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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended October 31, 2020
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __ to __
Commission File Number: 001-39380

nCino, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**46-4353148**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

6770 Parker Farm Drive
Wilmington, North Carolina 28405
(Address of principal executive offices including zip code)

(888) 676-2466
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0005 per share	NCNO	NASDAQ Global Select Market

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 92,294,563 shares of common stock, $0.0005 par value per share, as of November 30, 2020.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies and plans, trends, market sizing, competitive position, industry environment, potential growth opportunities and product capabilities, among other things. Forward-looking statements include all statements that are not historical facts and, in some cases, can be identified by terms such as “aim,” “anticipates,” “believes,” “could,” “estimates,” “expects,” “goal,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “strive,” “will,” “would,” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including those described in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this report. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Except as required by law, we disclaim any obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

As used in this report, the terms “nCino,” the “Company,” “Registrant,” “we,” “us,” and “our” mean nCino, Inc. and its subsidiaries unless the context indicates otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

nCino, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	January 31, 2020	October 31, 2020 (Unaudited)
Assets		
Current Assets		
Cash and cash equivalents (VIE: $8,892 and $8,195 at January 31, 2020 and October 31, 2020, respectively)	$ 91,184	$ 378,584
Accounts receivable, less allowance for doubtful accounts of $0 and $342 at January 31, 2020 and October 31, 2020, respectively	34,205	25,350
Accounts receivable, related parties	9,201	—
Costs capitalized to obtain revenue contracts, current portion, net	3,608	4,019
Prepaid expenses and other current assets	7,079	9,571
Total current assets	145,277	417,524
Property and equipment, net	13,477	14,307
Costs capitalized to obtain revenue contracts, noncurrent, net	7,000	7,608
Goodwill	55,840	56,298
Intangible assets, net	26,093	23,790
Other long-term assets	2,464	869
Total assets	$ 250,151	$ 520,396
Liabilities, Redeemable Non-Controlling Interest, and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 1,258	$ 2,354
Accounts payable, related parties	3,408	4,100
Accrued commissions	7,862	5,237
Other accrued expenses	4,922	5,527
Deferred rent, current portion	183	204
Deferred revenue, current portion	50,929	68,634
Deferred revenue, current portion, related parties	8,013	—
Total current liabilities	76,575	86,056
Deferred income taxes, noncurrent	194	290
Deferred rent, noncurrent	1,558	1,426
Deferred revenue, noncurrent	—	1,741
Other long-term liabilities	195	—
Total liabilities	78,522	89,513
Commitments and Contingencies (Notes 8, 11 and 12)		
Redeemable non-controlling interest (Note 3)	4,356	4,166
Stockholders' Equity		
Preferred stock, $0.001 par value; 1,000,000 and 10,000,000 shares authorized as of January 31, 2020 and October 31, 2020, respectively; and none issued and outstanding as of January 31, 2020 and October 31, 2020, respectively	—	—
Common stock, $0.0005 par value; 0 and 500,000,000 shares authorized as of January 31, 2020 and October 31, 2020, respectively; 0 and 91,959,276 shares issued and outstanding as of January 31, 2020 and October 31, 2020, respectively	—	46
Voting common stock, $0.0005 par value; 99,708,247 and 0 shares authorized as of January 31, 2020 and October 31, 2020, respectively; 75,596,007 and 0 shares issued and outstanding as of January 31, 2020 and October 31, 2020, respectively	38	—
Non-voting common stock, $0.0005 par value; 10,291,753 and 0 shares authorized as of January 31, 2020 and October 31, 2020, respectively; 5,931,319 and 0 shares issued and outstanding as of January 31, 2020 and October 31, 2020, respectively	3	—
Additional paid-in capital	288,564	575,529
Accumulated other comprehensive (loss) income	(408)	201
Accumulated deficit	(120,924)	(149,059)
Total stockholders' equity	167,273	426,717
Total liabilities, redeemable non-controlling interest, and stockholders' equity	$ 250,151	$ 520,396

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

nCino, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	**2020**	**2019**	**2020**
Revenues				
Subscription (related parties $1,904, $0, $5,771 and $2,439, respectively)	$ 27,673	$ 43,279	$ 71,815	$ 117,461
Professional services	10,189	10,950	27,861	30,245
Total revenues	37,862	54,229	99,676	147,706
Cost of Revenues				
Subscription[1] (related party $5,826, $9,067, $16,246 and $25,277, respectively)	8,243	12,380	21,828	34,399
Professional services[1]	8,646	10,134	23,869	29,568
Total cost of revenues	16,889	22,514	45,697	63,967
Gross profit	20,973	31,715	53,979	83,739
Operating Expenses				
Sales and marketing[1]	12,602	14,175	31,070	42,027
Research and development[1]	9,534	15,077	25,172	41,334
General and administrative[1]	5,557	11,251	15,896	29,130
Total operating expenses	27,693	40,503	72,138	112,491
Loss from operations	(6,720)	(8,788)	(18,159)	(28,752)
Non-operating Income (Expense)				
Interest income	99	78	682	289
Other	690	(260)	(37)	337
Loss before income tax expense	(5,931)	(8,970)	(17,514)	(28,126)
Income tax expense	158	309	496	709
Net loss	(6,089)	(9,279)	(18,010)	(28,835)
Net loss attributable to redeemable non-controlling interest (Note 3)	(60)	(292)	(60)	(700)
Adjustment attributable to redeemable non-controlling interest (Note 3)	—	76	—	343
Net loss attributable to nCino, Inc.	$ (6,029)	$ (9,063)	$ (17,950)	$ (28,478)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.08)	$ (0.10)	$ (0.23)	$ (0.33)
Weighted average number of common shares outstanding:				
Basic and diluted	79,382,419	91,600,203	77,277,039	85,962,141

[1]Includes stock-based compensation expense as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	**2020**	**2019**	**2020**
Cost of subscription revenues	$ 71	$ 135	$ 208	$ 438
Cost of professional services revenues	315	810	938	3,358
Sales and marketing	339	1,157	946	4,818
Research and development	315	1,066	926	4,406
General and administrative	41	2,125	1,664	6,593
Total stock-based compensation expense	$ 1,081	$ 5,293	$ 4,682	$ 19,613

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

nCino, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Net loss	$ (6,089)	$ (9,279)	$ (18,010)	$ (28,835)
Other comprehensive income (loss):				
Foreign currency translation	(366)	(3)	83	776
Other comprehensive income (loss)	(366)	(3)	83	776
Comprehensive loss	(6,455)	(9,282)	(17,927)	(28,059)
Less comprehensive loss attributable to redeemable non-controlling interest:				
Net loss attributable to redeemable non-controlling interest	(60)	(292)	(60)	(700)
Foreign currency translation attributable to redeemable non-controlling interest	10	(2)	10	167
Comprehensive loss attributable to redeemable non-controlling interest	(50)	(294)	(50)	(533)
Comprehensive loss attributable to nCino, Inc.	$ (6,405)	$ (8,988)	$ (17,877)	$ (27,526)

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

nCino, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Three Months Ended October 31, 2019							
	Voting Common Stock		Non-voting Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance, July 31, 2019	71,813,095	$ 36	5,701,435	$ 3	$ 198,720	$ 428	$ (105,251)	$ 93,936
Stock issuance, net of issuance costs of $52	3,448,276	2	229,885	—	79,946	—	—	79,948
Stock issuance related to business combinations	63,967	—	—	—	1,392	—	—	1,392
Contingent consideration related to business combinations	—	—	—	—	5,857	—	—	5,857
Exercise of stock options	110,032	—	—	—	203	—	—	203
Stock-based compensation	—	—	—	—	1,081	—	—	1,081
Other comprehensive loss	—	—	—	—	—	(376)	—	(376)
Net loss attributable to nCino, Inc.	—	—	—	—	—	—	(6,029)	(6,029)
Balance, October 31, 2019	75,435,370	$ 38	5,931,320	$ 3	$ 287,199	$ 52	$ (111,280)	$ 176,012

	Three Months Ended October 31, 2020					
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, July 31, 2020	91,122,356	$ 46	$ 567,314	$ 202	$ (140,072)	$ 427,490
Exercise of stock options	836,920	—	2,998	—	—	2,998
Stock-based compensation	—	—	5,293	—	—	5,293
Other comprehensive loss	—	—	—	(1)	—	(1)
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(76)	—	(8,987)	(9,063)
Balance, October 31, 2020	91,959,276	$ 46	$ 575,529	$ 201	$ (149,059)	$ 426,717

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

nCino, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Nine Months Ended October 31, 2019							
	Voting Common Stock		Non-voting Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance, January 31, 2019	70,186,189	$ 35	5,701,435	$ 3	$ 170,771	$ (21)	$ (104,752)	$ 66,036
Cumulative-effect adjustment from adoption of accounting standard	—	—	—	—	—	—	11,422	11,422
Stock issuance, net of issuance costs of $52	3,448,276	2	229,885	—	79,946	—	—	79,948
Stock issuance related to business combinations	1,502,772	1	—	—	25,203	—	—	25,204
Contingent consideration related to business combinations	—	—	—	—	5,857	—	—	5,857
Exercise of stock options	298,133	—	—	—	740	—	—	740
Stock-based compensation	—	—	—	—	4,682	—	—	4,682
Other comprehensive income	—	—	—	—	—	73	—	73
Net loss attributable to nCino, Inc.	—	—	—	—	—	—	(17,950)	(17,950)
Balance, October 31, 2019	75,435,370	$ 38	5,931,320	$ 3	$ 287,199	$ 52	$ (111,280)	$ 176,012

	Nine Months Ended October 31, 2020									
	Common Stock		Voting Common Stock		Non-voting Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 31, 2020	—	$ —	75,596,007	$ 38	5,931,319	$ 3	$ 288,564	$ (408)	$ (120,924)	$ 167,273
Issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions	9,269,000	5	—	—	—	—	268,370	—	—	268,375
Costs in connection with initial public offering	—	—	—	—	—		(4,534)	—	—	(4,534)
Exercise of stock options	837,420	—	325,530	—	—	—	3,859	—	—	3,859
Reclassification of voting and non-voting common stock	81,852,856	41	(75,921,537)	(38)	(5,931,319)	(3)	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	19,613	—	—	19,613
Other comprehensive income	—	—	—	—	—	—	—	609	—	609
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	—	—	—	—	(343)	—	(28,135)	(28,478)
Balance, October 31, 2020	91,959,276	$ 46	—	$ —	—	$ —	$ 575,529	$ 201	$ (149,059)	$ 426,717

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

nCino, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended October 31,	
	2019	**2020**
Cash Flows from Operating Activities		
Net loss attributable to nCino, Inc.	$ (17,950)	$ (28,478)
Net loss and adjustment attributable to redeemable non-controlling interest	(60)	(357)
Net loss	(18,010)	(28,835)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,894	5,425
Amortization of costs capitalized to obtain revenue contracts	2,351	3,521
Stock-based compensation	4,682	19,613
Deferred income taxes	119	96
Provision for (recovery of) bad debt	(105)	342
Change in operating assets and liabilities:		
Accounts receivable	4,716	8,535
Accounts receivable, related parties	4,318	9,201
Costs capitalized to obtain revenue contracts	(2,416)	(4,531)
Prepaid expenses and other assets	104	(2,652)
Accounts payable and accrued expenses and other liabilities	(2,196)	(1,551)
Accounts payable, related parties	546	692
Deferred rent	1,074	(109)
Deferred revenue	9,768	19,413
Deferred revenue, related parties	(5,675)	(8,013)
Net cash provided by operating activities	2,170	21,147
Cash Flows from Investing Activities		
Acquisition of business, net of cash acquired	(52,267)	—
Purchases of property and equipment	(3,374)	(3,755)
Net cash used in investing activities	(55,641)	(3,755)
Cash Flows from Financing Activities		
Proceeds from initial public offering, net of underwriting discounts and commissions	—	268,375
Payments of costs related to initial public offering	—	(2,524)
Investment from redeemable non-controlling interest	4,513	—
Proceeds from stock issuance	80,000	—
Stock issuance costs	(52)	—
Payments of deferred costs	(44)	—
Exercise of stock options	740	3,859
Net cash provided by financing activities	85,157	269,710
Effect of foreign currency exchange rate changes on cash and cash equivalents	(84)	298
Net increase in cash and cash equivalents	31,602	287,400
Cash and Cash Equivalents, beginning of period	74,347	91,184
Cash and Cash Equivalents, end of period	$ 105,949	$ 378,584
Supplemental disclosure of cash flow information		
Cash paid during the year for taxes, net of refunds	$ 313	$ 587
Supplemental disclosure of noncash investing and financing activities		
Purchase of property and equipment, accrued but not paid	$ 316	$ 116
Fair value of common stock issued as consideration for business acquisition	$ 25,204	$ —
Costs related to initial public offering, accrued but not paid	$ —	$ 241
Costs related to initial public offering, reclassified from other long term assets to equity	$ —	$ 1,769
Fair value of contingent consideration in connection with business acquisition in other long-term liabilities	$ 197	$ —
Fair value of contingent consideration in connection with business acquisition included in equity	$ 5,857	$ —

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

nCino, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts and unless otherwise indicated)

Note 1. Organization and Description of Business

Description of Business: nCino, Inc. is a software-as-a-service (SaaS) company that provides software applications to financial institutions to streamline employee and client interactions. The Company is headquartered in Wilmington, North Carolina and has offices in Salt Lake City, Utah; London, United Kingdom; Sydney, Australia; Melbourne, Australia; Toronto, Canada; and Tokyo, Japan.

Initial Public Offering: On July 13, 2020, the Company's Registration Statement on Form S-1 relating to the initial public offering ("IPO") of its common stock was declared effective by the Securities and Exchange Commission ("SEC"). Prior to the closing of the IPO, the Company's certificate of incorporation was amended such that all outstanding shares of voting common stock and non-voting common stock were reclassified into a single class of stock designated as common stock which has one vote per share. In addition, effective upon the closing of the IPO, the Company's certificate of incorporation was amended and restated such that the total number of shares of common stock authorized to issue, par value $0.0005, was increased to 500,000,000 shares and the total number of shares of preferred stock authorized to issue, par value $0.001, was increased to 10,000,000 shares. In connection with the IPO, the Company issued and sold 9,269,000 shares of common stock (including shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a public offering price of $31.00 per share for net proceeds of $268.4 million, after deducting underwriters' discounts and commissions (excluding other IPO costs as of October 31, 2020).

Prior to the IPO, deferred offering costs, which consist of legal, accounting, consulting and other direct fees and costs relating to the IPO, were capitalized in other long-term assets. Upon consummation of the IPO, these costs were offset against the proceeds from the IPO and recorded in additional paid-in capital.

Secondary Public Offering: On October 13, 2020, the Company completed an underwritten secondary public offering of 7,712,985 shares of common stock (including shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares) (the "Secondary Offering") held by certain stockholders of the Company (the "Selling Stockholders"). The Company did not offer any shares of common stock in the Secondary Offering and did not receive any proceeds from the sale of the shares of common stock by the Selling Stockholders. The Company incurred costs of $1.0 million in relation to the Secondary Offering for the three and nine months ended October 31, 2020 and such costs are recorded as a component of general and administrative expenses on the unaudited condensed consolidated statement of operations. The Company received $1.7 million in cash (excluding withholding taxes) in connection with the exercise of 554,112 options by certain stockholders participating in this Secondary Offering. In addition, concurrent with the pricing of the Secondary Offering, the underwriters in the Company's IPO released an additional 367,561 shares from lock-up agreements, signed in connection with the IPO, with stockholders who did not participate in the Secondary Offering. The release consisted of both outstanding shares and shares subject to options.

Fiscal Year End: The Company’s fiscal year ends on January 31.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as set forth in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included for the Company’s audited January 31, 2020 consolidated financial statements contained in the Company's final prospectus for the Secondary Offering dated October 7, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 9, 2020. The unaudited condensed consolidated financial statements include accounts of the Company’s wholly-owned subsidiaries, as well as a variable interest entity in which the

Company is the primary beneficiary. All intercompany accounts and transactions are eliminated. Refer to the variable interest entity section below and Note 3 for additional information regarding the Company's variable interest entity.

The Company is subject to the normal risks associated with technology companies that have not demonstrated sustainable income from operations, including product development, the risk of customer acceptance and market penetration of its products and services and, ultimately, the need to attain profitability to generate positive cash resources.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year 2021 or any future period.

Variable Interest Entity: The Company holds an interest in a Japanese company ("nCino K.K.") that is considered a variable interest entity or VIE. nCino K.K. is considered a VIE as it has insufficient equity capital to finance its activities without additional financial support. The Company is the primary beneficiary of nCino K.K. as it has the power over the activities that most significantly impact the economic performance of nCino K.K. and has the obligation to absorb expected losses and the right to receive expected benefits that could be significant to nCino K.K., in accordance with accounting guidance. As a result, the Company consolidated nCino K.K. and all significant intercompany accounts have been eliminated. The Company will continue to assess whether it has a controlling financial interest and whether it is the primary beneficiary at each reporting period. Other than the Company's equity investment, the Company has not provided financial or other support to nCino K.K. that it was not contractually obligated to provide. The assets of the VIE can only be used to settle the obligations of the VIE and the creditors of the VIE do not have recourse to the Company. The assets and liabilities of the VIE were not significant to the Company's consolidated financial statements except for cash which is reflected on the unaudited condensed consolidated balance sheets. Refer to Note 3 for additional information regarding the Company's variable interest.

Redeemable Non-Controlling Interest: Redeemable non-controlling interest relates to minority investors of nCino K.K. An agreement with the minority investors of nCino K.K. contains redemption features whereby the interest held by the minority investors are redeemable either at the option of the (i) minority investors or (ii) the Company, both beginning on the eighth anniversary of the initial capital contribution. If the interest of the minority investors were to be redeemed under this agreement, the Company would be required to redeem the interest based on a prescribed formula derived from the relative revenues of nCino K.K. and the Company. The balance of the redeemable non-controlling interest is reported at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings or losses and other comprehensive income or loss, or its estimated redemption value. The resulting changes in the estimated redemption amount (increases or decreases) are recorded with corresponding adjustments against retained earnings or, in the absence of retained earnings, additional paid-in-capital. These interests are presented on the unaudited condensed consolidated balance sheets outside of equity under the caption "Redeemable non-controlling interest."

Use of Estimates: The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions made by the Company's management are used for, but not limited to, revenue recognition including determining the nature and timing of satisfaction of performance obligations, variable consideration, stand-alone selling price, and other revenue items requiring significant judgement; the average period of benefit associated with costs capitalized to obtain revenue contracts; fair value of assets acquired and liabilities assumed for business combinations; fair value of contingent consideration; the useful lives of intangible assets; the valuation allowance on deferred tax assets; redemption value of redeemable non-controlling interest and stock-based compensation. The Company assesses these estimates on a regular basis using historical experience and other factors. Actual results could differ from these estimates.

Concentration of Credit Risk and Significant Customers: The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Company's cash and cash equivalents exceeded the Federal deposit insurance limit at January 31, 2020 and October 31, 2020. The Company maintains its cash and cash equivalents with high-credit-quality financial institutions.

(In thousands, except share and per share amounts and unless otherwise indicated)

As of January 31, 2020, two customers represented 22% of accounts receivable, 11% of which was from a customer who is an equity holder. In the quarter ended July 31, 2020, the equity holder ceased to qualify as a related party of the Company and the amounts disclosed related to such equity holder are accordingly presented as a related party through April 30, 2020, only. As of October 31, 2020, one customer represented 16% of accounts receivable. For the three and nine months ended October 31, 2019 and 2020, no individual customer represented more than 10% of the Company's total revenues.

Accounts Receivable and Allowances: A receivable is recorded when an unconditional right to invoice and receive payment exists, such that only the passage of time is required before payment of consideration is due. Timing of revenue recognition may differ from the timing of invoicing to customers. Certain performance obligations may require payment before delivery of the service to the customer. We recognize a contract asset in the form of accounts receivable when we have an unconditional right to payment, and we record a contract asset in the form of unbilled accounts receivable when revenues earned on a contract exceeds the billings. The Company's standard billing terms are annual in advance. An unbilled accounts receivable is a contract asset related to the delivery of the Company's subscription services and professional services for which the related billings will occur in a future period. Unbilled accounts receivable consists of (i) revenues recognized for professional services performed but not yet billed and (ii) revenues recognized from non-cancelable, multi-year orders in which fees increase annually but for which we are not contractually able to invoice until a future period. Accounts receivable are reported at their gross outstanding balance reduced by an allowance for estimated receivable losses.

The Company records allowances for doubtful accounts based upon the credit worthiness of customers, historical experience, the age of the accounts receivable and current market and economic conditions.

A summary of activity in the allowance for doubtful accounts is as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Balance, beginning of period	$ —	$ 622	$ 123	$ —
Charged to (recovery of) bad debt expense	—	(277)	(105)	342
Write off of uncollectible accounts	—	—	(18)	—
Translation adjustments	—	(3)	—	—
Balance, end of period	$ —	$ 342	$ —	$ 342

Recently Adopted Accounting Guidance:

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, and early adoption is permitted. An entity is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. The Company adopted the standard effective February 1, 2020. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020, with early adoption permitted. The Company prospectively adopted the standard effective February 1, 2020. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17, *Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which addresses the cost and complexity of financial reporting associated with consolidation of variable interest entities (“VIE”). ASU 2018-17 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020, with early adoption permitted. The new guidance must be applied on a retrospective basis as a cumulative-effect adjustment as of the date of adoption. The adoption of this standard did not impact the Company’s unaudited condensed consolidated financial statements or related disclosures upon adoption, because the Company did not, and currently does not, have any indirect interests through related parties under common control for which it receives decision-making fees.

Recent Accounting Pronouncements Not Yet Adopted:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For lessors, accounting for leases is substantially the same as in prior periods. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases,* to clarify how to apply certain aspects of the new leases standard. ASU 2016-02, as subsequently amended for various technical issues, is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, and early adoption is permitted. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. The Company is currently evaluating the impact of this standard to the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13, as subsequently amended for various technical issues, is effective for emerging growth companies following private company adoption dates for fiscal years beginning after December 15, 2022 and for interim periods within those fiscal years. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. The Company is currently evaluating the impact of this standard to the Company's financial statements.

In December 2019, the FASB issued ASU 2019-12, I*ncome Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, with early adoption permitted, including adoption in an interim period. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company’s financial statements.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*. The guidance includes amendments to improve the codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to the financial statements is codified in the disclosure section of the codification and to clarify guidance so that entities can apply guidance more consistently on codifications that are varied in nature where the original guidance may have been unclear. ASU 2020-10 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, and early adoption is permitted. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company’s financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts and unless otherwise indicated)

Note 3. Variable Interest Entity and Redeemable Non-Controlling Interest

In October 2019, the Company entered into an agreement with Japan Cloud Computing, L.P. and M30 LLC (collectively, the "Investors") to engage in the investment, organization, management, and operation of nCino K.K. that is focused on the distribution of the Company's products in Japan. In October 2019, the Company initially contributed $4.7 million in cash in exchange for 51% of the outstanding common stock of nCino K.K. As of October 31, 2020, the Company controls a majority of the outstanding common stock in nCino K.K.

All of the common stock held by the Investors is callable by the Company or puttable by the Investors at the option of the Investors or at the option of the Company beginning on the eighth anniversary of the agreement with the Investors. Should the call or put option be exercised, the redemption value would be determined based on a prescribed formula derived from the discrete revenues of nCino K.K. and the Company and may be settled, at the Company's discretion, with Company stock or cash or a combination of the foregoing. As a result of the put right available to the Investors, the redeemable non-controlling interests in nCino K.K. are classified outside of permanent equity in the Company's unaudited condensed consolidated balance sheets. The estimated redemption value of the call/put option embedded in the redeemable non-controlling interest was $0.3 million at October 31, 2020.

The following table summarizes the activity in the redeemable non-controlling interests for the period indicated below:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Balance, beginning of period	$ —	$ 4,384	$ —	$ 4,356
Investment by redeemable non-controlling interest	4,513	—	4,513	—
Net loss attributable to redeemable non-controlling interest	(60)	(292)	(60)	(700)
Foreign currency translation	10	(2)	10	167
Adjustment to redeemable non-controlling interest	—	76	—	343
Balance, end of period	$ 4,463	$ 4,166	$ 4,463	$ 4,166

Note 4. Fair Value of Financial Instruments

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Significant other inputs that are directly or indirectly observable in the marketplace.

Level 3. Significant unobservable inputs which are supported by little or no market activity.

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value as of January 31, 2020 and October 31, 2020 because of the relatively short duration of these instruments.

(In thousands, except share and per share amounts and unless otherwise indicated)

The Company evaluated its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. The following table summarizes the Company's financial assets measured at fair value as of January 31, 2020 and October 31, 2020 and indicates the fair value hierarchy of the valuation:

	Fair value measurements on a recurring basis as of January 31, 2020		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 67,119	$ —	$ —
Total assets	$ 67,119	$ —	$ —
Liabilities:			
Contingent consideration (included in other long-term liabilities)	$ —	$ —	$ 195
Total liabilities	$ —	$ —	$ 195

	Fair value measurements on a recurring basis as of October 31, 2020		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 349,482	$ —	$ —
Total assets	$ 349,482	$ —	$ —
Liabilities:			
Contingent consideration (included in other accrued expenses)	$ —	$ —	$ 204
Total liabilities	$ —	$ —	$ 204

All of the Company's money market accounts are classified within Level 1 because the Company's money market accounts are valued using quoted market prices in active exchange markets including identical assets.

The Company added contingent consideration, a Level 3 measurement, on October 18, 2019 with the acquisition of FinSuite Pty Ltd ("FinSuite"). Changes in fair value of the contingent consideration are recorded in the unaudited condensed consolidated statements of operations within other income. The Company's contingent consideration is valued using a probability weighted discounted cash flow analysis. A reconciliation of the balance for contingent consideration obligations for the three and nine months ended October 31, 2020 is as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Balance, beginning of period	$ —	$ 209	$ —	$ 195
Acquisitions	197	—	197	—
Change in fair value	—	—	—	—
Translation adjustments	4	(5)	4	9
Balance, end of period	$ 201	$ 204	$ 201	$ 204

(In thousands, except share and per share amounts and unless otherwise indicated

Note 5. Revenues

Revenues by Geographic Area

Revenues by geographic region were as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
United States	$ 34,537	$ 47,635	$ 91,869	$ 132,155
International	3,325	6,594	7,807	15,551
	$ 37,862	$ 54,229	$ 99,676	$ 147,706

Revenues by geography are determined based on the region of the Company's contracting entity, which may be different than the region of the customer. No country outside the United States represented 10% or more of total revenues.

Contract Amounts

Accounts Receivable

Accounts receivable, less allowance for doubtful accounts, is as follows as of January 31, 2020 and October 31, 2020:

	As of January 31, 2020	As of October 31, 2020
Trade accounts receivable	$ 32,686	$ 23,679
Unbilled accounts receivable	1,425	1,792
Allowance for doubtful accounts	—	(342)
Other accounts receivable	94	221
Total accounts receivable, net	$ 34,205	$ 25,350

Deferred Revenue and Remaining Performance Obligation

Significant movements in the deferred revenue balance during the period consisted of increases due to payments received prior to transfer of control of the underlying performance obligations to the customer, which were offset by decreases due to revenues recognized in the period. During the nine months ended October 31, 2020, $53.8 million of revenues were recognized that were included in the balance of deferred revenue as of January 31, 2020.

Transaction price allocated to remaining performance obligations represents contracted revenues that have not yet been recognized, which includes deferred revenue and unbilled amounts that will be recognized as revenues in future periods. Transaction price allocated to the remaining performance obligation is influenced by several factors, including the timing of renewals, average contract terms and foreign currency exchange rates. The Company applies practical expedients to exclude amounts related to performance obligations that are billed and recognized as they are delivered, optional purchases that do not represent material rights, and any estimated amounts of variable consideration that are subject to constraint.

Remaining performance obligations were $452.9 million as of October 31, 2020. The Company expects to recognize approximately 66% of its remaining performance obligation as revenues in the next 24 months, approximately 31% more in the following 25 to 48 months, and the remainder thereafter.

(In thousands, except share and per share amounts and unless otherwise indicated)

Note 6. Business Combinations

Visible Equity, LLC

On July 8, 2019, the Company acquired all outstanding membership interests of Visible Equity, LLC ("Visible Equity") which provides financial analytics, portfolio management and compliance solutions to banks and credit unions. The Company acquired Visible Equity for its product offerings and the domain expertise of its employees. Visible Equity is headquartered in Salt Lake City, Utah.

The acquisition-date fair value of the consideration transferred is as follows:

	Total Consideration
Cash consideration to members	$ 49,428
Voting common stock issued (1,438,805 shares)	23,812
Total consideration	$ 73,240

The transaction was accounted for using the acquisition method and, as a result, assets acquired and liabilities assumed were recorded at their estimated fair values at the acquisition date. Any excess consideration over the fair value of the assets acquired and liabilities assumed was recognized as goodwill. The measurement period ended one year from the acquisition date.

FinSuite Pty Ltd

On October 18, 2019, the Company, through its wholly-owned subsidiary, nCino APAC Pty Ltd, acquired all of the outstanding shares of FinSuite. The Company acquired FinSuite to enhance the Company's data recognition capabilities, including of complex, unstructured data. FinSuite is headquartered in Melbourne, Australia.

The acquisition-date fair value of the consideration transferred is as follows:

	Total Consideration
Cash consideration to shareholders	$ 3,928
Cash consideration to settle debt	137
Voting common stock issued (63,967 shares)	1,392
Contingent consideration - cash payment	197
Contingent consideration - common stock	5,857
Total consideration	$ 11,511

The transaction was accounted for using the acquisition method and, as a result, assets acquired and liabilities assumed were recorded at their estimated fair values at the acquisition date. Any excess consideration over the fair value of the assets acquired and liabilities assumed was recognized as goodwill. The measurement period will end one year from the acquisition date.

Contingent consideration includes two tranches of earn-out arrangements based upon the attainment of post-acquisition product development milestones. The first tranche includes an earn-out opportunity of $0.1 million of cash and the issuance of 142,846 shares of common stock (together, the "Initial Tranche Earn-Out"). The Initial Tranche Earn-Out is conditioned upon the development of a stated product in accordance with mutually agreed upon functional requirements within a certain period from the date of acquisition. The second tranche includes an earn-out opportunity of $0.1 million of cash and the issuance of 142,846 shares of common stock (together, the "Final Tranche Earn-Out"). The Final Tranche Earn-Out is conditioned upon a customer's use of the stated product in a production environment according to the mutually agreed upon functional requirements within a certain period from the date of acquisition. The Final Tranche Earn-Out is not conditioned upon the achievement of the Initial Tranche Earn-Out.

(In thousands, except share and per share amounts and unless otherwise indicated)

The cash portion of the contingent consideration of $0.2 million is included in other long-term liabilities and other accrued expenses in the accompanying unaudited condensed consolidated balance sheet as of January 31, 2020 and October 31, 2020, respectively. The share portion of the contingent consideration was recorded as of the acquisition date and is reflected as a component of stockholders' equity in the accompanying unaudited condensed consolidated balance sheet as of January 31, 2020 and October 31, 2020.

The Initial Tranche Earn-Out was earned during the quarter ended October 31, 2020 and the Final Tranche Earn-Out was earned in November 2020. The Company paid $0.2 million for the cash portion of the contingent consideration and issued 285,692 shares of common stock for the common stock contingent consideration for the Initial Tranche Earn-Out and Final Tranche Earn-Out in November 2020.

Note 7. Intangible Assets and Goodwill

Intangible assets

Intangible assets, net are as follows:

	As of January 31, 2020			As of October 31, 2020		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Acquired developed technology	$ 6,008	$ (695)	$ 5,313	$ 6,117	$ (1,848)	$ 4,269
Customer relationships	21,706	(937)	20,769	21,711	(2,190)	19,521
Trademarks	125	(114)	11	126	(126)	—
	$ 27,839	$ (1,746)	$ 26,093	$ 27,954	$ (4,164)	$ 23,790

The Company recognized amortization expense as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Cost of revenues	$ 259	$ 386	$ 319	$ 1,133
Sales and marketing	415	417	520	1,252
General and administrative	52	—	64	10
Total amortization expense	$ 726	$ 803	$ 903	$ 2,395

The expected future amortization expense for intangible assets as of October 31, 2020 is as follows:

Fiscal Year Ending January 31,	
2021 (remaining)	$ 799
2022	3,198
2023	3,198
2024	2,501
2025	1,670
Thereafter	12,424
	$ 23,790

The expected amortization expense is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, changes in foreign currency exchange rates, impairment of intangible assets, future changes to expected asset lives of intangible assets and other events.

(In thousands, except share and per share amounts and unless otherwise indicated)

Goodwill

The carrying amount of goodwill was $55.8 million and $56.3 million as of January 31, 2020 and October 31, 2020, respectively. The change in the carrying amounts of goodwill was as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Balance, beginning of period	$ 46,584	$ 56,527	$ —	$ 55,840
Acquisitions	9,405	—	55,989	—
Translation adjustments	122	(229)	122	458
Balance, end of period	$ 56,111	$ 56,298	$ 56,111	$ 56,298

Note 8. Reseller Agreement

The Company has a reseller agreement in place with a related party to utilize their platform and to develop the Company’s cloud-based banking software as an application within the related party’s hosted environment. In June 2020, this agreement was renegotiated and expires in June 2027 and will automatically renew in annual increments thereafter unless either party gives notice of non-renewal before the end of the initial term or the respective renewal term. Cost of subscription revenues in each of the three and nine months ended October 31, 2019 and 2020 substantially consists of fees paid for access to the related party’s platform, including their hosting infrastructure and data center operations. The Company has recorded expenses of $5.8 million and $9.1 million for the three months ended October 31, 2019 and 2020, respectively and $16.2 million and $25.3 million for the nine months ended October 31, 2019 and 2020, respectively. See also Note 12.

Note 9. Stockholders’ Equity

Pursuant to the fourth certificate of amendment to the Company's third amended and restated certificate of incorporation dated July 6, 2020, each share of voting and non-voting common stock issued and outstanding prior to the effectiveness was reclassified into a single class of stock designated as common stock which has one vote per share. Subsequent to the effectiveness of the Company's amended and restated certificate of incorporation, the Company's common stock consists of 500,000,000 authorized shares, par value $0.0005 per share and the Company's preferred stock consists of 10,000,000 authorized shares, par value $0.001 per share.

At October 31, 2020, the Company committed a total of 23,966,108 shares of common stock for future issuance as follows:

Issued and outstanding stock options	6,620,274
Nonvested issued and outstanding restricted stock units ("RSUs") and vested RSUs not issued and outstanding	2,059,799
Possible issuance under stock plans	15,286,035
	23,966,108

Note 10. Stock-Based Compensation

Equity Incentive Plans

The Company has stock-based compensation plans that provide for the award of equity incentives, including stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares, performance units, cash-based award and other stock-based awards. As of October 31, 2020, the Company had stock options outstanding under the 2014 Stock Plan ("2014 Plan") and the 2019 Equity Incentive Plan (as amended and restated, "2019 Plan") had stock options and RSUs outstanding. As of October 31, 2020, the Company also has an employee stock purchase plan.

(In thousands, except share and per share amounts and unless otherwise indicated)

In connection with the IPO, the Board of Directors adopted and stockholders approved the 2019 Plan to, among other things as defined in the 2019 Plan document, increase the available shares under the Plan to 15,250,000, plus an annual increase added on the first day of each fiscal year, beginning with the fiscal year ending January 31, 2022, and continuing until, and including, the fiscal year ending January 31, 2031. The annual increase will be equal to the lesser of (i) 5% of the number of shares issued and outstanding as of January 31 of the immediately preceding fiscal year and (ii) an amount determined by the Company's Board of Directors. The Company ceased granting awards under the 2014 Plan during the fiscal year ended January 31, 2020, and all shares that remained available for issuance under the 2014 Plan were transferred to the 2019 Plan prior to the closing of the IPO. Additionally, the number of shares available under the 2019 Plan shall be increased by the number of shares outstanding under the 2014 Plan that expire, terminate or are canceled without having been exercised or settled in full.

Stock Options

Stock option activity during the nine months ended October 31, 2020 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 31, 2020	7,837,023	$ 5.39
Granted	—	—
Expired or forfeited	(53,799)	11.60
Exercised	(1,162,950)	3.32
Outstanding, October 31, 2020	6,620,274	$ 5.71
Exercisable, October 31, 2020	5,026,583	$ 4.56
Fully vested or expected to vest, October 31, 2020	6,460,905	$ 5.62

As of October 31, 2020, there was $4.3 million of total unrecognized compensation expense related to unvested stock-based compensation arrangements under the 2014 and 2019 Plans. That cost is expected to be recognized over a weighted average period of 1.92 years.

Restricted Stock Units

Restricted stock unit ("RSU") activity during the nine months ended October 31, 2020 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, January 31, 2020	948,119	$ 21.75
Granted	1,125,804	20.36
Vested[1]	(225,173)	21.61
Forfeited	(14,124)	25.47
Nonvested, October 31, 2020	1,834,626	$ 20.88

[1]Includes 225,173 RSUs that were not issued and outstanding as of October 31, 2020.

The RSUs granted prior to the IPO vest upon the satisfaction of both a service-based, generally over 4 years, vesting 25% annually, and liquidity event-based vesting condition. For RSUs granted to the non-employee members of the Board of Directors, some vest in less than a year, some annually and some over three years. The liquidity event-based condition was satisfied upon the IPO and the Company recognized an expense of $12.2 million in cost of revenues and operating expenses for RSUs as of that date, using the accelerated attribution recognition method.

As of October 31, 2020, total unrecognized compensation expense related to non-vested RSUs was $26.4 million, adjusted for estimated forfeitures, based on the estimated fair value of the Company's common stock at the time of grant. The weighted-average period to be recognized is 3.29 years.

Employee Stock Purchase Plan

In July 2020, the Board of Directors adopted and stockholders approved the Employee Stock Purchase Plan (the "ESPP"), which became effective immediately prior to the closing of the IPO. The ESPP includes two components, one component is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code (the "Code) and a component that does not qualify as an "employee stock purchase plan" under Section 423 of the Code. The ESPP initially reserved and authorized the issuance of up to a total of 1,800,000 shares of common stock to participating employees. The aggregate number of shares of the Company's common stock under the ESPP will automatically increase on the first day of each fiscal year, beginning with the first fiscal year ending January 31, 2022 and continuing until the fiscal year ended January 31, 2031, by an amount equal to the lesser of (i) 1% of the shares of the Company's common stock issued and outstanding on January 31 of the immediately preceding fiscal year, (ii) 1,800,000 shares of the Company's common stock or (iii) an amount determined by the Board of Directors. As of October 31, 2020, 1,800,000 shares of common stock remain available for grant under the ESPP.

The ESPP permits employees to purchase the Company's common stock through payroll deductions during six month offerings. The offering periods begin each January 1 and July 1, or such other period determined by the compensation committee. Eligible employees will purchase the shares at a price per share equal to the lesser of (i) 85% of the fair market value of a share of the Company's common stock on the first business day of such offering period and (ii) 85% of the fair market value of share of the Company's common stock on the last business day of such offering period, although the compensation committee has discretion to change the purchase price with respect to future offering periods, subject to terms of the ESPP.

Note 11. Commitments and Contingencies

Operating Leases

The Company leases its facilities and a portion of its equipment and licenses under various non-cancellable agreements, which expire at various times through July 2028 and require various minimum annual rentals.

The Company’s agreements for the facilities and certain services provide the Company with the option to renew. The Company’s future contractual obligations would change if the Company exercised these options.

The terms of the lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid.

Total lease expense amounted to $2.3 million and $3.0 million for the three months ended October 31, 2019 and 2020, respectively and $6.2 million and $8.4 million for the nine months ended October 31, 2019 and 2020, respectively.

Indemnification

In the ordinary course of business, the Company generally includes standard indemnification provisions in its arrangements with third parties, including vendors, customers, and the Company’s directors and officers. Pursuant to these provisions, the Company may be obligated to indemnify such parties for losses or claims suffered or incurred. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company’s limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any material liabilities related to such obligations in the accompanying unaudited condensed consolidated financial statements.

Note 12. Related-Party Transactions

The Company’s main vendor is also an equity holder in the Company. Total payments related to the agreement with the related party are disclosed in Note 8. The Company also purchases services from this related party to assist in managing its own sales cycle, customer relationship management, and other business functions. The Company has a non-cancellable agreement with the related party for the purchase of services. In December 2020, this agreement was renewed for one year and expires in December 2021. Total payments to the related party for these services recorded to expenses were $0.3 million and $0.3 million for the three months ended October 31, 2019 and 2020, respectively, and $0.8 million and $0.9 million for the nine months ended October 31, 2019 and 2020, respectively and $1.1 million and $0.2 million were in prepaid expenses and other current assets as of January 31, 2020 and October 31, 2020, respectively. Accounts payable to the related party were $3.3 million and $4.1 million at January 31, 2020 and October 31, 2020, respectively, included in accounts payable, related parties.

In the quarter ended July 31, 2020 certain equity holders ceased to qualify as related parties of the Company and the amounts disclosed related to them are accordingly presented through April 30, 2020 only. Included in revenues from three equity holders, who are also customers of the Company, is $2.0 million for the three months ended October 31, 2019, and $6.3 million and $2.8 million for the nine months ended October 31, 2019 and 2020, respectively. Deferred revenue, current portion, related parties was $8.0 million as of January 31, 2020. Accounts receivable, related parties was $9.2 million as of January 31, 2020.

The Company has a banking relationship with one of its former equity holders who was considered a related party. In the quarter ended July 31, 2020, the equity holder ceased to qualify as a related party of the Company and the amounts disclosed related to such former equity holder are accordingly presented as a related party through April 30, 2020, only. Included in interest income is $0.1 million for the three months ended October 31, 2019, and $0.5 million and $0.1 million for the nine months ended October 31, 2019 and 2020, respectively.

The Company entered into an agreement with one of its equity holders in May 2016 to spend an agreed-upon amount of funds over a three-year period to further the alliance between the two companies. In October 2019, the agreement was extended for an additional three years. As of October 31, 2020, the Company was in compliance with the terms of the agreement. In the quarter ended July 31, 2020, the equity holder ceased to qualify as a related party of the Company and the amounts disclosed related to such equity holder are accordingly presented as a related party through April 30, 2020, only. For the three months ended October 31, 2019, $0.04 million was spent, and $0.06 million and $0.0 million for the nine months ended October 31, 2019 and 2020, respectively.

Note 13. Basic and Diluted Loss per Share

Basic loss per share is computed by dividing net loss attributable to nCino, Inc. by the weighted-average number of common shares outstanding for the fiscal period. Diluted loss per share is computed by giving effect to all potential weighted average dilutive common stock, including options. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method. Diluted loss per share for the three months ended October 31, 2019 and 2020 and for the nine months ended October 31, 2019 and 2020 is the same as the basic loss per share as there was a net loss for those periods, and inclusion of potentially issuable shares was anti-dilutive.

The components of basic and diluted loss per share for periods presented are as follows (in thousands, except share and per share data):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Basic loss per share:				
Numerator				
Net loss attributable to nCino, Inc.	$ (6,029)	$ (9,063)	$ (17,950)	$ (28,478)
Denominator				
Weighted-average common shares outstanding[1]	79,382,419	91,600,203	77,277,039	85,962,141
Basic loss per share attributable to nCino, Inc.	$ (0.08)	$ (0.10)	$ (0.23)	$ (0.33)
Dilutive loss per share:				
Numerator				
Net loss attributable to nCino, Inc.	$ (6,029)	$ (9,063)	$ (17,950)	$ (28,478)
Denominator				
Weighted-average common shares outstanding[1]	79,382,419	91,600,203	77,277,039	85,962,141
Dilutive loss per share attributable to nCino, Inc.	$ (0.08)	$ (0.10)	$ (0.23)	$ (0.33)

[1]Includes 207,673 vested RSUs that were not issued and outstanding and contingent consideration of 142,846 shares of common stock that was earned but not issued and outstanding for the three months ended October 31, 2020 and 225,173 vested RSUs that were not issued and outstanding and contingent consideration of 142,846 shares of common stock that was earned but not issued and outstanding for the nine months ended October 31, 2020.

The weighted-average number of shares outstanding used in the computation of diluted loss per share does not include the effect of the following potential outstanding common stock because the effect would have been anti-dilutive:

	October 31,	
	2019	2020
Stock options issued and outstanding	7,873,032	6,620,274
Nonvested RSUs issued and outstanding	835,627	1,834,626

Note 14. Subsequent Event

On November 29, 2020, the Company entered into a lease (the “Lease”) with a new lessor (the “Landlord”), pursuant to which the Company will continue to lease approximately 89,975 square feet of space for its existing corporate headquarters (the "Premises").

The date on which the Lease will commence will be no later than the Closing, defined below, currently estimated to occur on or before December 22, 2020 (the “Commencement Date”). The Lease will have a fifteen-year term concluding December 31, 2035, which, upon execution of the New Building Lease, as defined below, would be extended to be coterminous with the New Building Lease. The Company has the option to extend the Lease for two eight-year terms. The Company’s monthly base rent for the Premises will be approximately $0.1 million per month, and will increase on January 1, 2022 and each anniversary of such date by approximately 2.25% per annum, subject to an anticipated increase in base rent to account for development of a parking deck. The Company will also be obligated to pay certain other expenses under the Lease pursuant to a triple net return obligation to the Landlord.

The Company is currently in possession of the Premises pursuant to the Office Lease dated March 10, 2017 (as amended) between the Company and the previous lessor (the “Prior Lease”). The Prior Lease will be terminated by an agreement of the Company and the previous lessor in connection with the Landlord’s acquisition of record title to the property the Premises is located on (the "Property") pursuant to the purchase option provided in the Prior Lease (which is expected to be assigned by the Company to the Landlord), for a purchase price of $16.3 million (the "Closing") and the effectiveness of the Lease, such that the Company's possession of the Premises shall be uninterrupted.

The Lease is conditioned upon the Closing. In the event the Closing has not occurred on or before December 22, 2020, the Lease shall be deemed automatically terminated, and the Company shall then be obligated to acquire the Property pursuant to the same purchase option provided in the Prior Lease no later than December 30, 2020.

Pursuant to a separate agreement to be entered into by the Company and the Landlord prior to Closing, the (i) Landlord is obligated to negotiate an amendment to the Lease to allow for construction of a 648-space parking deck on the Property for the Company, the development costs of which will be added to base rent under the Lease, and (ii) Company will have the option (the "New Building Option") to require the Landlord to enter into negotiations for a new lease agreement (the "New Building Lease") for a term of fifteen years, to allow for the construction by the Landlord and leasing by the Company of an additional three-story office building of approximately 90,000 rentable square feet (the "New Building") on the Property, which lease would commence upon completion of construction of the New Building and tenant improvements therein. The Company may exercise the New Building Option on or before the fourth anniversary of the Closing.

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

The following discussion of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes and other financial information included in this Quarterly Report on Form 10-Q and our final prospectus for the Secondary Offering dated October 7, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 9, 2020. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in the section titled "Risk Factors." Our historical results are not necessarily indicative of the results that may be expected for any period in the future. Our fiscal year ends on January 31 of each year and references in this Quarterly Report on Form 10-Q to a fiscal year mean the year in which that fiscal year ends. For example, references in this Quarterly Report on Form 10-Q to "fiscal 20" refer to the fiscal year ended January 31, 2020.

Overview

nCino is a leading global provider of cloud-based software for financial institutions. We empower banks and credit unions with the technology they need to meet ever-changing client expectations and regulatory requirements, gain increased visibility into their operations and performance, replace legacy systems, and operate digitally and more competitively. Our solution, the nCino Bank Operating System, digitizes, automates and streamlines inefficient and complex processes and workflow, and utilizes data analytics and artificial intelligence and machine learning ("AI/ML") to enable financial institutions to more effectively onboard new clients, make loans and manage the entire loan life cycle, open deposit and other accounts and manage regulatory compliance. We serve financial institution customers of all sizes and complexities, including global financial institutions, enterprise banks, regional banks, community banks, credit unions and new market entrants, such as challenger banks. Our customers deploy and utilize our digital platform, which can be accessed anytime, anywhere and from any internet-enabled device, for mission critical functions across their organizations.

Built as a single, multi-tenant SaaS platform, the nCino Bank Operating System transforms the way financial institutions operate, go to market and interact with their clients, while delivering measurable return on investment by enabling them to:

- digitally serve their clients across commercial, small business and retail lines of business,
- improve financial results,
- operate more efficiently,
- manage risk and compliance more effectively, and
- establish a data, audit and business intelligence hub.

We were founded in a bank with the goal of improving that institution's operations and client service. Realizing the problems we were addressing were endemic to virtually all banks and credit unions, we were spun out as a separate company in late 2011 with the vision of providing a comprehensive solution to onboard clients, originate any type of loan and open any type of account on a single cloud-based platform. We initially focused the nCino Bank Operating System on transforming commercial and small business lending for community and regional banks. We introduced our solution to enterprise banks in the United States in 2014, and then internationally in 2017, and have subsequently expanded across North America, Europe and APAC. In fiscal 2020, we acquired Visible Equity and FinSuite and combined the acquired technology with certain of our internally-developed technology to launch nCino IQ ("nIQ"). nIQ helps our customers improve operational and financial performance by using AI/ML to increase efficiency through automation and analytics to gain greater insights into their operations and client interactions.

We offer our solution on a SaaS basis under multi-year contracts and recognize subscription revenues ratably over the term of the contract. Our customers may initially purchase our solution for client onboarding, loan origination and/or deposit account opening for a single line of business or geography. Once this initial solution is in production, we seek to deploy additional applications and expand within and across additional lines of business or geographies. The expansion from our original focus on commercial and small business loan origination to retail loan origination, client onboarding, deposit account opening and, most recently, analytics and AI/ML applications, has enhanced our ability to increase adoption of our solution by our customers.

We sell our solution directly through our business development managers, account executives, field sales engineers and customer success managers. Our sales efforts in the United States are organized around financial institutions based on size, whereas internationally we focus our sales efforts by geography. To drive growth and serve customers in the EMEA region, we continue to expand headcount in our UK office. In fiscal 2020, we opened an office in Tokyo through our joint venture, nCino K.K., giving us another base of operations in APAC in addition to our Australian offices. As of October 31, 2020, we had 144 sales and sales support personnel in the United States, and 58 sales and support personnel in offices outside the United States.

To help customers go live with our solution and achieve success, we offer professional services including configuration and implementation, training and advisory services. For larger financial institutions, we generally work with systems integrators ("SIs") such as Accenture, Deloitte, PwC and West Monroe Partners for the delivery of professional services, while we have historically performed professional services for smaller financial institutions ourselves. We expect larger financial institutions to make up a greater proportion of our sales and to increasingly outsource professional services for smaller banks and credit unions to SIs in the future. As a result, we expect the mix of our total revenues to become more heavily weighted toward subscription revenues.

To support our growth and capitalize on what we believe is a compelling market opportunity, we have significantly increased our operating expenses across all aspects of our business. In research and development, we have focused on product improvements and the development of new functionality, while simultaneously leveraging the Salesforce Platform such that our development is heavily focused on vertical-specific solutions for financial institutions. Similarly, to grow our customer base, we have invested heavily in sales and marketing both in the United States and internationally. We have also increased our general and administrative spending to support our growing operations and for operating as a newly public company.

For the three months ended October 31, 2020 and 2019, our total revenues were $54.2 million and $37.9 million, respectively, representing a 43.2% increase, and our subscription revenues were $43.3 million and $27.7 million, respectively, representing a 56.4% increase. We had net losses attributable to nCino of $9.1 million and $6.0 million for the three months ended October 31, 2020 and 2019, respectively. For the nine months ended October 31, 2020 and 2019, our total revenues were $147.7 million and $99.7 million, respectively, representing a 48.2% increase, and our subscription revenues were $117.5 million and $71.8 million, respectively, representing a 63.6% increase. We had net losses attributable to nCino of $28.5 million and $18.0 million for the nine months ended October 31, 2020 and 2019, respectively.

Recent Development

Initial Public Offering. On July 13, 2020, our Registration Statement on Form S-1 relating to the IPO of our common stock was declared effective by the SEC. In connection with the IPO, we issued and sold 9,269,000 shares of common stock (including shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a public offering price of $31.00 per share for net proceeds of $268.4 million, after deducting underwriters' discounts and commissions (excluding other IPO costs as of October 31, 2020).

Secondary Public Offering. On October 13, 2020, the Company completed the Secondary Offering. The Company did not offer any shares of common stock in the Secondary Offering and did not receive any proceeds from the sale of the shares of common stock by the Selling Stockholders. The Company incurred costs of $1.0 million in relation to the Secondary Offering for the three and nine months ended October 31, 2020 and such costs are recorded as a component of general and administrative expenses on the unaudited condensed consolidated statement of operations. The Company received $1.7 million in cash (excluding withholding taxes) in connection with the exercise of 554,112 options by certain stockholders participating in the Secondary Offering. In addition, concurrent with the pricing of the Secondary Offering, the underwriters in the Company's IPO released an additional 367,561 shares from lock-up agreements signed in connection with the IPO, with stockholders who did not participate in the Secondary Offering. The release consisted of both outstanding shares and shares subject to options.

Factors Affecting Our Operating Results

Market Adoption of Our Solution. Our future growth depends on our ability to expand our reach to new financial institution customers and increase adoption with existing customers as they broaden their use of the nCino Bank Operating System within and across lines of business. Our success in growing our customer base and expanding adoption of our solution by existing customers requires a focused direct sales engagement and the ability to convince key decision makers at financial institutions to replace legacy third-party point solutions or internally developed software with the nCino Bank Operating System. In addition, growing our customer base will require us to increasingly penetrate markets outside the United States, which markets accounted for 12.2% of our total revenues for the three months ended October 31, 2020, and 10.5% for the nine months ended October 31, 2020. For new customers, our sales cycles are typically lengthy, generally ranging from six to nine months for smaller financial institutions to 12 to 18 months or more for larger financial institutions. Reaching and converting potential customers requires that we continue to invest in the growth and success of our sales force both in the United States and internationally. In addition, key to landing new customers is our ability to successfully take our existing customers live and help them achieve measurable returns on their investment, thereby turning them into referenceable accounts. If we are unable to successfully address the foregoing challenges, our ability to grow our business and achieve profitability will be adversely affected, which may in turn reduce the value of our common stock.

Mix of Subscription and Professional Services Revenues. The initial deployment of the nCino Bank Operating System by our customers requires a period of implementation and configuration services that can range from as little as three months for community banks to over 18 months for global financial institutions. As a result, during the initial go-live period for a customer, professional services revenues make up a substantial portion of our revenues from that customer, whereas over time revenues from established customers are more heavily weighted to subscriptions. While professional services revenues will fluctuate as a percentage of total revenues in the future and tend to be higher in periods of faster growth, over time we expect to see subscription revenues make up an increasing proportion of our total revenues as our overall business grows.

COVID-19 Effects on Demand for Our Solution. To help our customers service demand for Paycheck Protection Program ("PPP") loans under the CARES Act beginning in April 2020, we adapted our Small Business Administration loan solution to the requirements of the PPP and rapidly introduced it to the market. Using our PPP solution, since the inception of PPP funding, our financial institution customers have processed hundreds of thousands of applications and have provided more than $50 billion in funding for their small business clients.

In light of the extraordinary nature of this market demand, we offered our PPP solution on one- or two-year terms as well as on a multi-year basis co-terminus with existing contracts. Seats for our PPP solution were activated immediately, which caused subscription revenues from these seats to be recognized sooner than is typical with the phased seat activations usually offered to customers. We believe that the emergency purchases of our PPP solution may have had the effect of pulling forward demand that might have otherwise materialized as new business later in the fiscal year and that, coupled with the disruptive effect of COVID-19 on the economy more generally, may have the effect of reducing new business later in fiscal 2021 and moderating revenue growth rates in fiscal 2022. In addition, our subscription revenue retention rates may be adversely affected upon the expiration of access and use rights to our PPP solution to the extent such rights are not re-purposed for other applications.

Continued Investment in Innovation and Growth. We have made substantial investments in product development, sales and marketing and strategic acquisitions since our inception to achieve a leadership position in our market and grow our revenues and customer base. We intend to continue to increase our investment in product development in the coming years to maintain and build on this advantage. We also intend to invest heavily in sales and marketing both in the United States and internationally to further grow our business, and increase our general and administrative spending to support our growing operations and for operating as a newly public company. As such, to capitalize on the market opportunity we see ahead of us, we expect to continue to optimize our operating plans for revenue growth, and as a result continue experiencing operating losses, for the foreseeable future.

Non-GAAP Financial Measure

In addition to providing financial measurements based on GAAP, we provide an additional financial metric that is not prepared in accordance with GAAP (non-GAAP). Management uses this non-GAAP financial measure, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes, and to evaluate our financial performance. We believe that this non-GAAP financial measure helps us to identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in the calculations of the non-GAAP financial measure.

Accordingly, we believe that this financial measure reflects our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business and provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects. Although the calculation of non-GAAP financial measures may vary from company to company, our detailed presentation may facilitate analysis and comparison of our operating results by management and investors with other peer companies, many of which use a similar non-GAAP financial measure to supplement their GAAP results in their public disclosures. This non-GAAP financial measure is Non-GAAP Operating Loss, as discussed below.

Non-GAAP Operating Loss. Non-GAAP Operating Loss is defined as loss from operations as reported in our unaudited condensed consolidated statements of operations excluding the impact of amortization of intangible assets and stock-based compensation expense. Non-GAAP Operating Loss is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. Non-GAAP Operating Loss eliminates potential differences in performance caused by variations in the extent to which intangible assets are identifiable (affecting relative amortization expense).

This non-GAAP financial measure does not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP. There are limitations in the use of non-GAAP measures because they do not include all of the expenses that must be included under GAAP and because they involve the exercise of judgment concerning exclusions of items from the comparable non-GAAP financial measure. In addition, other companies may use other measures to evaluate their performance, or may calculate non-GAAP measures differently, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison.

The following table reconciles Non-GAAP Operating Loss to Loss from Operations, the most directly comparable financial measure, calculated and presented in accordance with GAAP (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
(in thousands)	**2019**	**2020**	**2019**	**2020**
GAAP Loss from Operations	$ (6,720)	$ (8,788)	$ (18,159)	$ (28,752)
Adjustments				
Amortization of Intangible Assets	726	803	903	2,395
Stock-based Compensation Expense	1,081	5,293	4,682	19,613
Total Adjustments	1,807	6,096	5,585	22,008
Non-GAAP Operating Loss	$ (4,913)	$ (2,692)	$ (12,574)	$ (6,744)

Components of Results of Operations

Revenues

We derive our revenues from subscription and professional services fees.

Subscription Revenues. Our subscription revenues consist principally of fees from customers for accessing the nCino Bank Operating System and maintenance and support services that we offer under non-cancellable multi-year contracts, which typically range from three to five years. Specifically, we offer:

- Client onboarding, loan origination and deposit account opening applications targeted at a financial institution's commercial, small business and retail lines of business, for which we generally charge on a per seat basis.
- nIQ, first introduced in fiscal 2020, for which we generally charge based on the asset size of the customer or on a usage basis. Prior to our acquisitions of Visible Equity and FinSuite, they generally licensed their products under annual contracts that could be cancelled on 30-days' notice. We will continue to support these customers under their legacy contracts until such contracts are renewed, cancelled or expire.
- Maintenance and support services as well as internal-use or "sandbox" development licenses, for which we charge as a percentage of the related subscription fees.

Our subscription revenues are generally recognized ratably over the term of the contract beginning upon activation. For new customers, we may activate a portion of seats at inception of the agreement, with the balance activated at contractually specified points in time thereafter, to pattern our invoicing after the customer's expected rate of implementation and adoption. Subscription fees are generally charged annually in advance. Where seats are activated in stages, we charge subscription fees from the date of activation through the anniversary of the initial activation date, and annually thereafter. Maintenance and support fees, as well as development licenses, are provided over the same periods as the related subscriptions, so fees are invoiced and revenues are recognized over the same periods. Subscription fees invoiced are recorded as deferred revenue pending recognition as revenues. In certain cases, we are authorized to resell access to Salesforce's CRM solution along with the nCino Bank Operating System. When we resell such access, we charge a higher subscription price and remit a higher subscription fee to Salesforce for these subscriptions.

Professional Services Revenues. Professional services revenues consist of fees for implementation and configuration assistance, training and advisory services. For enterprise and larger regional financial institutions, we generally work with SIs to provide the majority of implementation services, for which these SIs bill our customers directly. We have historically delivered professional services ourselves for community banks and smaller credit unions. Revenues for implementation, training and advisory services are recognized on a proportional performance basis, based on labor hours incurred relative to total budgeted hours. To date, our losses on professional services contracts have not been material. During the initial go-live period for a customer, professional services revenues make up a substantial portion of our revenues from that customer, whereas over time, revenues from established customers are more heavily weighted to subscriptions. While professional services revenues will fluctuate as a percentage of total revenues in the future and tend to be higher in periods of faster growth, over time we expect to see subscription revenues make up an increasing proportion of our total revenues.

Cost of Revenues and Gross Margin

Cost of Subscription Revenues. Cost of subscription revenues primarily consists of fees paid to Salesforce for access to the Salesforce Platform, including Salesforce's hosting infrastructure and data center operations. When we resell access to Salesforce's CRM solution, cost of subscription revenues also includes the subscription fees we remit to Salesforce for providing such access. In addition, cost of subscription revenues includes personnel-related costs associated with delivering maintenance and support services, including salaries, benefits and stock-based compensation expense, travel and related costs, amortization of acquired developed technology, and allocated overhead. Our subscription gross margin will vary from period to period as a function of the utilization of support personnel and the extent to which we recognize subscription revenues from the resale of Salesforce's CRM solution.

Cost of Professional Services Revenues. Cost of professional services revenues consists primarily of personnel-related costs associated with delivery of these services, including salaries, benefits and stock-based compensation expense, travel and related costs and allocated overhead. The cost of providing professional services is significantly higher as a percentage of the related revenues than for our subscription services due to direct labor costs. The cost of professional services revenues has increased in absolute dollars as we have added new customer subscriptions that require professional services and built-out our international professional services capabilities. Realized effective billing and utilization rates drive fluctuations in our professional services gross margin on a period-to-period basis.

Operating Expenses

Sales and Marketing. Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives, benefits and stock-based compensation expense, travel and related costs. Beginning with fiscal 2020 and the adoption of Accounting Standards Update (ASU) No. 2014-09, we capitalize incremental costs incurred to obtain contracts, primarily consisting of sales commissions, and subsequently amortize these costs over the expected period of benefit, which we have determined to be approximately 4 years. Sales and marketing expenses also include outside consulting fees, marketing programs, including lead generation, costs of our annual user conference, advertising, trade shows, other event expenses, amortization of acquired customer relationships, and allocated overhead. We expect sales and marketing expenses will continue to increase as we expand our direct sales teams in the United States and internationally to address our market opportunity.

Research and Development. Research and development expenses consist primarily of salaries, benefits and stock-based compensation associated with our engineering, product and quality assurance personnel, as well as allocated overhead. Research and development expenses also include the cost of third-party contractors. Research and development costs are expensed as incurred. We expect research and development costs to continue to increase as we develop new functionality and make improvements to the nCino Bank Operating System.

General and Administrative. General and administrative expenses consist primarily of salaries, benefits and stock-based compensation associated with our executive, finance, legal, human resources, information technology, compliance and other administrative personnel. General and administrative expenses also include accounting, auditing and legal professional services fees, travel and other corporate-related expenses and allocated overhead. We expect that general and administrative expenses will continue to increase as we scale our business and as we incur costs associated with being a new publicly-traded company, including legal, audit and consulting fees.

Stock-Based Compensation

We have historically recorded stock-based compensation expense associated with stock options in cost of revenues and operating expenses as the related options vest. Beginning in the quarter ended July 31, 2020, we recorded stock-based compensation expenses associated with RSUs as cost of revenues and operating expenses as the liquidity-based vesting condition was satisfied upon the IPO. For the three and nine months ended October 31, 2020, we recognized $4.6 million and $16.8 million of stock-based based compensation expense, respectively, related to RSUs being recognized upon the effective date of the IPO and additional vesting of RSUs since such time ($12.2 million of which was recognized on the effective date of the IPO). Going forward, stock-based compensation expense for both stock options and RSUs will be recognized as the time-based vesting conditions under such awards are met.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q. The following tables present our selected consolidated statement of operations data for three and nine months ended October 31, 2019 and 2020 in both dollars and as a percentage of total revenues, except as noted.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
($ In thousands, except share and per share amounts)				
Revenues:				
Subscription revenues	$ 27,673	$ 43,279	$ 71,815	$ 117,461
Professional services revenues	10,189	10,950	27,861	30,245
Total revenues	37,862	54,229	99,676	147,706
Cost of revenues:				
Cost of subscription revenues[1]	8,243	12,380	21,828	34,399
Cost of professional services revenues[1]	8,646	10,134	23,869	29,568
Total cost of revenues	16,889	22,514	45,697	63,967
Gross profit	20,973	31,715	53,979	83,739
Operating expenses:				
Sales and marketing[1]	12,602	14,175	31,070	42,027
Research and development[1]	9,534	15,077	25,172	41,334
General and administrative[1]	5,557	11,251	15,896	29,130
Total operating expenses	27,693	40,503	72,138	112,491
Loss from operations	(6,720)	(8,788)	(18,159)	(28,752)
Non-operating income (expense):				
Interest income	99	78	682	289
Other	690	(260)	(37)	337
Loss before income tax expense	(5,931)	(8,970)	(17,514)	(28,126)
Income tax expense	158	309	496	709
Net loss	(6,089)	(9,279)	(18,010)	(28,835)
Net loss attributable to non-controlling interest	(60)	(292)	(60)	(700)
Adjustment attributable to non-controlling interest	—	76	—	343
Net loss attributable to nCino, Inc.	$ (6,029)	$ (9,063)	$ (17,950)	$ (28,478)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.08)	$ (0.10)	$ (0.23)	$ (0.33)
Weighted average number of common shares outstanding:				
Basic and diluted	79,382,419	91,600,203	77,277,039	85,962,141

[1]Includes stock-based compensation expense as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Cost of subscription revenues	$ 71	$ 135	$ 208	$ 438
Cost of professional services revenues	315	810	938	3,358
Sales and marketing	339	1,157	946	4,818
Research and development	315	1,066	926	4,406
General and administrative	41	2,125	1,664	6,593
Total stock-based compensation expense	$ 1,081	$ 5,293	$ 4,682	$ 19,613

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2020	2019	2020
Revenues:				
Subscription revenues	73.1 %	79.8 %	72.0 %	79.5 %
Professional services revenues	26.9	20.2	28.0	20.5
Total revenues	100 %	100 %	100 %	100 %
Cost of Revenues (percentage shown in comparison to related revenues):				
Cost of subscription revenues	29.8	28.6	30.4	29.3
Cost of professional services revenues	84.9	92.5	85.7	97.8
Total cost of revenues	44.6	41.5	45.8	43.3
Gross profit	55.4	58.5	54.2	56.7
Operating Expenses:				
Sales and marketing	33.3	26.1	31.2	28.5
Research and development	25.2	27.8	25.3	28.0
General and administrative	14.7	20.7	15.9	19.7
Total operating expenses	73.2	74.6	72.4	76.2
Loss from operations	(17.8)	(16.1)	(18.2)	(19.5)
Non-operating Income (Expense)				
Interest income	0.3	0.1	0.7	0.2
Other	1.8	(0.5)	—	0.2
Loss before income tax expense	(15.7)	(16.5)	(17.5)	(19.1)
Income tax expense	0.4	0.6	0.5	0.5
Net loss	(16.1)%	(17.1)%	(18.0)%	(19.6)%

Comparison of the Three and Nine Months Ended October 31, 2019 and 2020

Revenues

	Three Months Ended October 31,				Nine Months Ended October 31,			
($ in thousands)	2019		2020		2019		2020	
Revenues:								
Subscription revenues	$ 27,673	73.1 %	$ 43,279	79.8 %	$ 71,815	72.0 %	$ 117,461	79.5 %
Professional services revenues	10,189	26.9	10,950	20.2	27,861	28.0	30,245	20.5
Total revenues	$ 37,862	100.0 %	$ 54,229	100.0 %	$ 99,676	100.0 %	$ 147,706	100.0 %

Subscription Revenues

Subscription revenues increased $15.6 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, primarily due to new customer additions, expansion from existing customers within and across lines of business and price increases, and an approximately $1.0 million one-time catch-up revenue benefit related to a consortium that utilized our software to process PPP loans. In the future, we expect an immaterial revenue contribution related to this consortium. Of the increase, 88.1% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solution, and 11.9% was attributable to revenues from new nCino Bank Operating System customers. Subscription revenues were 79.8% of total revenues for the three months ended October 31, 2020 compared to 73.1% of total revenues for the three months ended October 31, 2019, reflecting the growth in our installed base.

Subscription revenues increased $45.6 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, primarily due to new customer additions, including customers added as a result of our acquisitions of Visible Equity and FinSuite, expansion from existing customers within and across lines of business and price increases, and an approximate $1.0 million one-time catch-up revenue benefit related to a consortium that utilized our software to process PPP loans. In the future, we expect an immaterial revenue contribution related to this consortium. Of the increase, 80.9% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solution, 11.4% was attributable to revenues from Visible Equity and FinSuite, and 7.7% was attributable to revenues from new nCino Bank Operating System customers. Subscription revenues were 79.5% of total revenues for the nine months ended October 31, 2020 compared to 72.0% of total revenues for the nine months ended October 31, 2019, reflecting the growth in our installed base.

Professional Services Revenues

Professional services revenues increased $0.8 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, primarily due to the addition of new customers as well as expanded adoption by existing customers within and across lines of business where implementation, configuration and training services were required.

Professional services revenues increased $2.4 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, primarily due to the addition of new customers as well as expanded adoption by existing customers within and across lines of business where implementation, configuration and training services were required.

Cost of Revenues and Gross Margin

	Three Months Ended October 31,				Nine Months Ended October 31,			
($ in thousands)	**2019**		**2020**		**2019**		**2020**	
Cost of Revenues (percentage shown in comparison to related revenues):								
Cost of subscription revenues	$ 8,243	29.8 %	$ 12,380	28.6 %	$ 21,828	30.4 %	$ 34,399	29.3 %
Cost of professional services revenues	8,646	84.9	10,134	92.5	23,869	85.7	29,568	97.8
Total cost of revenues	$ 16,889	44.6	$ 22,514	41.5	$ 45,697	45.8	$ 63,967	43.3
Gross profit	$ 20,973	55.4	$ 31,715	58.5	$ 53,979	54.2	$ 83,739	56.7

Cost of Subscription Revenues

Cost of subscription revenues increased $4.1 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, generating a gross margin for subscription revenues of 71.4% compared to a gross margin of 70.2% for the three months ended October 31, 2019. Costs related to Salesforce user fees increased $3.2 million as we continued to add new customers and sell additional functionality to existing customers, and personnel costs increased $0.6 million as we added new employees. Stock-based compensation expense increased $0.1 million related to vesting of RSUs since the effective date of the IPO. Allocated overhead costs increased $0.1 million compared to the prior year period due to growth supporting our continued business expansion. Amortization expense for acquired developed technology related to the acquisition of Visible Equity and FinSuite increased $0.1 million due to amortization expense during the full period for the three months ended October 31, 2020. Other costs of subscription revenues increased $0.1 million due to data services purchased for resale.

Cost of subscription revenues increased $12.6 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, generating a gross margin for subscription revenues of 70.7% compared to a gross margin of 69.6% for the nine months ended October 31, 2019. Costs related to Salesforce user fees increased $9.0 million as we continued to add new customers and sell additional functionality to existing customers, and personnel costs increased $1.7 million as we added new employees. Stock-based compensation expense increased $0.3 million, mostly attributable to RSUs being recognized upon the effective date of the IPO. Allocated overhead costs increased $0.2 million compared to the prior year period due to growth supporting our continued business expansion. Amortization expense for acquired developed technology related to the acquisitions of Visible Equity and FinSuite increased $0.8 million due to amortization expense during the full period for the nine months ended October 31, 2020. Other costs of subscription revenues increased $0.6 million due to data services purchased for resale. We expect the cost of subscription revenues will continue to increase in absolute dollars as the number of users of the nCino Bank Operating System grows.

Cost of Professional Services Revenues

Cost of professional services revenues increased $1.5 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, generating a gross margin for professional services of 7.5% compared to a gross margin of 15.1% for the three months ended October 31, 2019. Excluding the effect of additional stock-based compensation expense related to vesting of RSUs since the effective date of the IPO, gross margin for professional services for the three months ended October 31, 2020 was 13.7%. For the three months ended October 31, 2020, personnel costs increased $1.6 million for the professional services team compared to the prior year period due to increased headcount. Stock-based compensation expense increased $0.7 million related to vesting of RSUs since the effective date of the IPO. Allocated overhead costs increased $0.3 million compared to the prior year period due to growth supporting our continued business expansion. These increases were partially offset by a $0.8 million decrease in reimbursable, and a $0.3 million decrease in non-reimbursable, travel and related expenses for the professional service organization due to COVID-19-related travel restrictions. The decrease in our professional services gross margin for the three months ended October 31, 2020 was primarily due to additional stock-based compensation expense and continued investment in expansion of our international professional services teams.

Cost of professional services revenues increased $5.7 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, generating a gross margin for professional services of 2.2% compared to a gross margin of 14.3% for the nine months ended October 31, 2019. Excluding the effect of additional stock-based compensation expense, mostly attributable to RSUs being recognized upon the effective date of the IPO and also additional vesting of RSUs since the effective date of the IPO, gross margin for professional services for the nine months ended October 31, 2020 was 11.1%. For the nine months ended October 31, 2020, personnel costs increased $4.9 million for the professional services team compared to the prior year period due to increased headcount. Stock-based compensation expense increased $2.7 million mostly attributable to RSUs being recognized upon the effective date of the IPO and also additional vesting of RSUs since the effective date of the IPO. Allocated overhead costs increased $0.6 million compared to the prior year period due to growth supporting our continued business expansion. These increases were partially offset by a $1.9 million decrease in reimbursable, and a $0.6 million decrease in non-reimbursable, travel and related expenses for the professional service organization due to COVID-19-related travel restrictions. The decrease in our professional services gross margin for the nine months ended October 31, 2020 was primarily due to additional stock-based compensation expense and continued investment in expansion of our international professional services teams.

Excluding the effect of IPO associated expenses related to RSUs, we expect the cost of professional services revenues to increase in absolute dollars in the near term as we add new customer subscriptions that require professional services. For the balance of fiscal 2021, we expect reduced professional services gross margins as utilization is adversely affected by travel restrictions and work-from-home restrictions resulting from COVID-19.

Operating Expenses

	Three Months Ended October 31,				Nine Months Ended October 31,			
($ in thousands)	**2019**		**2020**		**2019**		**2020**	
Operating Expenses:								
Sales and marketing	$ 12,602	33.3 %	$ 14,175	26.1 %	$ 31,070	31.2 %	$ 42,027	28.5 %
Research and development	9,534	25.2	15,077	27.8	25,172	25.3	41,334	28.0
General and administrative	5,557	14.7	11,251	20.7	15,896	15.9	29,130	19.7
Total operating expenses	27,693	73.2	40,503	74.6	72,138	72.4	112,491	76.2
Loss from operations	$ (6,720)	(17.8)%	$ (8,788)	(16.1)%	$ (18,159)	(18.2)%	$ (28,752)	(19.5)%

Sales and Marketing

Sales and marketing expenses increased $1.6 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, due to an increase of $2.4 million in personnel costs resulting from an increase in headcount on the sales and marketing teams. Stock-based compensation expense increased $1.0 million related to vesting of RSUs since the effective date of the IPO. The increase in sales and marketing expenses also included a $0.1 million increase in allocated overhead costs. The increase in sales and marketing expenses for the three months ended October 31, 2020 was partially offset by a decrease of $0.6 million in marketing costs and a decrease of $1.3 million in sales-related travel costs due to COVID-19-related travel restrictions.

Sales and marketing expenses increased $11.0 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, primarily due to an increase of $8.8 million in personnel costs resulting from an increase in headcount on the sales and marketing teams. Stock-based compensation expense increased $4.1 million mostly attributable to RSUs being recognized upon the effective date of the IPO and also additional vesting of RSUs since the effective date of the IPO. The increase in sales and marketing expenses also included a $0.9 million increase in allocated overhead costs and a $0.4 million increase in outside consulting fees due to growth supporting our continued business expansion. Amortization expense for acquired customer relationships related to the acquisition of Visible Equity increased $0.7 million due to amortization expense during the full period for the nine months ended October 31, 2020. The increase in sales and marketing expenses for the nine months ended October 31, 2020 was partially offset by a decrease of $1.0 million in marketing costs and a decrease of $2.9 million in sales-related travel costs due to COVID-19-related travel restrictions.

Our sales and marketing headcount grew by 34 from October 31, 2019 to October 31, 2020. Excluding the effect of IPO associated expenses related to RSUs, we expect sales and marketing expenses to increase in absolute dollars as we invest in expanding our customer base and user adoption.

Research and Development

Research and development expenses increased $5.5 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, primarily due to an increase of $3.6 million in personnel costs resulting from continued growth in headcount, a $0.5 million increase in allocated overhead costs due to growth supporting our continued business expansion, and an increase of $0.8 million in the use of third-party contractors. Stock-based compensation expense increased $0.8 million related to vesting of RSUs since the effective date of the IPO.

Research and development expenses increased $16.2 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, primarily due to an increase of $10.8 million in personnel costs resulting from continued growth in headcount and a $1.3 million increase in allocated overhead costs due to growth supporting our continued business expansion. Stock-based compensation expense increased $3.5 million mostly attributable to RSUs being recognized upon the effective date of the IPO and also additional vesting of RSUs since the effective date of the IPO.

Our research and development headcount grew by 96 from October 31, 2019 to October 31, 2020. Excluding the effect of IPO associated expenses related to RSUs, we expect research and development expenses to increase in absolute dollars due to higher headcount as we continue to develop new applications and further enhance the nCino Bank Operating System.

General and Administrative

General and administrative expenses increased $5.7 million for the three months ended October 31, 2020 compared to the three months ended October 31, 2019, primarily due to stock-based compensation expense of $2.0 million related to vesting of RSUs since the effective date of the IPO, a $1.6 million increase to personnel costs from increased headcount as we continued to scale our business and to an increase in third party professional fees of $1.0 million, mostly attributable to costs related to the Company's Secondary Offering. Allocated overhead and other general and administrative costs increased $1.3 million, which consisted primarily of increased insurance costs associated with being a public company. The increase in general and administrative expenses for the three months ended October 31, 2020 was partially offset by a decrease of $0.2 million travel costs due to COVID-19-related travel restrictions.

General and administrative expenses increased $13.2 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, primarily due to stock-based compensation expense of $6.2 million mostly attributable to RSUs being recognized upon the effective date of the IPO and also additional vesting of RSUs since the effective date of the IPO, partially offset by $1.2 million of stock-based compensation expense for the accelerated vesting of an executive's stock options for the nine months ended October 31, 2019 that did not occur for the nine months ended October 31, 2020. Personnel costs increased $3.6 million from increased headcount as we continued to scale our business. Third party professional fees increased $2.0 million for the nine months ended October 31, 2020 compared to the nine months ended October 31, 2019, mostly attributable to costs related to the Company’s IPO and Secondary Offering. Allocated overhead and other general and administrative costs increased $3.0 million, which consisted primarily of bad debt expense, charitable contributions and insurance costs associated with being a public company. The increase in general and administrative expenses for the nine months ended October 31, 2020 was partially offset by a decrease of $0.4 million travel costs due to COVID-19-related travel restrictions.

Our general and administrative headcount grew by 34 from October 31, 2019 to October 31, 2020. Excluding the effect of IPO associated expenses related to RSUs, we expect general and administrative expenses to increase in absolute dollars in the near term, primarily due to higher headcount to support our continued growth and additional expenses for our transition to, and continuing costs of, being a public company.

Effects of COVID-19

COVID-19 began affecting our business in our first quarter fiscal 2021. To date, we have not experienced a material increase in customers' delaying purchase decisions or cancellations nor have we had a material impact from vendors and third-party service providers we rely on. Beginning in mid-March 2020, we implemented a company-wide work-from-home requirement for all of our employees and suspended all work-related travel. In addition, we shifted our conferences and other marketing events to virtual-only for the foreseeable future. We expect these restrictions to stay in effect during the fourth quarter of fiscal 2021 and could extend further into future quarters. To the extent COVID-19 has measurably affected our historical financial results, we have noted such effects in the discussion above. We are aware that there are effects of the COVID-19 pandemic in terms of efficiency, productivity, workforce retention and other matters that are not directly measurable. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments unknown and unpredictable at this time, including the duration, severity and spread of the pandemic, the effects of the pandemic on financial institutions generally as well as on our customers, their clients and on our business partners in particular, restrictions on travel and other actions that may be taken by governmental authorities and other factors. For further information, please see, "—Factors Affecting Our Operating Results—COVID-19 Effects on Demand for Our Solutions" and "Risk Factors—Uncertain or weakened economic conditions, including as a result of the recent coronavirus outbreak, may adversely affect our industry, business and results of operations," included in the Company's prospectus for the Secondary Offering dated October 7, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 9, 2020.

Liquidity and Capital Resources

As of October 31, 2020, we had $378.6 million in cash and cash equivalents, and an accumulated deficit of $149.1 million. Our net losses have been driven by our investments in developing the nCino Bank Operating System, expanding our sales and marketing organization and scaling our finance and administrative functions to support our rapid growth. We expect to continue to incur operating losses for the foreseeable future.

To date, we have funded our capital needs through issuances of common stock and collections from our customers. In July 2020, we closed our IPO of 9,269,000 shares of common stock (including shares issued pursuant to the exercise in full of the underwriters' options to purchase additional shares) at a public offering price of $31.00 per share, resulting in aggregate net proceeds to us of $268.4 million after deducting underwriting discounts and commissions. We paid $2.5 million in additional IPO related costs during the nine months ended October 31, 2020. We generally bill and collect from our customers annually in advance. Our billings are subject to seasonality, with billings in the first and fourth quarters of our fiscal year substantially higher than in the second and third quarters. Because we recognize revenues ratably, our deferred revenue balance mirrors the seasonality of our billings. In addition, our advanced billing and collection coupled with our recent growth has resulted in our cash used in operating activities generally being less than our net operating losses in recent periods.

We believe that current cash and cash equivalents will be sufficient to fund our operations and capital requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts to enhance the nCino Bank Operating System and introduce new applications, market acceptance of our solution, the continued expansion of our sales and marketing activities, investments in office facilities and other capital expenditure requirements and any potential future acquisitions. We may from time-to-time seek to raise additional capital to support our growth. Any equity financing we may undertake could be dilutive to our existing stockholders, and any debt financing we may undertake could require debt service and financial and operational covenants that could adversely affect our business. There is no assurance we would be able to obtain future financing on acceptable terms or at all.

nCino K.K.

In fiscal 2020, we established nCino K.K., a Japanese company in which we own a controlling interest, for purposes of facilitating our entry into the Japanese market. We have consolidated the results of operations and financial condition of nCino K.K. since its inception. Pursuant to an agreement with the holders of the non-controlling interest in nCino K.K., beginning in 2027 we may redeem the non-controlling interest, or be required to redeem such interest by the holders thereof, based on a prescribed formula derived from the relative revenues of nCino K.K. and the Company. The balance of the redeemable non-controlling interest is reported on our balance sheet below total liabilities but above stockholders' equity at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings or losses and other comprehensive income or loss, or its estimated redemption value. As of January 31, 2020 and October 31, 2020, the redeemable non-controlling interest of non-controlling interests in nCino K.K. was $4.4 million and $4.2 million, respectively.

Cash Flows

Summary Cash Flow information for the nine months ended October 31, 2019 and 2020 are set forth below.

	Nine Months Ended October 31,	
(In thousands)	**2019**	**2020**
Net cash provided by operating activities	$ 2,170	$ 21,147
Net cash used in investing activities	(55,641)	(3,755)
Net cash provided by financing activities	85,157	269,710

Net Cash Provided by Operating Activities

The $21.1 million provided by operating activities in the nine months ended October 31, 2020 reflects our net loss of $28.8 million, offset by $29.0 million in non-cash charges and $20.9 million generated by changes in working capital accounts. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization, and amortization of costs capitalized to obtain revenue contracts. Cash generated by working capital accounts was principally a function of a $11.4 million increase in our deferred revenue, as we expanded our customer base and renewed existing customers, and a $17.7 million decrease in accounts receivable. The cash generated by working capital accounts was partially offset by payments of $4.5 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a $2.7 million increase in prepaid expenses and other assets, a $0.9 million decrease in accounts payable and accrued expenses and other liabilities, and a decrease of $0.1 million in deferred rent.

The $2.2 million provided by operating activities in the nine months ended October 31, 2019 reflects our net loss of $18.0 million, offset by $9.9 million in non-cash charges and $10.3 million generated by changes in working capital accounts. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization, and amortization of costs capitalized to obtain revenue contracts. Cash generated by working capital accounts was principally a function of a $4.1 million increase in our deferred revenue, as we expanded our customer base and renewed existing customers, a $1.1 million increase in deferred rent, a $9.0 million decrease in accounts receivable, and a $0.1 million decrease in prepaid expenses and other assets. The cash generated by working capital accounts was partially offset by a $1.6 million decrease in accounts payable and accrued expenses and other liabilities, and payments of $2.4 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions.

Net Cash Used in Investing Activities

We used $3.8 million in investing activities in the nine months ended October 31, 2020 for the purchase of property and equipment and leasehold improvements to support the expansion of our business. The $55.6 million used in investing activities in the nine months ended October 31, 2019 comprised of $3.4 million used for the purchase of property and equipment and leasehold improvements to support the expansion of our business and $52.3 million used in the acquisition of Visible Equity and FinSuite.

Net Cash Provided by Financing Activities

The $269.7 million provided by financing activities in the nine months ended October 31, 2020 was comprised $268.4 million in proceeds from the IPO in July 2020, net of underwriting discounts and commissions and $3.8 million of proceeds from the exercise of stock options. The cash provided by financing activities was partially reduced by payments of $2.5 million in costs related to the IPO. The $85.2 million provided by financing activities in the nine months ended October 31, 2019 was comprised principally of $79.9 million in proceeds from equity financings, net of issuance costs, as well as $4.5 million in proceeds from the non-controlling interest for our Japan joint venture and $0.7 million of proceeds from the exercise of stock options.

Contractual Obligations and Commitments

There were no material changes to our contractual obligations and commitments as of October 31, 2020 compared to January 31, 2020 as disclosed in our final prospectus for the Secondary Offering dated October 7, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 9, 2020.

On November 29, 2020, the Company entered into a lease with a new lessor with changed terms and amounts and subject to additional agreements, pursuant to which the Company will continue to lease approximately 89,975 square feet of space for its existing corporate headquarters. See Note 14, Subsequent Event of the notes to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for the full description.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be significant.

There have been no material changes in our critical accounting policies or estimates as compared to those disclosed in the final prospectus for the Secondary Offering dated October 7, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 9, 2020.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recent Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies of the notes to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Emerging Growth Company Status

We are an “emerging growth company,” as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

At October 31, 2020, we had cash and cash equivalents of $378.6 million, which consisted primarily of bank deposits and money market funds. Interest-earning instruments carry a degree of interest rate risk. However, our historical interest income has not fluctuated significantly. A hypothetical 10% change in interest rates would not have had a material impact on our financial results included in this Quarterly Report on Form 10-Q. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar and the functional currency of each of our subsidiaries is its local currency. The assets and liabilities of each of our subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Revenues and expenses are translated using the average exchange rate for the relevant period. Equity transactions are translated using historical exchange rates. Decreases in the relative value of the U.S. dollar to other currencies may negatively affect revenues and other operating results as expressed in U.S. dollars. Foreign currency translation adjustments are accounted for as a component of accumulated other comprehensive income (loss) within stockholders' equity. Gains or losses due to transactions in foreign currencies are included in "Non-operating income (expense), Other" in our consolidated statements of operations. Furthermore, our customers outside of the United States typically pay us in local currency. We have not engaged in hedging of foreign currency transactions to date, although we may choose to do so in the future. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results or financial condition.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures at October 31, 2020, the last day of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, at October 31, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this 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 Disclosure Controls and Procedures

In designing and evaluating our disclosure controls and procedures and internal control over financial reporting, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, 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 our management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures and internal control over financial reporting also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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 business. We are not presently party to any legal proceedings that, if determined adversely to us, would individually or taken together 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.

Item 1A. Risk Factors

There are no material changes to the risk factors in the Company's final prospectus for the Secondary Offering dated October 7, 2020 and filed with the SEC pursuant to Rule 424(b)(4) on October 9, 2020 under the heading "Risk Factors". You should consider and read carefully these risks, as well as other information included in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes before making an investment decision with respect to our common stock. Those risks are not the only ones we face. The occurrence of any of those risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition and results of operation. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

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

Unregistered Sales of Equity Securities

In October 2020 and again in November 2020, 142,846 shares of common stock were earned as the share portion of contingent consideration in connection with our acquisition of FinSuite. These 285,692 shares of common stock issued in November 2020 were made to non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933), in an offshore transaction relying on Regulation S of the Securities Act of 1933, as amended. See Note 6, Business Combinations of the notes to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for further information regarding the share portion of contingent consideration regarding this acquisition.

Use of Proceeds from our IPO

On July 16, 2020, we completed our IPO, selling 9,269,000 shares of our common stock at a price of $31.00 per share (including shares subject to the underwriters’ over-allotment option) for an aggregate price of $287.3 million. The offer and sale of the shares in the IPO was registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-239335), which was declared effective by the SEC on July 13, 2020. We raised approximately $268.4 million in net proceeds after deducting underwriting discounts and commissions of approximately $18.9 million.

We intend to use the net proceeds from the IPO for general corporate purposes, including working capital and capital expenditures such as additional office facilities. We may also use a portion of the net proceeds to acquire, invest in or obtain rights to complementary technologies, products, services or businesses. The underwriters of the offering were BofA Securities, Inc. and Barclays Capital Inc. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries.

There has been no material change in the planned use of the IPO proceeds as described in our final prospectus for the IPO dated July 13, 2020 and filed with the SEC on July 14, 2020, pursuant to Rule 424(b) of the Securities Act.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

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

	nCino, Inc.
Date: December 10, 2020	By: /s/ Pierre Naudé Pierre Naudé President and Chief Executive Officer; Director (Principal Executive Officer)
Date: December 10, 2020	By: /s/ David Rudow David Rudow Chief Financial Officer and Treasurer (Principal Financial Officer)

Exhibit 31.1

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

I, Pierre Naudé, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of nCino, Inc.;

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

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

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

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

   (b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

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

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

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

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

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

Date: December 10, 2020

By: /s/ Pierre Naudé

Pierre Naudé

President and Chief Executive Officer

Exhibit 31.2

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

I, David Rudow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of nCino, Inc.;

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

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

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

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

    b. (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

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

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

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

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

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

Date: December 10, 2020	By:	/s/ David Rudow
		David Rudow
		Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of nCino, Inc. (the “Company”) on Form 10-Q for the period ending October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2020	By:	/s/ Pierre Naudé
		Pierre Naudé
		President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of nCino, Inc. (the “Company”) on Form 10-Q for the period ending October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2020	By:	/s/ David Rudow
		David Rudow
		Chief Financial Officer