convertible senior notes, which are further discussed below (original principal in thousands):

	Month Issued	Maturity Date	Free Convertibility Date	Redemption Date	Original Principal (including overallotment)	Initial Conversion Rate per \$1,000 Principal	Initial Conversion Price
2026 Notes	August 2019	August 15, 2026	May 15, 2026	August 21, 2023	\$ 345,000	12.4756	\$ 80.16
2028 Notes	August 2023	August 15, 2028	May 15, 2028	August 21, 2026	\$ 702,000	7.4690	\$ 133.89

In August 2019, we issued \$345.0 million aggregate principal amount of 1.125% convertible senior notes due 2026 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, including the exercise in full by the initial purchasers of their option to purchase an additional \$45.0 million principal amount (the "2026 Notes"). The 2026 Notes bear interest at a fixed rate of 1.125% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2020. Proceeds from the issuance of the 2026 Notes totaled \$335.9 million, net of initial purchaser discounts and issuance costs.

In August 2023, we issued \$702.0 million aggregate principal amount of 1.250% convertible senior notes due 2028 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, including the partial exercise of 77.0 million principal amount by the initial purchasers of their option to purchase up to an additional \$100 million principal amount (the "2028 Notes"). The 2028 Notes bear interest at a fixed rate of 1.250% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2024. Proceeds from the issuance of the 2028 Notes totaled \$691.1 million, net of initial purchaser discounts and issuance costs.

The 2026 Notes and the 2028 Notes are together referred to as the "Notes".

The Notes were issued pursuant to an indenture and are senior, unsecured obligations of the Company. The 2028 Notes will rank equally with all of the Company's existing and future senior unsecured indebtedness, including the Company's outstanding 2026 Notes.

Holders of the Notes may convert all or a portion of their Notes prior to the close of business on their respective Free Convertibility dates, in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter in which the respective Notes were issued (and only during such calendar quarter), if the last reported sale price of our Class A common stock, par value \$0.001 per share (which we refer to in this offering memorandum as our "Class A common stock"), for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five consecutive business day period immediately following any ten consecutive trading day period (the "measurement period") in which the trading price (as defined below) per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate on each such trading day;

- if we call any or all of the Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of certain specified corporate events as set forth in the relevant indenture.

On or after the relevant Free Convertibility Date, holders of the Notes may convert their Notes at any time until the close of business on the second scheduled trading day immediately preceding the maturity date of the Notes.

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of our Class A common stock, at our election, in the manner and subject to the terms and conditions provided in the indenture.

The Company may redeem for cash all or any portion of the Notes, at its option, on or after the respective Redemption Date, if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the respective Redemption Date.

During the third quarter of 2023 none of the conversion conditions were met and therefore the Notes are not convertible at the option of the holders. As a result, the Notes were classified as non-current liabilities on the condensed consolidated balance sheet as of September 30, 2023.

Interest expense representing the amortization of issuance costs as well as contractual interest expense is amortized to interest expense at an effective interest rate of 1.5% and 1.6% over the term of the 2026 Notes and 2028 Notes, respectively.

As of September 30, 2023, the remaining life of the 2026 Notes and 2028 Notes were approximately 2.8 years and 4.9 years.

Partial Repurchase of 2026 Notes

We used \$396.9 million of the net proceeds from the 2028 Notes offering discussed above to repurchase \$273.8 million principal amount, together with accrued and unpaid interest thereon, of our 2026 Notes in separate and individually negotiated transactions with certain holders. The repurchase was accounted for as an induced conversion. The fair value of the repurchased 2026 Notes on the date of repurchase was \$351.8 million. The consideration in excess of fair value resulted in a loss on induced conversion of \$45.1 million which was recorded as interest expense in the condensed consolidated statement of operations. The difference between the fair value and the carrying value of the 2026 Notes on the date of repurchase of \$81.1 million, including unamortized debt issuance costs of \$3.1 million, was recorded in additional paid-in capital.

The net carrying amount of the Notes was as follows (in thousands):

	September 30, 2023		December 31, 2022	
	2026 Notes	2028 Notes	2026 Notes	2028 Notes
Principal	\$ 71,242	\$ 702,000	\$ 345,000	\$ —
Unamortized issuance costs	(778)	(10,617)	(4,743)	—
Net carrying amount	\$ 70,464	\$ 691,383	\$ 340,257	\$ —

Interest expense related to the Notes was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Contractual interest expense	\$ 1,618	\$ 970	\$ 3,558	\$ 2,910
Amortization of issuance costs	472	325	1,122	973
Total interest expense	<u>\$ 2,090</u>	<u>\$ 1,295</u>	<u>\$ 4,680</u>	<u>\$ 3,883</u>

6. Commitments and Contingencies

Litigation

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We evaluate the development of legal matters on a regular basis and accrue a liability when we believe a loss is probable and the amount can be reasonably estimated. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of any currently pending legal proceedings to which we are a party will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

7. Stock-Based Compensation

We grant stock-based incentive awards to attract, motivate and retain qualified employees, non-employee directors and consultants, and to align their financial interests with those of our stockholders. We utilize stock-based compensation in the form of restricted stock units, performance restricted stock units, options to purchase Class A common stock and Employee Stock Purchase Plan ("ESPP") purchase rights. Prior to our corporate conversion in December 2014, awards were provided under the 2009 Unit Incentive Plan ("the 2009 Plan"). The 2009 Plan was amended to provide that no further awards will be issued thereunder, and our board of directors and stockholders adopted and approved our 2014 Equity Incentive Plan ("the 2014 Plan" and, together with the 2009 Plan, "the Plans").

Stock-Based Compensation Expense

Stock-based compensation expense was recorded in the following cost and expense categories consistent with the respective employee or service provider's related cash compensation (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cost of revenue				
Subscription and support	\$ 1,247	\$ 855	\$ 3,732	\$ 2,557
Professional services	623	533	1,923	1,578
Operating expenses				
Research and development	4,155	3,399	13,677	9,272
Sales and marketing	7,108	4,657	20,769	14,388
General and administrative	6,244	10,853	37,928	26,258
Total	<u>\$ 19,377</u>	<u>\$ 20,297</u>	<u>\$ 78,029</u>	<u>\$ 54,053</u>

During the first nine months of 2023, we recognized an additional \$18.1 million in stock-based compensation pursuant to certain transition agreements with former executives who retired during the period.

Stock Options

The following table summarizes the option activity under the Plans for the nine months ended September 30, 2023:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at December 31, 2022	1,509,172	\$ 14.57	3.2
Granted	—	—	
Forfeited	(10)	13.60	
Expired	—	—	
Exercised	(219,354)	15.16	
Outstanding at September 30, 2023	<u>1,289,808</u>	\$ 14.47	2.5
Exercisable at September 30, 2023	1,289,808	\$ 14.47	2.5

Restricted Stock Units and Performance Restricted Stock Units

The following table summarizes the restricted stock unit and performance restricted stock unit activity under the Plans for the nine months ended September 30, 2023:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022	1,921,927	\$ 93.80
Granted	1,148,206	94.70
Forfeited	(106,570)	92.53
Vested ⁽¹⁾	(689,844)	86.47
Unvested at September 30, 2023	<u>2,273,719</u>	\$ 96.51

(1) During the nine months ended September 30, 2023, in accordance with our Nonqualified Deferred Compensation Plan, recipients elected to defer settlement of 2,925 shares of their vested restricted stock units and 359,812 shares were released from deferral.

Employee Stock Purchase Plan

During the nine months ended September 30, 2023, 200,436 shares of common stock were purchased under the ESPP at a weighted-average price of \$62.43 per share, resulting in cash proceeds of \$12.5 million.

Compensation expense associated with ESPP purchase rights is recognized on a straight-line basis over the vesting period. At September 30, 2023, there was approximately \$1.3 million of total unrecognized compensation expense related to the ESPP, which is expected to be recognized over a weighted-average period of 0.3 years.

8. Revenue Recognition

Disaggregation of Revenue

Revenues by industry are derived from leading software providers. The following table presents our revenues disaggregated by industry (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Industrials	\$ 23,461	\$ 18,810	\$ 68,670	\$ 56,398
Diversified financials	22,927	17,472	66,916	51,864
Information technology	17,041	15,283	50,925	45,418
Banks	15,951	13,871	46,554	39,943
Consumer discretionary	15,224	13,301	44,511	38,147
Healthcare	13,549	11,701	39,949	35,158
Insurance	9,725	8,161	28,031	23,683
Real estate	6,600	5,647	19,765	17,651
Energy	6,618	5,577	19,883	17,169
Utilities	5,854	5,383	17,165	16,800
Materials	5,852	5,121	17,391	15,954
Public administration	4,886	3,844	13,754	11,046
Consumer staples	4,557	4,213	13,544	12,626
Telecommunication services	4,449	3,262	12,352	9,724
Other	1,481	1,203	3,976	2,491
Total revenues	\$ 158,175	\$ 132,849	\$ 463,386	\$ 394,072

The following table presents our revenues disaggregated by type of good or service (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Subscription and support	\$ 143,421	\$ 118,591	\$ 409,857	\$ 339,064
XBRL professional services	11,555	10,634	42,719	41,844
Other services	3,199	3,624	10,810	13,164
Total revenues	\$ 158,175	\$ 132,849	\$ 463,386	\$ 394,072

Deferred Revenue

We recognized \$129.9 million and \$107.7 million of revenue during the three months ended September 30, 2023 and 2022, respectively, that was included in the deferred revenue balances at the beginning of the respective periods. We recognized \$277.8 million and \$224.6 million of revenue during the nine months ended September 30, 2023 and 2022, respectively, that was included in the deferred revenue balances at the beginning of the respective periods.

Transaction Price Allocated to the Remaining Performance Obligations

As of September 30, 2023, we expect revenue of approximately \$835.5 million to be recognized from remaining performance obligations for subscription contracts. We expect to recognize approximately \$466.7 million of these remaining performance obligations over the next 12 months with the balance substantially recognized in the 24 months thereafter.

9. Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including convertible senior notes, outstanding stock options, stock related to unvested restricted stock units, and common stock issuable pursuant to the ESPP to the extent dilutive. Basic and diluted net loss per share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive.

The net loss per share is allocated based on the participation rights of the Class A and Class B common shares as if the loss for the year has been distributed. As the liquidation and dividend rights are identical, the net loss is allocated on a proportionate basis.

A reconciliation of the denominator used in the calculation of basic and diluted loss per share is as follows (in thousands, except share and per share data):

	Three months ended			
	September 30, 2023		September 30, 2022	
	Class A	Class B	Class A	Class B
<i>Numerator</i>				
Net loss	\$ (52,281)	\$ (3,988)	\$ (27,515)	\$ (2,176)
<i>Denominator</i>				
Weighted-average common shares outstanding - basic and diluted	50,411,358	3,845,583	49,190,981	3,890,583
Basic and diluted net loss per share	\$ (1.04)	\$ (1.04)	\$ (0.56)	\$ (0.56)
	Nine months ended			
	September 30, 2023		September 30, 2022	
	Class A	Class B	Class A	Class B
<i>Numerator</i>				
Net loss	\$ (114,522)	\$ (8,807)	\$ (71,310)	\$ (5,735)
<i>Denominator</i>				
Weighted-average common shares outstanding - basic and diluted	50,132,483	3,855,308	48,911,092	3,933,440
Basic and diluted net loss per share	\$ (2.28)	\$ (2.28)	\$ (1.46)	\$ (1.46)

The anti-dilutive securities excluded from the weighted-average shares used to calculate the diluted net loss per common share were as follows:

	As of	
	September 30, 2023	September 30, 2022
Shares subject to outstanding common stock options	1,289,808	1,566,858
Shares subject to unvested restricted stock units and performance restricted stock units	2,273,719	1,949,563
Shares issuable pursuant to the ESPP	86,000	115,715
Shares underlying our convertible senior notes	9,547,320	4,304,082

We use the if-converted method for calculating any potential dilutive effect of our convertible senior notes on diluted net income per share, if applicable.

10. Intangible Assets and Goodwill

The following table presents the components of net intangible assets (in thousands):

	As of September 30, 2023				As of December 31, 2022			
	Weighted Average Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Acquired technology	4.5	\$ 15,613	\$ (6,474)	\$ 9,139	\$ 15,705	\$ (3,849)	\$ 11,856	
Acquired customer-related	10.0	14,796	(2,284)	12,512	14,969	(1,169)	13,800	
Acquired trade names	2.9	2,143	(1,506)	637	2,151	(861)	1,290	
Patents	10.0	3,083	(1,786)	1,297	2,916	(1,628)	1,288	
Total	7.1	\$ 35,635	\$ (12,050)	\$ 23,585	\$ 35,741	\$ (7,507)	\$ 28,234	

Amortization expense related to intangible assets was \$1.5 million during the three months ended September 30, 2023 and 2022, and \$4.6 million and \$3.8 million for the nine months ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, expected remaining amortization expense of intangible assets by fiscal year is as follows (in thousands):

Remainder of 2023	\$	1,520
2024		5,356
2025		4,623
2026		3,308
2027		2,040
Thereafter		6,738
Total expected amortization expense	\$	23,585

The changes in the carrying amount of goodwill were as follows (in thousands):

December 31, 2022	\$	109,740
Foreign currency translation adjustments		(889)
September 30, 2023	\$	<u>108,851</u>

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

The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2023. In addition to historical consolidated financial information, this discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to these differences include, but are not limited to, those identified below, and those discussed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2022, in “Item 1A. Risk Factors” in Part II of this Quarterly Report on Form 10-Q and in any subsequent filing we make with the SEC.

Overview

Workiva’s mission is to power transparent reporting for a better world. We believe that consumers, employees, shareholders, and other stakeholders today expect more from business – more action, transparency, and disclosure of financial and non-financial information. We build solutions to meet that demand and streamline processes, connect data and teams, and ensure consistency – all within the Workiva platform, the world’s leading cloud platform for assured integrated reporting. Additionally, we offer the only unified software-as-a-service (“SaaS”) platform that brings customers’ financial reporting, Environmental, Social, and Governance (“ESG”), and Governance, Risk, and Compliance (“GRC”) together in a controlled, secure, audit-ready platform.

The Workiva platform empowers customers by connecting and transforming data from hundreds of enterprise resource planning (“ERP”), human capital management (“HCM”), and customer relationship management (“CRM”) systems, as well as other third-party cloud and on-premise applications. Customers use our platform to create, review and publish data-linked documents and reports with greater control, consistency, accuracy, and productivity. Our platform is flexible and scalable, so customers can easily adapt it to define, automate, and change their business processes in real time.

Workiva provides more than 5,000 organizations across the globe with SaaS platform solutions to help solve some of the most complex reporting and disclosure challenges. While our customers use our platform for more than 100 different use cases, we organize our sales and marketing resources into four purpose-built solution groups focusing primarily on the office of the Chief Financial Officer (“CFO”): financial reporting, ESG, GRC, and industry verticals. Workiva also serves approximately 900 customers with non-platform, eXtensible Business Reporting Language (“XBRL”)-tagging services, primarily through ParsePort, an XBRL conversion software company Workiva acquired in 2022.

We operate our business on a Software-as-a-Service (“SaaS”) model. Customers enter into annual and multi-year subscription contracts to gain access to our platform. Our subscription fee includes the use of our software and technical support. Our subscription pricing is based primarily on a solution-based licensing model. Under this model, operating metrics related to a customer’s expected use of each solution determine the price. We charge customers additional fees primarily for document setup and XBRL tagging services.

We generate sales primarily through our direct sales force and, to a lesser extent, our customer success and professional services teams. In addition, we augment our direct sales channel with partnerships. Our advisory and service partners offer a wider range of domain and functional expertise that broadens the capabilities of our platform, bringing scale and support to customers and prospects. Our technology partners enable more data and process integrations to help customers connect critical transactional systems directly to our platform.

We continue to invest in the development of our solutions, infrastructure and sales and marketing to drive long-term growth. Our full-time employee headcount increased to 2,519 at September 30, 2023 from 2,446 at September 30, 2022, an increase of 3.0%.

We have achieved significant revenue growth in recent periods. Our revenue grew to \$158.2 million and \$463.4 million during the three and nine months ended September 30, 2023, respectively from \$132.8 million and \$394.1 million during the three and nine months ended September 30, 2022, respectively. We incurred a net loss of \$56.3 million and \$123.3 million during the three and nine months ended September 30, 2023, respectively compared to \$29.7 million and \$77.0 million during the three and nine months ended September 30, 2022, respectively.

We continue to invest for future growth and are focused on several key drivers, including focusing on multi-solution adoption by new and existing customers, further developing our partner program, accelerating international expansion and developing our fit-for-purpose solutions. These growth drivers often require a more sophisticated go-to-market approach and, as a result, we may incur additional costs upfront to obtain new customers and expand our relationships with existing customers, including additional sales and marketing expenses.

Effects of Volatility in the IPO/SPAC Markets

In the United States, volatility in the public markets led to a decrease in the number of initial public offerings (“IPOs”) and special-purpose acquisition companies (“SPACs”) in 2022. New sales of our SEC and capital markets solutions were adversely affected by this decline in the IPO and SPAC markets. Reduced valuation multiples caused by higher interest rates, inflation, and geopolitical instability continue to negatively impact the number of IPOs and SPACs in fiscal year 2023. Accordingly, this volatility continues to apply pressure to new sales of our SEC and capital markets solutions. Whether and to what extent the IPO and SPAC markets will moderate cannot be accurately predicted.

Key Factors Affecting Our Performance

Generate Growth From Existing Customers. The Workiva platform can exhibit a powerful network effect within an enterprise, meaning that the usefulness of our platform attracts additional users. Since solution-based licensing offers our customers an unlimited number of seats for each solution purchased, we expect customers to add more seats over time. As more employees in an enterprise use our platform, additional opportunities for collaboration and automation drive demand among their colleagues for additional solutions.

Pursue New Customers. We sell to organizations that manage large, complex processes with distributed teams of contributors and disparate sets of business data. We market our platform to professionals and executives in the areas of financial and non-financial reporting, including regulatory, multi-entity and performance reporting. In addition, we market to teams responsible for environmental, social and governance reporting, and governance, risk and compliance programs. We intend to continue to build our sales and marketing organization and leverage our brand equity to attract new customers.

Offer More Solutions. We intend to introduce new solutions to continue to meet growing demand for our platform. Our close and trusted relationships with our customers are a source for new use cases, features and solutions. We have a disciplined process for tracking, developing and releasing new solutions that are designed to have immediate, broad applicability; a strong value proposition; and a high return on investment for both Workiva and our customers. Our advance planning team assesses customer needs, conducts industry-based research and defines new markets. This vetting process involves our sales, product marketing, customer success, professional services, research and development, finance and senior management teams.

Expand Across Enterprises. Our success in delivering multiple solutions has created demand from customers for a broader-based, enterprise-wide Workiva platform. In response, we have been improving our technology and realigning sales and marketing to capitalize on our growing enterprise-wide opportunities. We believe this expansion will add seats and revenue and continue to support our high revenue retention rates. However, we expect that enterprise-wide deals will be larger and more complex, which tend to lengthen the sales cycle.

Add Partners. We continue to expand and deepen our relationships with global and regional partners, including consulting firms, system integrators, large and mid-sized independent software vendors, and implementation partners. Our advisory and service partners offer a wider range of domain and functional expertise that broadens our platform's capabilities and promotes Workiva as part of the digital transformation projects they drive for their customers. Our technology partners enable powerful data and process integrations to help customers connect critical transactional systems directly to our platform, with powerful linking, auditability and control features. We believe that our partner ecosystem extends our global reach, accelerates the usage and adoption of our platform, and enables more efficient delivery of professional services.

Investment in growth. We plan to continue to invest in the development of our platform, fit-for-purpose solutions and application marketplace to enhance our current offerings and build new features. In addition, we expect to continue to invest in our sales, marketing, professional services and customer success organizations to drive additional revenue and support the needs of our growing customer base and to take advantage of opportunities that we have identified in Europe, the Middle East and Africa ("EMEA") and Asia-Pacific ("APAC") regions.

Seasonality. Our revenue from professional services has some degree of seasonality. Many of our customers employ our professional services just before they file their Form 10-K, often in the first calendar quarter. Our sales and marketing expense also has some degree of seasonality. With the exception of September 2020 and September 2021 when we transitioned to a virtual event, sales and marketing expense has historically been higher in the third quarter due to our annual user conference in September. In addition, the timing of the payments of cash bonuses to employees during the first and fourth calendar quarters may result in some seasonality in operating cash flow.

Key Performance Indicators

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(dollars in thousands)				
<i>Financial metrics</i>				
Total revenue	\$ 158,175	\$ 132,849	\$ 463,386	\$ 394,072
Percentage increase in total revenue	19.1 %	17.9 %	17.6 %	22.2 %
Subscription and support revenue	\$ 143,421	\$ 118,591	\$ 409,857	\$ 339,064
Percentage increase in subscription and support revenue	20.9 %	19.9 %	20.9 %	23.3 %
Subscription and support as a percent of total revenue	90.7 %	89.3 %	88.4 %	86.0 %
As of September 30,				
	2023		2022	
<i>Operating metrics</i>				
Number of customers	5,945		5,541	
Subscription and support revenue retention rate	97.7%		98.1%	
Subscription and support revenue retention rate including add-ons	112.0%		107.0%	
Number of customers with annual contract value \$100k+	1,561		1,257	
Number of customers with annual contract value \$150k+	851		676	
Number of customers with annual contract value \$300k+	296		214	

Total customers. We believe total number of customers is a key indicator of our financial success and future revenue potential. We define a customer as an entity with an active subscription contract as of the measurement date. Our customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly. Companies with publicly-listed securities account for a substantial majority of our customers. As of September 30, 2023 and 2022, our total customer count includes 926 and 895 ParsePort ESEF customers, respectively.

Subscription and support revenue retention rate. We calculate our subscription and support revenue retention rate based on all customers that were active at the end of the same calendar quarter of the prior year (“base customers”). We begin by annualizing the subscription and support revenue recorded in the same calendar quarter of the prior year for those base customers who are still active at the end of the current quarter. We divide the result by the annualized subscription and support revenue in the same quarter of the prior year for all base customers.

Our subscription and support revenue retention rate was 97.7% as of September 30, 2023, down slightly from 98.1% as of September 30, 2022. We believe that our success in maintaining a high rate of revenue retention is attributable primarily to our robust technology platform and strong customer service. Customers whose securities were deregistered due to merger or acquisition or financial distress accounted for just over half of our revenue attrition in the latest quarter.

Subscription and support revenue retention rate including add-ons. Add-on revenue includes the change in both solutions and pricing for existing customers. We calculate our subscription and support revenue retention rate including add-ons by annualizing the subscription and support revenue recorded in the current quarter for our base customers that were active at the end of the current quarter. We divide the

result by the annualized subscription and support revenue in the same quarter of the prior year for all base customers.

Our subscription and support revenue retention rate including add-ons was 112.0% as of the quarter ended September 30, 2023, up from 107.0% as of September 30, 2022.

Annual contract value. Our annual contract value (“ACV”) for each customer is calculated by annualizing the subscription and support revenue recognized during each quarter. We believe the increase in the number of larger contracts shows our progress in expanding our customers’ adoption of our platform.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Subscription and support revenue from customers with annual contract value of \$100k+ as a percent of total subscription and support revenue	67.1%	62.3%	65.6%	61.6%
Subscription and support revenue from customers with annual contract value of \$150k+ as a percent of total subscription and support revenue	52.1%	47.4%	51.0%	46.9%
Subscription and support revenue from customers with annual contract value of \$300k+ as a percent of total subscription and support revenue	32.6%	27.6%	31.2%	27.1%

Components of Results of Operations

Revenue

We generate revenue through the sale of subscriptions to our cloud-based software and the delivery of professional services. We serve a wide range of customers in many industries, and our revenue is not concentrated with any single customer or small group of customers. For the nine months ended September 30, 2023 and 2022, no single customer represented more than 1% of our revenue, and our largest 10 customers accounted for less than 5% of our revenue in the aggregate.

We generate sales directly through our sales force and partners. We also identify some sales opportunities with existing customers through our customer success and professional services teams.

Our customer contracts typically range in length from twelve to 36 months. We typically invoice our customers for subscription fees annually in advance. For contracts with a two or three year term, customers sometimes elect to pay the entire multi-year subscription term in advance. Our arrangements do not contain general rights of return.

Subscription and Support Revenue. We recognize subscription and support revenue on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Amounts that are invoiced are initially recorded as deferred revenue.

Professional Services Revenue. We believe our professional services facilitate the sale of our subscription service to certain customers. To date, most of our professional services have consisted of document set up, XBRL tagging, and consulting to help our customers with business processes and best practices for using our platform. Our professional services are not required for customers to utilize our solution. We recognize revenue for document set ups when the service is complete and control has transferred to the customer. Revenues from XBRL tagging and consulting services are recognized as the services are performed.

Cost of Revenue

Cost of revenue consists primarily of personnel and related costs directly associated with our professional services, customer success teams and training personnel, including salaries, benefits, bonuses, and stock-based compensation; the costs of contracted third-party vendors; the costs of server usage by our customers; information technology costs; and facility costs. Costs of server usage are comprised primarily of fees paid to Amazon Web Services.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, commissions, travel, and stock-based compensation. Other costs included in this expense are marketing and promotional events, our annual user conference, online marketing, product marketing, information technology costs, and facility costs. We pay sales commissions for initial contracts and expansions of existing customer contracts. When the relevant amortization period is one year or less, we expense sales commissions as incurred. All other sales commissions are considered incremental costs of obtaining a contract with a customer and are deferred and amortized on a straight-line basis over a period of benefit that we have determined to be three years.

Research and Development Expenses

Research and development expenses consist primarily of personnel and related costs, including salaries, benefits, bonuses, and stock-based compensation; costs of server usage by our developers; information technology costs; and facility costs.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel and related costs for our executive, finance and accounting, legal, human resources, and administrative personnel, including salaries, benefits, bonuses, and stock-based compensation; legal, accounting, and other professional service fees; other corporate expenses; information technology costs; and facility costs.

Results of Operations

The following table sets forth selected consolidated statement of operations data for each of the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Revenue				
Subscription and support	\$ 143,421	\$ 118,591	\$ 409,857	\$ 339,064
Professional services	14,754	14,258	53,529	55,008
Total revenue	158,175	132,849	463,386	394,072
Cost of revenue				
Subscription and support ⁽¹⁾	24,864	19,235	74,080	56,683
Professional services ⁽¹⁾	13,491	13,184	42,297	38,846
Total cost of revenue	38,355	32,419	116,377	95,529
Gross profit	119,820	100,430	347,009	298,543
Operating expenses				
Research and development ⁽¹⁾	41,747	38,583	130,235	113,644
Sales and marketing ⁽¹⁾	72,576	64,560	215,168	184,879
General and administrative ⁽¹⁾	21,022	27,405	86,660	75,507
Total operating expenses	135,345	130,548	432,063	374,030
Loss from operations	(15,525)	(30,118)	(85,054)	(75,487)
Interest income	7,294	1,440	15,546	2,325
Interest expense	(47,437)	(1,510)	(50,437)	(4,540)
Other (expense) income, net	(71)	964	(1,450)	1,467
Loss before provision for income taxes	(55,739)	(29,224)	(121,395)	(76,235)
Provision for income taxes	530	467	1,934	810
Net loss	\$ (56,269)	\$ (29,691)	\$ (123,329)	\$ (77,045)

(1) Stock-based compensation expense included in these line items was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Cost of revenue				
Subscription and support	\$ 1,247	\$ 855	\$ 3,732	\$ 2,557
Professional services	623	533	1,923	1,578
Operating expenses				
Research and development	4,155	3,399	13,677	9,272
Sales and marketing	7,108	4,657	20,769	14,388
General and administrative	6,244	10,853	37,928	26,258
Total stock-based compensation expense	\$ 19,377	\$ 20,297	\$ 78,029	\$ 54,053

The following table sets forth our consolidated statement of operations data as a percentage of revenue for each of the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue				
Subscription and support	90.7 %	89.3 %	88.4 %	86.0 %
Professional services	9.3	10.7	11.6	14.0
Total revenue	100.0	100.0	100.0	100.0
Cost of revenue				
Subscription and support	15.7	14.5	16.0	14.4
Professional services	8.5	9.9	9.1	9.9
Total cost of revenue	24.2	24.4	25.1	24.3
Gross profit	75.8	75.6	74.9	75.7
Operating expenses				
Research and development	26.4	29.0	28.1	28.8
Sales and marketing	45.9	48.6	46.4	46.9
General and administrative	13.3	20.6	18.7	19.2
Total operating expenses	85.6	98.2	93.2	94.9
Loss from operations	(9.8)	(22.6)	(18.3)	(19.2)
Interest income	4.6	1.1	3.4	0.6
Interest expense	(30.0)	(1.1)	(10.9)	(1.2)
Other (expense) income, net	—	0.7	(0.3)	0.4
Loss before provision for income taxes	(35.2)	(21.9)	(26.1)	(19.4)
Provision for income taxes	0.3	0.4	0.4	0.2
Net loss	(35.5)%	(22.3)%	(26.5)%	(19.6)%

Comparison of Three and Nine Months Ended September 30, 2023 and 2022

Revenue

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
	(dollars in thousands)					
Revenue						
Subscription and support	\$ 143,421	\$ 118,591	20.9%	\$ 409,857	\$ 339,064	20.9%
Professional services	14,754	14,258	3.5%	53,529	55,008	(2.7)%
Total revenue	<u>\$ 158,175</u>	<u>\$ 132,849</u>	19.1%	<u>\$ 463,386</u>	<u>\$ 394,072</u>	17.6%

Total revenue increased \$25.3 million for the three months ended September 30, 2023 compared to the same quarter a year ago due primarily to a \$24.8 million increase in subscription and support revenue. Growth in subscription and support revenue in the third quarter was attributable mainly to strong demand and continued solution expansion across our customer base. Revenue from professional services increased slightly during the three months ended September 30, 2023 compared to the same quarter a year ago. The increase in revenue from professional services was due primarily to an increase in revenue from XBRL professional services partially offset by a decrease in revenue from other services as we continue to transition consulting and other services to our partners. We expect the revenue growth rate from subscription and support to continue to outpace revenue growth from professional services on an annual basis.

Total revenue increased \$69.3 million for the nine months ended September 30, 2023 compared to the same period a year ago due primarily to a \$70.8 million increase in subscription and support revenue. Growth in subscription and support revenue was attributable mainly to strong demand and continued solution expansion across our customer base. Professional services revenue decreased \$1.5 million during the nine months ended September 30, 2023 compared to the same period a year ago. The decrease was driven primarily by the continued transition of consulting and other services to our partners and the timing of performance of XBRL services. We expect the revenue growth rate from subscription and support to continue to outpace revenue growth from professional services on an annual basis.

Cost of Revenue

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
(dollars in thousands)						
Cost of revenue						
Subscription and support	\$ 24,864	\$ 19,235	29.3%	\$ 74,080	\$ 56,683	30.7%
Professional services	13,491	13,184	2.3%	42,297	38,846	8.9%
Total cost of revenue	<u>\$ 38,355</u>	<u>\$ 32,419</u>	18.3%	<u>\$ 116,377</u>	<u>\$ 95,529</u>	21.8%

Cost of revenue increased \$5.9 million during the three months ended September 30, 2023 compared to the same quarter a year ago due primarily to \$4.2 million in higher cash-based compensation and benefits costs due in part to increased headcount, \$0.5 million of additional stock-based compensation, and a \$0.8 million increase in the cost of cloud infrastructure services. The increases in headcount and cloud infrastructure services resulted primarily from our continued investment in and support of our platform and solutions.

Cost of revenue increased \$20.8 million during the nine months ended September 30, 2023 compared to the same period a year ago due primarily to \$13.4 million in higher cash-based compensation and benefits costs due in part to increased headcount, \$1.5 million of additional stock-based compensation, a \$1.0 million increase in travel expense, a \$3.1 million increase in the cost of cloud infrastructure services, a \$0.6 million increase in software expense, and a \$0.5 million increase in outsourced service fees. The increases in headcount, cloud infrastructure services, software expense, and outsourced service fees resulted primarily from our continued investment in and support of our platform and solutions. The increase in travel expense was due to a modest continued return to travel.

Operating Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
(dollars in thousands)						
Operating expenses						
Research and development	\$ 41,747	\$ 38,583	8.2%	\$ 130,235	\$ 113,644	14.6%
Sales and marketing	72,576	64,560	12.4%	215,168	184,879	16.4%
General and administrative	21,022	27,405	(23.3)%	86,660	75,507	14.8%
Total operating expenses	<u>\$ 135,345</u>	<u>\$ 130,548</u>	3.7%	<u>\$ 432,063</u>	<u>\$ 374,030</u>	15.5%

Research and Development

Research and development expenses increased \$3.2 million during the three months ended September 30, 2023 compared to the same quarter a year ago due primarily to \$2.4 million in higher cash-based compensation and benefits and \$0.8 million of additional stock-based compensation. The increase in compensation was primarily driven by continued investment in our employees in support of our platform and solutions.

Research and development expenses increased \$16.6 million during the nine months ended September 30, 2023 compared to the same period a year ago due primarily to \$11.6 million in higher cash-based compensation and benefits, \$4.4 million of additional stock-based compensation, and a \$0.7 million increase in travel expense. The increase in compensation was the result of our continued investment in and support of our platform and solutions. During the first nine months of 2023, we recognized an additional \$1.6 million in stock-based compensation pursuant to certain severance obligations. The increase in travel expense was primarily due to our annual internal research and development event and a modest continued return to travel.

Sales and Marketing

Sales and marketing expenses increased \$8.0 million during the three months ended September 30, 2023 compared to the same quarter a year ago due primarily to \$5.2 million in higher cash-based compensation and benefits and \$2.5 million of additional stock-based compensation. The increase in compensation was primarily due to an increase in employee headcount and sales commissions as we continue to invest in our go-to-market activities.

Sales and marketing expenses increased \$30.3 million during the nine months ended September 30, 2023 compared to the same period a year ago due primarily to \$17.7 million in higher cash-based compensation and benefits, \$6.4 million of additional stock-based compensation, a \$3.7 million increase in travel expense, a \$1.0 million increase in professional service fees, and a \$0.8 million increase in software expense. During the first nine months of 2023, we recognized an additional \$1.9 million in cash-based and stock-based compensation pursuant to certain severance obligations. The remaining increase in compensation was primarily due to an increase in employee headcount and sales commissions as we continue to invest in our go-to-market activities. The increases in professional service fees and software expense were the result of our continued investment in and support of our platform and solutions. The increase in travel expense was primarily due to a modest continued return to travel and our annual internal sales and marketing event which was held in person in the first half of 2023. The event was held virtually in the prior year.

General and Administrative

General and administrative expenses decreased \$6.4 million during the three months ended September 30, 2023 compared to the same quarter a year ago due primarily to a \$0.4 million decrease in cash-based compensation and benefits, a \$4.7 million decrease in stock-based compensation, and a \$1.0 million decrease related to recruiting and professional service fees. The decrease in stock-based compensation during the third quarter of 2023 is primarily due to the recognition of \$3.5 million in stock-based compensation pursuant to certain severance agreements during the third quarter of 2022 which did not recur in 2023. The remaining decrease in compensation was primarily due to a decrease in employee headcount.

General and administrative expenses increased \$11.2 million during the nine months ended September 30, 2023 compared to the same period a year ago due primarily to \$2.2 million in higher cash-based compensation and benefits, \$11.6 million of additional stock-based compensation, a \$0.5 million increase in public relations expense, partially offset by a \$2.7 million decrease related to recruiting and professional service fees and a \$1.4 million decrease in goods and service tax expense. In addition, during 2023 we recorded one-time fees of \$0.6 million related to the cancellation of certain events. During the first nine months of 2023, we recognized an additional \$1.4 million and \$18.1 million in cash-based compensation and stock-based compensation, respectively, pursuant to certain transition agreements with former executives. Public relations expense increased during 2023 as we continue to execute on our brand strategy. The decrease in sales tax expense was related to a goods and services tax refund which is not expected to recur.

Non-Operating Income (Expenses)

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
(dollars in thousands)						
Interest income	\$ 7,294	\$ 1,440	406.5%	\$ 15,546	\$ 2,325	568.6%
Interest expense	(47,437)	(1,510)	3041.5%	(50,437)	(4,540)	1010.9%
Other (expense) income, net	(71)	964	*	(1,450)	1,467	*

(*) Percentage is not meaningful.

Interest Income, Interest Expense and Other (Expense) Income, Net

During the three months ended September 30, 2023, interest income increased \$5.9 million compared to the same quarter a year ago due primarily to an increase in our investment balance, facilitated by the issuance of our 2028 convertible notes, coupled with higher interest rates. Interest expense increased compared to the same quarter a year ago due primarily to a \$45.1 million loss on induced conversion from the partial repurchase of our convertible senior notes due in 2026. Other (expense) income, net decreased \$1.0 million compared to the same quarter a year ago due primarily to losses on foreign currency transactions.

During the nine months ended September 30, 2023, interest income increased \$13.2 million compared to the same period a year ago due primarily to larger investment balances coupled with higher interest rates. Interest expense increased compared to the same period a year ago due primarily to a \$45.1 million loss on induced conversion from the partial repurchase of convertible senior notes due in 2026. Other (expense) income, net decreased \$2.9 million compared to the same period a year ago due primarily to losses on the sale of available-for-sale securities and losses on foreign currency transactions.

Results of Operations for Fiscal 2022 Compared to 2021

For a comparison of our results of operations for the fiscal years ended December 31, 2022 and 2021, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 21, 2023.

Liquidity and Capital Resources

Overview of Sources and Uses of Cash

As of September 30, 2023, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling \$782.4 million, which were held for working capital purposes. We have financed our operations primarily through the proceeds of offerings of equity, convertible debt, and cash from operating activities. We have generated significant operating losses and negative cash flows from operating activities as reflected in our accumulated deficit and consolidated statements of cash flows. While we expect to continue to incur operating losses and may incur negative cash flows from operations in the future, we believe that current cash and cash equivalents and cash flows from operating activities will be sufficient to fund our operations for at least the next twelve months.

Convertible Debt

In August 2023, we issued \$702.0 million aggregate principal amount of 1.250% convertible senior notes due 2028 (the "2028 Notes"). Proceeds from the issuance of the 2028 Notes totaled \$691.1 million, net of initial purchaser discounts and issuance costs. We used \$396.9 million of the net proceeds from the 2028 Notes offering to repurchase \$273.8 million principal amount, together with accrued and unpaid interest thereon, of our 1.125% convertible senior notes due 2026 (the "2026 Notes") in separate and individually negotiated transactions with certain holders. As of September 30, 2023, we had outstanding debt relating to our 2026 Notes and 2028 Notes of \$70.5 million and \$691.4 million, with corresponding maturity dates of August 15, 2026 and August 15, 2028, respectively.

Cash Flows

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cash flow provided by operating activities	\$ 14,991	\$ 4,855	\$ 46,533	\$ 12,602
Cash flow used in investing activities	(109,026)	(2,632)	(182,044)	(79,246)
Cash flow provided by (used in) financing activities	301,220	3,471	300,281	(143)
Net increase (decrease) in cash and cash equivalents, net of impact of exchange rates	\$ 205,946	\$ 3,244	\$ 164,688	\$ (70,889)

Operating Activities

For the three months ended September 30, 2023, cash provided by operating activities was \$15.0 million. The primary factors affecting our operating cash flows during the period were our net loss of \$56.3 million, adjusted for non-cash charges of \$2.7 million for depreciation and amortization of our property and equipment and intangible assets, \$19.4 million of stock-based compensation expense, \$1.9 million for the accretion of premiums and discounts on marketable securities, \$0.5 million for the amortization of our debt discount and issuance costs, a \$45.1 million loss on induced conversion from the partial repurchase of our convertible senior notes due in 2026, and a \$5.5 million net change in operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$15.2 million increase in accounts receivable, and a \$1.6 million increase in other receivables offset by a \$3.5 million decrease in prepaid expenses, a \$3.1 million decrease in deferred costs, a \$1.0 million decrease in other assets, a \$11.1 million increase in deferred revenue, and a \$3.5 million increase in accrued expenses and other liabilities. Customer growth and contract renewals for longer terms accounted for most of the increase in deferred revenue. Deferred costs decreased primarily due to the amortization of direct and incremental costs of obtaining a customer contract. The increases in accounts receivable, other receivables and accrued expenses and other liabilities as well as the decreases in prepaid expenses and other assets were attributable primarily to the timing of our billings, cash collections, and cash payments.

For the three months ended September 30, 2022, cash provided by operating activities was \$4.9 million. The primary factors affecting our operating cash flows during the period were our net loss of \$29.7 million, adjusted for non-cash charges of \$2.7 million for depreciation and amortization of our property and equipment and intangible assets, \$20.3 million of stock-based compensation expense and a \$11.0 million net change in operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$7.9 million increase in accounts receivable, a \$1.4 million increase in deferred costs, and a \$1.1 million increase in other assets offset by a \$3.6 million decrease in prepaid expenses, a \$3.9 million increase in accounts payable and a \$14.8 million increase in deferred revenue. Deferred costs increased primarily due to payments made to our sales force related to the direct and incremental costs of obtaining a customer contract. Customer growth accounted for most of the increase in deferred revenue. The increases in accounts receivable, other assets, and accounts payable as well as the decrease in prepaid expenses were attributable primarily to the timing of our billings, cash collections, and cash payments.

For the nine months ended September 30, 2023, cash provided by operating activities was \$46.5 million. The primary factors affecting our operating cash flows during the period were our net loss of \$123.3 million, adjusted for non-cash charges of \$8.4 million for depreciation and amortization of our property and equipment and intangible assets, \$78.0 million of stock-based compensation expense, \$4.5 million for the accretion of premiums and discounts on marketable securities, \$0.7 million in realized losses on the sale of available-for-sale securities, \$1.1 million for the amortization of our debt discount and issuance costs, a \$45.1 million loss on induced conversion from the partial repurchase of our convertible senior notes due in 2026, and a \$41.0 million net change in operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$4.0 million increase in prepaid expenses, a \$1.8 million increase in other receivables, and a \$1.3 million decrease in accounts payable offset by a \$7.2 million decrease in accounts receivable, a \$6.2 million decrease in deferred costs, a \$1.5 million decrease in other assets, a \$22.2 million increase in deferred revenue, and a \$10.2 million increase in accrued expenses and other liabilities. Customer growth accounted for most of the increase in deferred revenue. Deferred costs decreased primarily due to the amortization of direct and incremental costs of obtaining a customer contract. The increases in other receivables, prepaid expenses and accrued expenses and other liabilities as well as the decreases in accounts receivable and accounts payable were attributable primarily to the timing of our billings, cash collections, and cash payments.

For the nine months ended September 30, 2022, cash provided by operating activities was \$12.6 million. The primary factors affecting our operating cash flows during the period were our net loss of \$77.0 million, adjusted for non-cash charges of \$7.4 million for depreciation and amortization of our property and equipment and intangible assets, \$54.1 million of stock-based compensation expense, \$1.0 million for the amortization of our debt discount and issuance costs, \$1.2 million for the amortization of premiums and discounts on marketable securities, and a \$26.0 million net change in operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a \$6.2 million increase in accounts receivable, a \$2.7 million increase in deferred costs, and a \$1.1 million increase in other assets offset by a \$0.9 million decrease in prepaid expenses, a \$6.0 million increase in accounts payable, and a \$28.6 million increase in deferred revenue. Deferred costs increased due primarily to payments made to our sales force related to the direct and incremental costs of obtaining a customer contract. Customer growth accounted for most of the increase in deferred revenue. The increases in accounts receivable, other assets, and accounts payable as well as the decrease in prepaid expenses were attributable primarily to the timing of our billings, cash collections, and cash payments.

Investing Activities

Cash used in investing activities of \$109.0 million for the three months ended September 30, 2023 was due primarily to \$145.0 million in purchases of marketable securities and \$0.9 million in purchases of fixed assets partially offset by \$36.9 million from maturities of marketable securities. Our capital expenditures were associated primarily with computer equipment in support of expanding our infrastructure and work force.

Cash used in investing activities of \$2.6 million for the three months ended September 30, 2022 was due primarily to \$41.6 million in purchases of marketable securities and \$1.0 million in purchases of fixed assets partially offset by \$40.1 million from maturities of marketable securities. Our capital expenditures were associated primarily with computer equipment in support of expanding our infrastructure and work force.

Cash used in investing activities of \$182.0 million for the nine months ended September 30, 2023 was due primarily to \$322.0 million in purchases of marketable securities and \$1.7 million in purchases of fixed assets partially offset by \$65.1 million from the sale of marketable securities and \$76.8 million from maturities of marketable securities. Our capital expenditures were associated primarily with computer equipment in support of expanding our infrastructure and work force.

Cash used in investing activities of \$79.2 million for the nine months ended September 30, 2022 was due primarily to \$99.2 million for the acquisition of ParsePort, \$99.6 million in purchases of marketable securities, and \$2.2 million in purchases of fixed assets partially offset by \$106.9 million from maturities of marketable securities as well as \$15.0 million from the sale of marketable securities. Our capital expenditures were associated primarily with computer equipment in support of expanding our infrastructure and work force.

Financing Activities

Cash provided by financing activities of \$301.2 million for the three months ended September 30, 2023 was due primarily to \$691.1 million in proceeds from the issuance of convertible senior notes due in 2028, net of issuance costs, \$1.1 million in proceeds from option exercises, and \$7.0 million in proceeds from shares issued in connection with our employee stock purchase plan partially offset by \$396.9 million paid for the partial repurchase of our convertible senior notes due in 2026 and \$1.0 million in taxes paid related to net share settlements of stock-based compensation awards.

Cash provided by financing activities of \$3.5 million for the three months ended September 30, 2022 was due primarily to \$0.6 million in proceeds from option exercises and \$4.0 million in proceeds from shares issued in connection with our employee stock purchase plan partially offset by \$0.7 million in taxes paid related to net share settlements of stock-based compensation awards.

Cash provided by financing activities of \$300.3 million for the nine months ended September 30, 2023 was due primarily to \$691.1 million in proceeds from the issuance of convertible senior notes due in 2028, net of issuance costs, \$3.3 million in proceeds from option exercises, and \$12.5 million in proceeds from shares issued in connection with our employee stock purchase plan partially offset by \$396.9 million paid for the partial repurchase of our convertible senior notes due in 2026 and \$9.4 million in taxes paid related to net share settlements of stock-based compensation awards.

Cash used in financing activities of \$0.1 million for the nine months ended September 30, 2022 was due primarily to \$10.7 million in taxes paid related to net share settlements of stock-based compensation awards and \$1.3 million in principal payments on finance lease obligations partially offset by \$2.6 million in proceeds from option exercises and \$9.3 million in proceeds from shares issued in connection with our employee stock purchase plan.

Contractual Obligations and Commitments

There were no material changes in our contractual obligations and commitments from those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 21, 2023.

Critical Accounting Policies and Estimates

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

During the nine months ended September 30, 2023, there were no significant changes to our critical accounting policies and estimates as described in the financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 21, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see “Item 7A., Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2022. Our exposures to market risk have not changed materially since December 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Part II. Other Information

Item 1. Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, would have a material adverse effect on our business, financial condition, operating results or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2022 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes during fiscal 2023 to the risk factors that were included in the Form 10-K, other than what is set forth immediately below.

Recent events affecting the financial services industry could have an adverse impact on the Company's business operations, financial condition and results of operations.

Silicon Valley Bank and Signature Bank closed in March of 2023 which created bank-specific and broader financial institution liquidity risks and concerns. The future effect of these events on the financial services industry and broader economy are unknown and difficult to predict but could include failures of other financial institutions to which we or our customers face direct or more significant exposure, as well as other risks not yet identified. Any of these effects could have material adverse impacts on our liquidity, our current and/or projected business operations and financial condition and our results of operations.

Item 2. Unregistered Sales of Securities and Use of Proceeds

Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

The following table provides information about purchases of shares of our Class A Common Stock during the three months ended September 30, 2023 related to shares withheld upon vesting of restricted stock units for tax withholding obligations:

Date	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under Program
July 2023	279	\$ 101.66	—	—
August 2023	906	106.06	—	—
September 2023	7,787	110.38	—	—
Total	8,972	\$ 109.67	—	—

(1) Total number of shares delivered to us by employees to satisfy the mandatory tax withholding requirement upon vesting of stock-based compensation awards.

Item 5. Other Information

Director and Officer Trading Arrangements

On September 11, 2023, Michael Hawkins, Executive Vice President of Sales, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 20,152 shares of the Company's Class A common stock until February 9, 2024.

During the three months ended September 30, 2023, no director or officer of the Company, other than what has been set forth immediately above, adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

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

<u>Exhibit Number</u>	<u>Description</u>
4.1	Indenture, dated August 17, 2023, between Workiva Inc. and U.S. Bank Trust Company, National Association , incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 17 2023.
4.2	Form of 1.250% Convertible Senior Note due 2028 , incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 17, 2023.
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Workiva Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Changes in Stockholders Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 30th day of October, 2023.

WORKIVA INC.

By: /s/ Julie Iskow

Name: Julie Iskow

Title: President and Chief Executive Officer

By: /s/ Jill Klindt

Name: Jill Klindt

Title: Executive Vice President, Chief Financial Officer and Treasurer