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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 31, 2023
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: 001-41211

nCino, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**87-4154342**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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	The 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 o

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

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: 112,911,195 shares of common stock, $0.0005 par value per share, as of August 24, 2023.

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,” “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, 2023	July 31, 2023
		(Unaudited)
Assets		
Current assets		
Cash and cash equivalents (VIE: $2,019 and $1,081 at January 31, 2023 and July 31, 2023, respectively)	$ 82,036	$ 98,003
Accounts receivable, less allowances of $899 and $876 at January 31, 2023 and July 31, 2023, respectively	99,497	80,901
Costs capitalized to obtain revenue contracts, current portion, net	9,386	9,495
Prepaid expenses and other current assets	16,274	20,976
Total current assets	207,193	209,375
Property and equipment, net	84,442	81,938
Operating lease right-of-use assets, net	10,508	8,232
Costs capitalized to obtain revenue contracts, noncurrent, net	18,229	16,263
Goodwill	839,440	839,042
Intangible assets, net	152,825	138,655
Investments (related party $2,500 at January 31, 2023 and July 31, 2023)	6,531	6,531
Long-term prepaid expenses and other assets	8,101	1,579
Total assets	$ 1,327,269	$ 1,301,615
Liabilities, redeemable non-controlling interest, and stockholders' equity		
Current liabilities		
Accounts payable	$ 11,878	$ 9,783
Accrued compensation and benefits	22,623	12,385
Accrued expenses and other current liabilities	10,897	11,995
Deferred revenue, current portion	154,871	169,314
Financing obligations, current portion	1,015	1,384
Operating lease liabilities, current portion	3,874	3,446
Total current liabilities	205,158	208,307
Operating lease liabilities, noncurrent	7,282	5,821
Deferred income taxes, noncurrent	2,797	2,919
Revolving credit facility, noncurrent	30,000	—
Financing obligations, noncurrent	54,365	53,432
Total liabilities	299,602	270,479
Commitments and contingencies (Note 12)		
Redeemable non-controlling interest (Note 3)	3,589	2,995
Stockholders' equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized, and none issued and outstanding as of January 31, 2023 and July 31, 2023	—	—
Common stock, $0.0005 par value; 500,000,000 shares authorized as of January 31, 2023 and July 31, 2023; 111,424,132 and 112,661,660 shares issued and outstanding as of January 31, 2023 and July 31, 2023, respectively	56	56
Additional paid-in capital	1,333,669	1,364,757
Accumulated other comprehensive income	694	844
Accumulated deficit	(310,341)	(337,516)
Total stockholders' equity	1,024,078	1,028,141
Total liabilities, redeemable non-controlling interest, and stockholders' equity	$ 1,327,269	$ 1,301,615

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 July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Revenues				
Subscription	$ 84,445	$ 99,897	$ 163,634	$ 197,237
Professional services and other	15,182	17,339	30,204	33,671
Total revenues	99,627	117,236	193,838	230,908
Cost of revenues				
Subscription	26,145	29,719	51,655	58,876
Professional services and other	15,076	18,328	29,868	35,359
Total cost of revenues	41,221	48,047	81,523	94,235
Gross profit	58,406	69,189	112,315	136,673
Operating expenses				
Sales and marketing	32,512	32,164	61,851	62,105
Research and development	29,701	29,889	58,816	58,084
General and administrative	21,199	21,930	43,885	39,905
Total operating expenses	83,412	83,983	164,552	160,094
Loss from operations	(25,006)	(14,794)	(52,237)	(23,421)
Non-operating income (expense)				
Interest income	26	835	28	1,372
Interest expense	(631)	(1,044)	(1,269)	(2,423)
Other income (expense), net	(1,014)	469	(2,587)	(313)
Loss before income taxes	(26,625)	(14,534)	(56,065)	(24,785)
Income tax provision	799	1,545	1,362	2,938
Net loss	(27,424)	(16,079)	(57,427)	(27,723)
Net loss attributable to redeemable non-controlling interest (Note 3)	(307)	(268)	(651)	(548)
Adjustment attributable to redeemable non-controlling interest (Note 3)	128	73	1,157	(48)
Net loss attributable to nCino, Inc.	$ (27,245)	$ (15,884)	$ (57,933)	$ (27,127)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.25)	$ (0.14)	$ (0.53)	$ (0.24)
Weighted average number of common shares outstanding:				
Basic and diluted	110,391,865	112,396,716	110,198,509	112,262,527

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 July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Net loss	$ (27,424)	$ (16,079)	$ (57,427)	$ (27,723)
Other comprehensive income:				
Foreign currency translation	429	26	1,109	140
Other comprehensive income	429	26	1,109	140
Comprehensive loss	(26,995)	(16,053)	(56,318)	(27,583)
Less comprehensive loss attributable to redeemable non-controlling interest:				
Net loss attributable to redeemable non-controlling interest	(307)	(268)	(651)	(548)
Foreign currency translation attributable to redeemable non-controlling interest	(28)	—	(182)	(10)
Comprehensive loss attributable to redeemable non-controlling interest	(335)	(268)	(833)	(558)
Comprehensive loss attributable to nCino, Inc.	$ (26,660)	$ (15,785)	$ (55,485)	$ (27,025)

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 July 31, 2022

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, April 30, 2022	110,128,561	$ 55	$ 1,290,295	$ 762	$ (239,275)	$ 1,051,837
Exercise of stock options	148,419	—	1,084	—	—	1,084
Stock issuance upon vesting of restricted stock units	246,834	—	—	—	—	—
Stock issuance under the employee stock purchase plan	92,236	—	2,424	—	—	2,424
Stock-based compensation	—	—	12,664	—	—	12,664
Other comprehensive income	—	—	—	457	—	457
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(128)	—	(27,117)	(27,245)
Balance, July 31, 2022	110,616,050	$ 55	$ 1,306,339	$ 1,219	$ (266,392)	$ 1,041,221

Three Months Ended July 31, 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, April 30, 2023	112,200,481	$ 56	$ 1,346,250	$ 818	$ (321,705)	$ 1,025,419
Exercise of stock options	93,150	—	607	—	—	607
Stock issuance upon vesting of restricted stock units	247,945	—	—	—	—	—
Stock issuance under the employee stock purchase plan	120,084	—	2,698	—	—	2,698
Stock-based compensation	—	—	15,275	—	—	15,275
Other comprehensive income	—	—	—	26	—	26
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(73)	—	(15,811)	(15,884)
Balance, July 31, 2023	112,661,660	$ 56	$ 1,364,757	$ 844	$ (337,516)	$ 1,028,141

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)

	Six Months Ended July 31, 2022						
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, January 31, 2022	109,778,542	$ 55	$ 1,277,258	$ (72)	$ (209,616)	$ 1,067,625
Exercise of stock options	305,394	—	1,856	—	—	1,856
Stock issuance upon vesting of restricted stock units	439,878	—	—	—	—	—
Stock issuance under the employee stock purchase plan	92,236	—	2,424	—	—	2,424
Stock-based compensation	—	—	25,958	—	—	25,958
Other comprehensive income	—	—	—	1,291	—	1,291
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(1,157)	—	(56,776)	(57,933)
Balance, July 31, 2022	110,616,050	$ 55	$ 1,306,339	$ 1,219	$ (266,392)	$ 1,041,221

	Six Months Ended July 31, 2023					
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, January 31, 2023	111,424,132	$ 56	$ 1,333,669	$ 694	$ (310,341)	$ 1,024,078
Exercise of stock options	340,668	—	2,208	—	—	2,208
Stock issuance upon vesting of restricted stock units	776,776	—	—	—	—	—
Stock issuance under the employee stock purchase plan	120,084	—	2,698	—	—	2,698
Stock-based compensation	—	—	26,134	—	—	26,134
Other comprehensive income	—	—	—	150	—	150
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	48	—	(27,175)	(27,127)
Balance, July 31, 2023	112,661,660	$ 56	$ 1,364,757	$ 844	$ (337,516)	$ 1,028,141

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

Table of Contents

nCino, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended July 31,	
	2022	2023
Cash flows from operating activities		
Net loss attributable to nCino, Inc.	$ (57,933)	$ (27,127)
Net loss and adjustment attributable to redeemable non-controlling interest	506	(596)
Net loss	(57,427)	(27,723)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	16,882	18,297
Non-cash operating lease costs	2,001	2,421
Amortization of costs capitalized to obtain revenue contracts	4,031	4,869
Amortization of debt issuance costs	85	92
Stock-based compensation	25,971	26,146
Deferred income taxes	480	790
Provision for bad debt	154	756
Net foreign currency losses (gains)	2,635	(38)
Loss on disposal of property and equipment	—	144
Change in operating assets and liabilities:		
Accounts receivable	5,415	18,446
Costs capitalized to obtain revenue contracts	(4,571)	(3,002)
Prepaid expenses and other assets	(1,651)	1,051
Accounts payable	(1,890)	(1,406)
Accrued expenses and other current liabilities	(9,653)	(9,313)
Deferred revenue	30,327	13,772
Operating lease liabilities	(2,070)	(2,035)
Net cash provided by operating activities	10,719	43,267
Cash flows from investing activities		
Acquisition of assets	—	(356)
Purchases of property and equipment	(9,303)	(2,464)
Net cash used in investing activities	(9,303)	(2,820)
Cash flows from financing activities		
Proceeds from borrowings on revolving credit facility	20,000	—
Payments on revolving credit facility	(20,000)	(30,000)
Payments of debt issuance costs	(367)	—
Exercise of stock options	1,856	2,204
Stock issuance under the employee stock purchase plan	2,424	2,698
Principal payments on financing obligations	(303)	(564)
Net cash provided by (used in) financing activities	3,610	(25,662)
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	(1,895)	1,166
Net increase in cash, cash equivalents, and restricted cash	3,131	15,951
Cash, cash equivalents, and restricted cash, beginning of period	88,399	87,418
Cash, cash equivalents, and restricted cash, end of period	$ 91,530	$ 103,369
Reconciliation of cash, cash equivalents, and restricted cash, end of period:		
Cash and cash equivalents	$ 86,148	$ 98,003
Restricted cash included in prepaid expenses and other current assets	—	5,162
Restricted cash included in other long-term assets	5,382	204
Total cash, cash equivalents, and restricted cash, end of period	$ 91,530	$ 103,369
Supplemental disclosure of cash flow information		
Cash paid for taxes, net of refunds	$ 484	$ 1,906
Cash paid for interest	$ 1,237	$ 2,580
Supplemental disclosure of noncash investing and financing activities		
Purchase of property and equipment, accrued but not paid	$ 7,359	$ 29
Receivables from exercise of stock options	$ —	$ 4
Net working capital receivable adjustment	$ 676	$ —

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

Organization: On November 16, 2021, nCino, Inc. (now nCino OpCo, Inc., "nCino OpCo") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Penny HoldCo, Inc. (now nCino, Inc., "nCino, Inc."), a Delaware corporation incorporated on November 12, 2021 as a wholly-owned subsidiary of nCino OpCo, and certain other parties. On January 7, 2022, in connection with the closing of the transactions contemplated by the Merger Agreement, Penny HoldCo, Inc. changed its name to nCino, Inc. and nCino, Inc. changed its name to nCino OpCo, Inc. and became a wholly-owned subsidiary of nCino, Inc.

Merger: On January 7, 2022, pursuant to the Merger Agreement, nCino, Inc. and nCino OpCo completed a series of mergers in which nCino, Inc. became the parent of nCino OpCo and SimpleNexus, LLC ("SimpleNexus"). Each share of nCino OpCo common stock, par value $0.0005 per share, issued and outstanding was converted into one fully paid and nonassessable share of nCino, Inc. common stock, par value $0.0005. nCino, Inc. became the successor issuer and reporting company to nCino OpCo pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended. On January 10, 2022, shares of nCino OpCo were suspended from trading on the Nasdaq Global Select Market, and shares of nCino, Inc. commenced using nCino OpCo's trading history under the ticker symbol "NCNO".

Description of Business: The Company 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 various locations in the U.S., North America, Europe and Asia Pacific.

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 Securities Exchange Commission ("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 in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the SEC on March 28, 2023. 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.

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 2024 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 ("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. See Note 3 "Variable Interest Entity and Redeemable Non-Controlling Interest" 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, and stand-alone selling price; the average period of benefit associated with costs capitalized to obtain revenue contracts; fair value of assets acquired and liabilities assumed for business combinations; the useful lives of intangible assets; income taxes and the related 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, cash equivalents, restricted cash and accounts receivable. The Company’s cash and cash equivalents exceeded federally insured limits at January 31, 2023 and July 31, 2023. The Company maintains its cash, cash equivalents and restricted cash with high-credit-quality financial institutions.

As of January 31, 2023, no individual customer represented over 10% of accounts receivable and, as of July 31, 2023, one individual customer represented 10.5% of accounts receivable. For the three and six months ended July 31, 2022 and 2023, no individual customer represented more than 10% of the Company’s total revenues.

Restricted Cash: Restricted cash primarily consists of a minimum cash balance the Company maintains with a lender under the Company's revolving credit facility. The remaining restricted cash consists of deposits held as collateral for the Company's bank guarantees issued in place of security deposits for certain property leases and credit cards. Restricted cash is included in prepaid expenses and other current assets and other long-term assets at January 31, 2023 and July 31, 2023 on the unaudited condensed consolidated balance sheets.

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. The Company recognizes a contract asset in the form of accounts receivable when the Company has an unconditional right to payment, and the Company records 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, while SimpleNexus' standard billing terms are monthly 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 the Company is 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, which includes allowances for doubtful accounts and a reserve for expected credit losses.

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

The Company records allowances for doubtful accounts based upon the credit worthiness of customers, historical experience, the age of the accounts receivable, current market and economic conditions, and supportable forecasts about the future. Relevant risk characteristics include customer size and historical loss patterns. This estimate is analyzed quarterly and adjusted as necessary.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Balance, beginning of period	$ 166	$ 1,037	$ 151	$ 899
Charged to bad debt expense	138	458	154	756
Write-offs and other	—	(622)	—	(779)
Translation adjustments	(3)	3	(4)	—
Balance, end of period	$ 301	$ 876	$ 301	$ 876

Investments: The Company's investments are non-marketable equity investments without readily determinable fair value and for which the Company does not have control or significant influence. The investments are measured at cost with adjustments for observable changes in price or impairment as permitted by the measurement alternative. The Company assesses at each reporting period if the investments continue to qualify for the measurement alternative. Gains or losses resulting from observable price changes are recognized currently in the Company's unaudited condensed consolidated statements of operations. The Company assesses the investments whenever events or changes in circumstances indicate that the carrying value of the investments may not be recoverable.

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 July 31, 2023, 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 $3.2 million at July 31, 2023.

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

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Balance, beginning of period	$ 3,419	$ 3,184	$ 2,882	$ 3,589
Net loss attributable to redeemable non-controlling interest (excluding adjustment to non-controlling interest)	(307)	(268)	(651)	(548)
Foreign currency translation	(28)	—	(182)	(10)
Adjustment to redeemable non-controlling interest	128	73	1,157	(48)
Stock-based compensation expense[1]	7	6	13	12
Balance, end of period	$ 3,219	$ 2,995	$ 3,219	$ 2,995

[1] nCino K.K. stock options granted in accordance with nCino K.K.'s equity incentive plan.

Note 4. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

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, accounts payable, and accrued expenses approximate fair value as of January 31, 2023 and July 31, 2023 because of the relatively short duration of these instruments.

The carrying amount of any outstanding borrowings on the Company's revolving credit facility approximates fair value due to the variable interest rates of the borrowings.

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, 2023 and July 31, 2023 and indicates the fair value hierarchy of the valuation:

	Fair value measurements on a recurring basis as of January 31, 2023		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 17,149	$ —	$ —
Time deposits (included in other long-term assets)	382	—	—
Total assets	$ 17,531	$ —	$ —

nCino, Inc.

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

	Fair value measurements on a recurring basis as of July 31, 2023		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 59,067	$ —	$ —
Time deposits (included in prepaid expenses and other current assets)	162	—	—
Time deposits (included in other long-term assets)	204	—	—
Total assets	$ 59,433	$ —	$ —

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.

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company's assets measured at fair value on a nonrecurring basis include the investments accounted for under the measurement alternative. There was no adjustment or impairment recognized for the three and six months ended July 31, 2022 and 2023, respectively.

Note 5. Revenues

Revenues by Geographic Area

Revenues by geographic region were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
United States	$ 84,678	$ 95,315	$ 164,607	$ 189,761
International	14,949	21,921	29,231	41,147
	$ 99,627	$ 117,236	$ 193,838	$ 230,908

The Company disaggregates its revenues from contracts with customers by geographic location. 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, 2023 and July 31, 2023:

	As of January 31, 2023	As of July 31, 2023
Trade accounts receivable	$ 94,729	$ 74,570
Unbilled accounts receivable	4,920	6,386
Allowance for doubtful accounts	(899)	(876)
Other accounts receivable[1]	747	821
Total accounts receivable, net	$ 99,497	$ 80,901

[1]Includes $0.1 million and $0.3 million income tax receivable of as of January 31, 2023 and July 31, 2023, respectively.

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

Deferred Revenue and Remaining Performance Obligations

Significant movements in the deferred revenue balance during the period consisted of increases due to payments received or due in advance prior to the 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 six months ended July 31, 2023, $117.2 million of revenues were recognized out of the deferred revenue balance as of January 31, 2023.

Transaction price allocated to remaining performance obligations represents contracted revenues that have not yet been recognized, which includes both deferred revenue and amounts that will be invoiced and 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 $928.6 million as of July 31, 2023. The Company expects to recognize approximately 69% of its remaining performance obligation as revenues in the next 24 months, approximately 28% more in the following 25 to 48 months, and the remainder thereafter.

Note 6. Property and Equipment

Property and equipment, net consisted of the following:

	As of January 31, 2023	As of July 31, 2023
Furniture and fixtures	$ 10,730	$ 12,017
Computers and equipment	8,361	8,231
Buildings and land[1]	56,379	56,379
Leasehold improvements	28,702	28,738
Construction in progress	673	46
	104,845	105,411
Less accumulated depreciation	(20,403)	(23,473)
	$ 84,442	$ 81,938

[1]See Note 12 "Commitments and Contingencies."

The Company recognized depreciation expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Cost of subscription revenues	$ 86	$ 150	$ 176	$ 287
Cost of professional services and other revenues	268	474	541	918
Sales and marketing	316	445	642	884
Research and development	535	747	1,084	1,470
General and administrative	189	306	378	589
Total depreciation expense	$ 1,394	$ 2,122	$ 2,821	$ 4,148

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

Note 7. Goodwill and Intangible Assets

Goodwill

The change in the carrying amounts of goodwill was as follows:

Balance, January 31, 2023	$ 839,440
Translation adjustments	(398)
Balance, July 31, 2023	$ 839,042

Intangible assets

Intangible assets, net are as follows:

	As of January 31, 2023			As of July 31, 2023		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 83,605	$ (21,818)	$ 61,787	$ 83,509	$ (30,182)	$ 53,327
Customer relationships	91,710	(13,418)	78,292	91,706	(17,751)	73,955
Trademarks and trade name	14,626	(2,705)	11,921	14,625	(3,912)	10,713
Other	919	(94)	825	919	(259)	660
	$ 190,860	$ (38,035)	$ 152,825	$ 190,759	$ (52,104)	$ 138,655

The Company recognized amortization expense for intangible assets as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Cost of subscription revenues	$ 4,256	$ 4,190	$ 8,518	$ 8,441
Cost of professional services and other revenues	—	83	—	165
Sales and marketing	2,772	2,771	5,543	5,543
Total amortization expense	$ 7,028	$ 7,044	$ 14,061	$ 14,149

The expected future amortization expense for intangible assets as of July 31, 2023 is as follows:

Fiscal Year Ending January 31,	
2024 (remaining)	$ 13,577
2025	26,916
2026	26,751
2027	25,544
2028	10,924
Thereafter	34,943
	$ 138,655

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)

Note 8. Stockholders' Equity

At July 31, 2023, the Company committed a total of 35,202,345 shares of common stock for future issuance as follows:

Issued and outstanding stock options	1,664,830
Nonvested issued and outstanding restricted stock units ("RSUs")	5,784,062
Possible issuance under stock plans	27,753,453
	35,202,345

Note 9. Stock-Based Compensation

Stock Options

Stock option activity for the six months ended July 31, 2023 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 31, 2023	2,009,323	$ 6.62
Granted	—	—
Expired or forfeited	(3,825)	18.62
Exercised	(340,668)	6.48
Outstanding, July 31, 2023	1,664,830	$ 6.62
Exercisable, July 31, 2023	1,655,080	$ 6.53
Fully vested or expected to vest, July 31, 2023	1,663,855	$ 6.61

Restricted Stock Units

RSU activity during the six months ended July 31, 2023 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, January 31, 2023	3,531,387	$ 44.00
Granted	3,155,899	24.80
Vested	(688,473)	43.00
Forfeited	(214,751)	41.16
Nonvested, July 31, 2023	5,784,062	$ 33.75

As of July 31, 2023, total unrecognized compensation expense related to non-vested RSUs was $162.7 million, adjusted for estimated forfeitures, based on the estimated fair value of the Company's common stock at the time of grant. That cost is expected to be recognized over a weighted average period of 3.05 years.

Employee Stock Purchase Plan

The first offering period for the Employee Stock Purchase Plan ("ESPP") began on July 1, 2021 and ended on December 31, 2021. Thereafter, offering periods begin each year on January 1 and July 1.

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

The fair value of ESPP shares during the six months ended July 31, 2022 and 2023 was estimated at the date of grant using the Black-Scholes option valuation model based on assumptions as follows for ESPP awards:

	Six Months Ended July 31,	
	2022	2023
Expected life (in years)	0.50	0.50
Expected volatility	49.65% - 84.59%	61.66% - 61.86%
Expected dividends	0.00%	0.00%
Risk-free interest rate	0.22% - 2.52%	4.77% - 5.53%

Stock-Based Compensation Expense

Total stock-based compensation expense included in our unaudited condensed consolidated statements of operations were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Cost of subscription revenues	$ 352	$ 485	$ 728	$ 799
Cost of professional services and other revenues	1,915	2,460	3,786	4,089
Sales and marketing	3,447	3,830	6,818	7,041
Research and development	2,613	4,279	5,445	7,279
General and administrative	4,344	4,227	9,194	6,938
Total stock-based compensation expense	$ 12,671	$ 15,281	$ 25,971	$ 26,146

Note 10. Leases

Operating Leases

The Company leases its facilities and a portion of its equipment under various non-cancellable agreements, which expire at various times through July 2028, some of which include options to extend for up to five years.

The components of lease expense were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Operating lease expense	$ 973	$ 1,312	$ 1,938	$ 2,617
Short-term lease expense	259	473	540	934
Variable lease expense	172	112	254	234
Total	$ 1,404	$ 1,897	$ 2,732	$ 3,785

Supplemental cash flow information related to operating leases were as follows:

	Six Months Ended July 31,	
	2022	2023
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,007	$ 2,231
Operating right-of-use assets obtained in exchange for operating lease liabilities	677	132

The weighted-average remaining lease term and weighted-average discount rate for the Company's operating lease liabilities as of July 31, 2023 were 3.32 years and 4.5%, respectively.

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

Future minimum lease payments as of July 31, 2023 were as follows:

Fiscal Year Ending January 31,	Operating Leases
2024 (remaining)	$ 2,123
2025	3,171
2026	2,139
2027	1,080
2028	975
Thereafter	495
Total lease liabilities	9,983
Less: imputed interest	(716)
Total lease obligations	9,267
Less: current obligations	(3,446)
Long-term lease obligations	$ 5,821

Note 11. Revolving Credit Facility

On February 11, 2022, the Company entered into a Credit Agreement (the “Credit Agreement”), by and among the Company, nCino OpCo (the “Borrower”), certain subsidiaries of the Company as guarantors, and Bank of America, N.A. as lender (the “Lender”), pursuant to which the Lender is providing to the Borrower a senior secured revolving credit facility of up to $50.0 million (the “Credit Facility”). The Credit Facility includes borrowing capacity available for letters of credit subject to a sublimit of $7.5 million. Any issuance of letters of credit will reduce the amount available under the Credit Facility.

Borrowings under the Credit Facility bear interest, at the Borrower’s option, at: (i) a base rate equal to the greater of (a) the Lender’s “prime rate,” (b) the federal funds rate plus 0.50%, and (c) the Bloomberg Short Term Bank Yield Index ("BSBY") rate plus 1.00%, plus a margin of 0.00% (provided that the base rate shall not be less than 0.00%); or (ii) the BSBY rate (provided that the BSBY shall not be less than 0.00%), plus a margin of 1.00%. The Company is also required to pay an unused commitment fee to the Lender of 0.25% of the average daily unutilized commitments. The Company must also pay customary letter of credit fees.

Borrowings under the Credit Facility are scheduled to mature on February 11, 2024, and the Company may repay amounts borrowed any time without penalty. Borrowings under the Credit Facility may be reborrowed.

The Credit Agreement contains representations and warranties, affirmative, negative and financial covenants, and events of default that are customary for loans of this type. The financial covenant requires the Company and its subsidiaries on a consolidated basis to maintain Consolidated Liquidity of not less than $50.0 million. Consolidated Liquidity is measured as the sum of 100% of unrestricted and unencumbered cash of the Company and its domestic subsidiaries, 75% of unrestricted and unencumbered cash of the Company’s foreign subsidiaries and the lesser of Credit Facility availability and $25.0 million. The Company is also required to maintain at least $5.0 million of the Company's cash and/or marketable securities with the Lender which is considered restricted cash and is included in other long-term assets as of January 31, 2023 and prepaid expenses and other current assets as of July 31, 2023 on the Company's unaudited condensed consolidated balance sheets.

The Credit Facility is guaranteed by the Company and each of its current and future material domestic subsidiaries (the “Guarantors”) and secured by substantially all of the personal property, subject to customary exceptions, of the Borrower and the Guarantors, in each case, now owned or later acquired, including a pledge of all of the Borrower’s capital stock, the capital stock of all of the Company’s domestic subsidiaries, and 65% of the capital stock of foreign subsidiaries that are directly owned by the Borrower or a Guarantor.

The Company had $30.0 million and $0.0 million outstanding and no letters of credit issued under the Credit Facility and was in compliance with all covenants as of January 31, 2023 and July 31, 2023, respectively. The available borrowing capacity under the Credit Facility was $50.0 million as of July 31, 2023.

Note 12. Commitments and Contingencies

In addition to the operating lease commitments described in Note 10 "Leases", the Company has additional contractual commitments as described further below.

Purchase Commitments

The Company’s purchase commitments consist of non-cancellable agreements to purchase goods and services, primarily licenses and hosting services, entered into in the ordinary course of business.

Financing Obligations

The Company entered into a lease agreement for the Company's headquarters in November 2020 in connection with a new lessor acquiring the property. Due to a purchase option contained in that lease, the Company is deemed to have continuing involvement and is considered to be the owner of the Company's headquarters for accounting purposes. As a result, the Company did not meet the criteria to apply sale-leaseback accounting and therefore, recorded an asset and corresponding financing obligation for $16.3 million at inception of that lease. The fair value of the leased property and corresponding financing obligation are included in property and equipment, net and financing obligations on the unaudited condensed consolidated balance sheets, respectively.

In January 2021, the Company entered into an amendment to its November 2020 headquarters lease to provide for construction of a parking deck, which upon completion was subject to exclusive use by the Company. Due to the Company also being deemed to be the owner of the parking deck for accounting purposes, the costs associated with the construction of the parking deck were capitalized as construction in progress with a corresponding construction liability through construction. Upon completion of the parking deck in September 2021, for approximately $17.7 million, the costs of the construction in progress and the corresponding construction liability were reclassified to property and equipment, net and financing obligations on the unaudited condensed consolidated balance sheets, respectively.

In April 2021, the Company entered into a new lease agreement for the construction of an additional office building that is on the same parcel of land as the Company's existing headquarters. Due to a purchase option contained in that April 2021 lease, the Company is also deemed to be the owner of the additional building for accounting purposes, the costs associated with the construction of the additional building were capitalized as construction in progress with a corresponding construction liability through construction. Upon completion of the additional building in November 2022, for approximately $22.4 million, the costs of the construction in progress and the corresponding construction liability were reclassified to property and equipment, net and financing obligations on the unaudited condensed consolidated balance sheets, respectively, and the term of the Company's November 2020 lease for its headquarters and the related parking deck became coterminous with the April 2021 lease. The term of the April 2021 lease expires in October 2037 with options to extend. The purchase option expires if not exercised on or before November 30, 2026.

The leases will be analyzed for applicable lease accounting upon expiration of the purchase option, if not exercised.

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

Purchase commitments and future minimum lease payments required under financing obligations as of July 31, 2023 is as follows:

Fiscal Year Ending January 31,	Purchase commitments	Financing obligations - leased facility
2024 (remaining)	$ 3,124	$ 2,225
2025	4,333	4,543
2026	2,423	4,644
2027	1,336	3,950
Total	$ 11,216	$ 15,362
Residual financing obligations and assets		49,476
Less: amount representing interest		(10,022)
Financing obligations		$ 54,816

A portion of the associated lease payments are recognized as interest expense and the remainder reduces the financing obligations. The weighted-average discount rate for the Company's financing obligations as of July 31, 2023 was 5.7%.

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.

Legal Proceedings

From time to time, the Company is involved in legal proceedings or is subject to claims arising in the ordinary course of business including the following:

On February 23, 2021, the Company and certain of its officers and other employees were served with grand jury subpoenas wherein the Antitrust Division of the Department of Justice (the "DOJ") was seeking documents and information in connection with an investigation of the Company’s hiring and wage practices under U.S. federal antitrust laws. On February 8, 2023, the DOJ informed the Company that the investigation is closed. No fines, sanctions, actions, or penalties were imposed or taken against the Company or its officers or other employees in connection with the matter, and the costs the Company was incurring cooperating with the investigation have now ceased.

On March 12, 2021, a putative class action complaint was filed in the United States District Court for the Eastern District of North Carolina (the "District Court"). The sole class representative in the suit is one individual alleging a contract, combination or conspiracy between and among the Company, Live Oak Bancshares, Inc. ("Live Oak") and Apiture, Inc. ("Apiture") not to solicit or hire each other’s employees in violation of Section 1 of the Sherman Act and N.C. Gen Stat. §§ 75-1 and 75-2. The complaint seeks treble damages and additional remedies, including restitution, disgorgement, reasonable attorneys’ fees, the costs of the suit, and pre-judgment and post judgment interest. The complaint does not allege any specific damages. On April 28, 2022, the District Court approved settlements between the plaintiff and defendant Live Oak in the amount of approximately $3.9 million and unnamed party Apiture in the amount of approximately $0.8 million. In July 2023, through mediation, the Company and the plaintiff reached a settlement agreement in principle of approximately $2.2 million that remains subject to court approval. While the Company strongly believes that it would prevail on the merits and that it has not violated the antitrust laws, in order to avoid the distraction and expense of protracted litigation and instead continue to focus on its employees and customers, the Company agreed to settle this matter. The Company has accrued for the proposed settlement agreement which is included in accrued expenses and other current liabilities as of July 31, 2023 on the Company's unaudited condensed consolidated balance sheets.

On September 26, 2022, a purported stockholder of the Company filed a complaint in the Delaware Court of Chancery in connection with the series of mergers in which the Company became the parent of nCino OpCo and SimpleNexus. The complaint, captioned City of Hialeah Employees' Retirement System, Derivatively on Behalf of Nominal Defendants nCINO, INC. (f/k/a Penny HoldCo, Inc.) and nCINO OpCo, Inc. (f/k/a nCino, Inc.) v. INSIGHT VENTURE PARTNERS, LLC, et al., C.A. No. 2022-0846-MTZ, names as defendants, Insight Ventures Partners, LLC., Insight Holdings Group, LLC., the Company's directors and certain officers, along with nCino, Inc. and nCino OpCo, Inc. as nominal defendants, and alleges that the members of the board of directors, controlling stockholders, and officers violated their fiduciary duties in the course of negotiating and approving the series of mergers. The complaint alleges damages in an unspecified amount. Pursuant to the rights in its bylaws and Delaware law, the Company is advancing the costs incurred by the director and officer defendants in this action, and the defendants may assert indemnification rights in respect of an adverse judgment or settlement of the action, if any. Given the uncertainty and preliminary stages of this matter, the Company is unable to reasonably estimate any possible loss or range of loss that may result. Therefore, the Company has not made an accrual for the above matter in the unaudited condensed consolidated financial statements.

The Company does not presently believe the above matters will have a material adverse effect on its day-to-day operations or the quality of the services, products or innovation it continues to provide to its customers. However, regardless of the outcome, legal proceedings can have an adverse impact on the Company because of the related expenses, diversion of management resources, and other factors.

Other Commitments and Contingencies

The Company may be subject to audits related to its non-income taxes by tax authorities in jurisdictions where it conducts business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or potentially through the courts. The Company accrues for any assessments if deemed probable and estimable.

Note 13. Related-Party Transactions

On November 1, 2022, the Company's wholly-owned subsidiary, nCino OpCo, acquired preferred shares of ZestFinance, Inc. (d/b/a ZEST AI) ("Zest AI"), a private company, for $2.5 million and is included in investments as of January 31, 2023 and July 31, 2023 on the Company's unaudited condensed consolidated balance sheets. The investment is considered a related party transaction as entities affiliated with Insight Partners, a beneficial owner of the Company, own greater than ten percent of Zest AI. On May 23, 2023, the Company announced a strategic partnership with Zest AI to build an integration into the Company's consumer banking solution to enable lenders with streamlined access to consumer credit lending insights.

Note 14. 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 stock options issued and outstanding, nonvested RSUs issued and outstanding, and shares issuable pursuant to the ESPP. 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 July 31, 2022 and 2023 and for the six months ended July 31, 2022 and 2023 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 July 31,		Six Months Ended July 31,	
	2022	2023	2022	2023
Basic and diluted loss per share:				
Numerator				
Net loss attributable to nCino, Inc.	$ (27,245)	$ (15,884)	$ (57,933)	$ (27,127)
Denominator				
Weighted-average common shares outstanding	110,391,865	112,396,716	110,198,509	112,262,527
Basic and diluted loss per share attributable to nCino, Inc.	$ (0.25)	$ (0.14)	$ (0.53)	$ (0.24)

The following potential outstanding common stock were excluded from the diluted loss per share computation because the effect would have been anti-dilutive:

	Six Months Ended July 31,	
	2022	2023
Stock options issued and outstanding	2,308,091	1,664,830
Nonvested RSUs issued and outstanding	3,865,041	5,784,062
Shares issuable pursuant to the ESPP	17,285	16,994

Note 15. Restructuring

In the fourth quarter of fiscal 2023, the Company announced a workforce reduction of approximately 7% and office space reductions in certain markets (collectively, the “restructuring plan”) in furtherance of its efforts to improve operating margins and advance the Company’s objective of profitable growth.

Lease termination costs were accounted for in accordance with ASC 842, Leases. The Company paid $0.8 million in the fourth quarter of fiscal 2023 to exercise an early termination clause to exit a facility during fiscal 2024, which was accounted for as a lease modification.

The Company incurred charges in the in the fourth quarter of the Company’s fiscal 2023 of $4.8 million in connection with the restructuring plan. The accrual for severance and related benefit costs of $5.0 million for terminated employees was included in accrued compensation and benefits on the consolidated balance sheets as of January 31, 2023 and was paid in the first quarter of the Company’s fiscal 2024.

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

The Company’s restructuring charges for the three and six months ended July 31, 2023 were as follows:

	Three Months Ended July 31, 2023	Six Months Ended July 31, 2023
	Lease exit fees[1]	
Cost of subscription revenues	21	$ 39
Cost of professional services and other revenues	46	92
Sales and marketing	38	76
Research and development	131	265
General and administrative	2	5
Total	238	$ 477

[1]These expenses reduced operating lease right-of-use assets on the unaudited condensed consolidated balance sheets.

The Company had no restructuring charges for the three and six months ended July 31, 2022.

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 Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the SEC on March 28, 2023. 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 and in our Annual Report on Form 10-K, 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 2024" refer to the fiscal year ended January 31, 2024.

Overview

nCino is the pioneer in cloud banking. Built by bankers for bankers, the nCino Bank Operating System is a single, multi-tenant software-as-a-service (SaaS) solution that helps financial institutions ("FI") modernize, innovate and outperform. A leader in the global financial services technology industry, nCino is a proven partner that has helped more than 1,850 FIs of all sizes and complexities, including global, enterprise, regional and community banks; credit unions; new market entrants; and independent mortgage banks power distinctive experiences, drive growth efficiencies, and run with full integrity. With nCino, FIs can:

- digitally serve their clients across lines of business,
- improve financial results,
- elevate employee experience and performance,
- manage risk and compliance more effectively, and
- establish an active data, audit, and business intelligence hub.

nCino was originally founded in a bank to improve that FI’s operations and client service. After realizing that virtually all FIs were dealing with the same problems—cumbersome legacy technology, fragmented data, disconnected business functions, and a disengaged workforce made it difficult to maintain relevancy in their clients’ lives—we were spun out as a separate company in late 2011. This heritage is the foundation of our deep banking domain expertise, which differentiates us, continues to drive our strategy and makes us uniquely qualified to help FIs cross the modernization divide by providing a comprehensive solution that onboards clients, originates loans, and opens accounts 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 in the United States ("U.S."). We introduced this solution to enterprise banks in the U.S. in 2014, and then internationally in 2017, and have subsequently expanded across North America, Europe, and Asia-Pacific ("APAC"). Throughout this market expansion, we broadened the nCino Bank Operating System by adding functionality for consumer lending, client onboarding, deposit account opening, analytics and AI/ML. In fiscal 2020, we acquired nCino Portfolio Analytics, LLC (formerly Visible Equity) and FinSuite as part of our strategy to build out our nIQ capabilities, and we established our nCino K.K joint venture to facilitate our entry into the Japanese market. Additionally, in January 2022, we acquired SimpleNexus, which expanded our capabilities to the U.S. point-of-sale mortgage market.

We generally offer our solutions on a SaaS basis under multi-year contracts and recognize subscription revenues ratably over the term of the contract. Our customers may initially purchase one of our solutions for implementing a client onboarding, loan origination, and/or deposit account opening in a specific line of business within the FI, such as commercial, small business, consumer, or mortgage. The nCino Bank Operating System is designed to scale with our customers, and once our solution is deployed, we seek to have our customers expand adoption within and across lines of business.

We sell our solutions directly through our business development managers, account executives, field sales engineers, and customer success managers. Our sales efforts in the U.S. are organized around FIs based on size, whereas internationally, we focus our sales efforts by geography. As of July 31, 2023, we had 239 sales and sales support personnel in the U.S. and 71 sales and support personnel in offices outside the U.S.

To help customers go live with our solutions, we offer professional services including configuration and implementation, training, and advisory services. For enterprise FIs, we generally work with system integration ("SI") partners such as Accenture, Deloitte, and PwC for the delivery of professional services for the nCino Bank Operating System. For regional bank FIs, we work with SIs such as West Monroe Partners, and for community banks, we work with SIs or perform configuration and implementation ourselves. We expect enterprise FIs to make up a greater proportion of our nCino Bank Operating System sales.

For the three months ended July 31, 2022 and 2023, our total revenues were $99.6 million and $117.2 million, respectively, representing a 17.7% increase. For the three months ended July 31, 2022 and 2023, our subscription revenues were $84.4 million and $99.9 million, respectively, representing an 18.3% increase. Due to our investments in growth, we recorded net losses attributable to nCino, Inc. of $27.2 million and $15.9 million for the three months ended July 31, 2022 and 2023, respectively. For the six months ended July 31, 2022 and 2023, our total revenues were $193.8 million and $230.9 million, respectively, representing a 19.1% increase. For the six months ended July 31, 2022 and 2023, our subscription revenues were $163.6 million and $197.2 million, respectively, representing a 20.5% increase. Due to our investments in growth, we recorded net losses attributable to nCino, Inc. of $57.9 million and $27.1 million for the six months ended July 31, 2022 and 2023, respectively.

Factors Affecting Our Operating Results

Market Adoption of Our Solution. Our future growth depends on our ability to expand our reach to new FI customers and increase adoption with existing customers as they broaden their use of our solutions within and across lines of business. Our success in growing our customer base and expanding adoption of our solutions by existing customers requires a focused direct sales engagement and the ability to convince key decision makers at FIs to replace legacy third-party point solutions or internally developed software with our solutions. In addition, growing our customer base will require us to increasingly penetrate markets outside the U.S., which accounted for 18.7% of total revenues for the three months ended July 31, 2023 and 17.8% for the six months ended July 31, 2023. For new customers, our sales cycles are typically lengthy, generally ranging from six to nine months for smaller FIs to 12 to 18 months or more for larger FIs. 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 our solutions by our customers requires a period of implementation and configuration services that typically range from three months to 18 months, depending on the scope. As a result, during the initial go-live period for a customer on the nCino Bank Operating System, professional services revenues generally 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 subscription revenues will make up an increasing proportion of our total revenues as our overall business grows.

Macroeconomic Environment. We are currently operating in a rising interest rate environment as the U.S. Federal Reserve raises interest rates as a means to manage inflation. These rate increases have had an impact on the real estate market in the U.S. and specifically, the demand for mortgages and mortgage-related products and services, which has had a negative impact on our SimpleNexus business.

Additionally, liquidity issues faced by certain FIs in the U.S., including Silicon Valley Bank, Signature Bank and First Republic Bank (the "Impacted FIs") have created turmoil and uncertainty surrounding the financial services industry. These Impacted FIs are customers of ours, collectively representing less than 3% of our total revenues for the year ended January 31, 2023. We have a large and diversified customer base of all types and sizes around the globe, and no individual customer represented more than 10% of the Company's revenue for the six months ended July 31, 2023.

We will continue to monitor the impact the macroeconomic environment may have on our business.

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 in sales and marketing both in the U.S. and internationally to further grow our business. To capitalize on the market opportunity we see ahead of us, we expect to continue to optimize our operating plans for revenue growth and profitability.

Components of Results of Operations

Revenues

We derive our revenues from subscription and professional services and other revenues.

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

- Client onboarding, loan origination, and deposit account opening applications targeted at a FI’s commercial, small business, and retail lines of business, for which we generally charge on a per seat basis.
- nIQ for which we generally charge based on the asset size of the customer or on a usage basis.
- Through SimpleNexus, a digital homeownership platform uniting people, systems, and stages of the mortgage process into a seamless end-to-end journey for which we generally charge on a per seat basis.
- Maintenance and support services as well as internal-use or “sandbox” development licenses, for which we generally 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. 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. Subscription fees associated with the nCino Bank Operating System are generally billed annually in advance while subscription fees for SimpleNexus are generally billed monthly in advance. 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 and Other Revenues. Professional services and other revenues consist of fees for implementation and configuration assistance, training, and advisory services. For enterprise and larger regional FIs, we generally work with SI partners to provide the majority of implementation services for the nCino Bank Operating System, for which these SI partners bill our customers directly. We have historically delivered professional services ourselves for community banks and smaller credit unions and SimpleNexus has historically provided professional services directly to its customers. Revenues for implementation, training, and advisory services are generally 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 on the nCino Bank Operating System, professional services revenues generally 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 consists of fees paid to Salesforce for access to the Salesforce Platform, including Salesforce’s hosting infrastructure and data center operations, along with certain integration fees paid to other third parties. 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. We also incur costs associated with access to other platforms. 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 and Other Revenues. Cost of professional services and other 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 and other 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. 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 four 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 intangible assets, and allocated overhead. We expect sales and marketing expenses will decrease as a percentage of revenues as we leverage the investments we have made to date.

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 will decrease as a percentage of revenues as we leverage the investments we have made to date.

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, as well as acquisition-related expenses, such as legal and other professional services fees. We expect general and administrative expenses will decrease as a percentage of revenues as we leverage the investments we have made to date.

Non-Operating Income (Expense)

Interest Income. Interest income consists primarily of interest earned on our cash and cash equivalents.

Interest Expense. Interest expense consists primarily of interest related to our financing obligations along with interest expense on borrowings, commitment fees, and amortization of debt issuance costs associated with our secured revolving credit facility.

Other Income (Expense), Net. Other income (expense), net consists primarily of foreign currency gains and losses, the majority of which is due to intercompany loans that are denominated in currencies other than the underlying functional currency of the applicable entity.

Income Tax Provision. Income tax provision consists of federal and state income taxes in the U.S. and income taxes in foreign jurisdictions.

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 unaudited condensed consolidated statements of operations data for three and six months ended July 31, 2022 and 2023 in both dollars and as a percentage of total revenues, except as noted.

($ in thousands, except share and per share amounts)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2023	Six Months Ended July 31, 2022	Six Months Ended July 31, 2023
Revenues:				
Subscription revenues	$ 84,445	$ 99,897	$ 163,634	$ 197,237
Professional services and other revenues	15,182	17,339	30,204	33,671
Total revenues	99,627	117,236	193,838	230,908
Cost of revenues:				
Cost of subscription revenues	26,145	29,719	51,655	58,876
Cost of professional services and other revenues	15,076	18,328	29,868	35,359
Total cost of revenues	41,221	48,047	81,523	94,235
Gross profit	58,406	69,189	112,315	136,673
Operating expenses:				
Sales and marketing	32,512	32,164	61,851	62,105
Research and development	29,701	29,889	58,816	58,084
General and administrative	21,199	21,930	43,885	39,905
Total operating expenses	83,412	83,983	164,552	160,094
Loss from operations	(25,006)	(14,794)	(52,237)	(23,421)
Non-operating income (expense):				
Interest income	26	835	28	1,372
Interest expense	(631)	(1,044)	(1,269)	(2,423)
Other income (expense), net	(1,014)	469	(2,587)	(313)
Loss before income taxes	(26,625)	(14,534)	(56,065)	(24,785)
Income tax provision	799	1,545	1,362	2,938
Net loss	(27,424)	(16,079)	(57,427)	(27,723)
Net loss attributable to redeemable non-controlling interest	(307)	(268)	(651)	(548)
Adjustment attributable to redeemable non-controlling interest	128	73	1,157	(48)
Net loss attributable to nCino, Inc.	$ (27,245)	$ (15,884)	$ (57,933)	$ (27,127)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.25)	$ (0.14)	$ (0.53)	$ (0.24)
Weighted average number of common shares outstanding:				
Basic and diluted	110,391,865	112,396,716	110,198,509	112,262,527

The Company recognized stock-based compensation expense as follows:

($ in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2023	Six Months Ended July 31, 2022	Six Months Ended July 31, 2023
Cost of subscription revenues	$ 352	$ 485	$ 728	$ 799
Cost of professional services and other revenues	1,915	2,460	3,786	4,089
Sales and marketing	3,447	3,830	6,818	7,041
Research and development	2,613	4,279	5,445	7,279
General and administrative	4,344	4,227	9,194	6,938
Total stock-based compensation expense	$ 12,671	$ 15,281	$ 25,971	$ 26,146

The Company recognized amortization expense for intangible assets as follows:

($ in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2023	Six Months Ended July 31, 2022	Six Months Ended July 31, 2023
Cost of subscription revenues	$ 4,256	$ 4,190	$ 8,518	$ 8,441
Cost of professional services and other revenues	—	83	—	165
Sales and marketing	2,772	2,771	5,543	5,543
Total amortization expense	$ 7,028	$ 7,044	$ 14,061	$ 14,149

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2023	Six Months Ended July 31, 2022	Six Months Ended July 31, 2023
Revenues:				
Subscription revenues	84.8 %	85.2 %	84.4 %	85.4 %
Professional services and other revenues	15.2	14.8	15.6	14.6
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues (percentage shown in comparison to related revenues):				
Cost of subscription revenues	31.0	29.7	31.6	29.9
Cost of professional services and other revenues	99.3	105.7	98.9	105.0
Total cost of revenues	41.4	41.0	42.1	40.8
Gross profit	58.6	59.0	57.9	59.2
Operating expenses:				
Sales and marketing	32.6	27.4	31.9	26.9
Research and development	29.8	25.5	30.3	25.2
General and administrative	21.3	18.7	22.6	17.3
Total operating expenses	83.7	71.6	84.8	69.4
Loss from operations	(25.1)	(12.6)	(26.9)	(10.2)
Non-operating income (expense):				
Interest income	—	0.7	—	0.6
Interest expense	(0.6)	(0.9)	(0.7)	(1.0)
Other income (expense), net	(1.0)	0.4	(1.3)	(0.1)
Loss before income taxes	(26.7)	(12.4)	(28.9)	(10.7)
Income tax provision	0.8	1.3	0.7	1.3
Net loss	(27.5)%	(13.7)%	(29.6)%	(12.0)%

Comparison of the Three and Six Months Ended July 31, 2022 and 2023

Revenues

($ in thousands)	Three Months Ended July 31, 2022		Three Months Ended July 31, 2023		Six Months Ended July 31, 2022		Six Months Ended July 31, 2023	
Revenues:								
Subscription revenues	$ 84,445	84.8 %	$ 99,897	85.2 %	$ 163,634	84.4 %	$ 197,237	85.4 %
Professional services and other revenues	15,182	15.2	17,339	14.8	30,204	15.6	33,671	14.6
Total revenues	$ 99,627	100.0 %	$ 117,236	100.0 %	$ 193,838	100.0 %	$ 230,908	100.0 %

Subscription Revenues

Subscription revenues increased $15.5 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, due to initial revenues from customers who did not contribute to subscription revenues during the prior period, and growth from existing customers within and across lines of business. Of the increase, 65.0% 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 solutions, and 35.0% was attributable to initial revenues from customers who did not contribute to subscription revenues during the three months ended July 31, 2022. Subscription revenues were 85.2% of total revenues for the three months ended July 31, 2023 compared to 84.8% of total revenues for the three months ended July 31, 2022, primarily due to growth in our installed base.

Subscription revenues increased $33.6 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, due to initial revenues from customers who did not contribute to subscription revenues during the prior period, and growth from existing customers within and across lines of business. Of the increase, 71.6% 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 solutions, and 28.4% was attributable to initial revenues from customers who did not contribute to subscription revenues during the six months ended July 31, 2022. Subscription revenues were 85.4% of total revenues for the six months ended July 31, 2023 compared to 84.4% of total revenues for the six months ended July 31, 2022, primarily due to growth in our installed base.

Professional Services and Other Revenues

Professional services and other revenues increased $2.2 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, 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 and other revenues increased $3.5 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, 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 July 31,				Six Months Ended July 31,			
($ in thousands)	**2022**		**2023**		**2022**		**2023**	
Cost of revenues (percentage shown in comparison to related revenues):								
Cost of subscription revenues	$ 26,145	31.0 %	$ 29,719	29.7 %	$ 51,655	31.6 %	$ 58,876	29.9 %
Cost of professional services and other revenues	15,076	99.3	18,328	105.7	29,868	98.9	35,359	105.0
Total cost of revenues	$ 41,221	41.4	$ 48,047	41.0	$ 81,523	42.1	$ 94,235	40.8
Gross profit	$ 58,406	58.6 %	$ 69,189	59.0 %	$ 112,315	57.9 %	$ 136,673	59.2 %

Cost of Subscription Revenues

Cost of subscription revenues increased $3.6 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, generating a gross margin for subscription revenues of 70.3% compared to a gross margin of 69.0% for the three months ended July 31, 2022. Costs related to Salesforce user fees increased $2.7 million as we continued to add new customers and sell additional functionality to existing customers and other costs of subscription revenues increased $0.1 million due to costs associated with access to other platforms and data center costs. Personnel costs, including stock-based compensation expense, increased $0.6 million, mainly from an increase in headcount. The increase in cost of subscription revenues also included an increase of $0.1 million in allocated overhead costs due to growth supporting our continued business expansion. 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 subscription revenues increased $7.2 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, generating a gross margin for subscription revenues of 70.1% compared to a gross margin of 68.4% for the six months ended July 31, 2022. Costs related to Salesforce user fees increased $5.5 million as we continued to add new customers and sell additional functionality to existing customers and other costs of subscription revenues increased $0.7 million due to costs associated with access to other platforms and data center costs. Personnel costs, including stock-based compensation expense, increased $0.8 million, mainly from an increase in headcount. The increase in cost of subscription revenues also included an increase of $0.3 million in allocated overhead costs due to growth supporting our continued business expansion. 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 and Other Revenues

Cost of professional services and other revenues increased $3.3 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, generating a gross margin for professional services and other revenues of (5.7)% compared to a gross margin of 0.7% for the three months ended July 31, 2022. For the three months ended July 31, 2023, personnel costs, including stock-based compensation expense, increased $2.6 million for professional services compared to the three months ended July 31, 2022, mainly from an increase in headcount. The increase in cost of professional services and other revenues also included an increase of $0.3 million in allocated overhead costs due to growth supporting our business. The decrease in our professional services and other gross margin for the three months ended July 31, 2023 was primarily due to a decline in realized effective billing and utilization rates in our professional services teams.

Cost of professional services and other revenues increased $5.5 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, generating a gross margin for professional services and other revenues of (5.0)% compared to a gross margin of 1.1% for the six months ended July 31, 2022. For the six months ended July 31, 2023, personnel costs, including stock-based compensation expense, increased $4.3 million for professional services compared to the six months ended July 31, 2022, mainly from an increase in headcount. The increase in cost of professional services and other revenues also included an increase of $0.7 million in allocated overhead costs due to growth supporting our business. The decrease in our professional services and other gross margin for the six months ended July 31, 2023 was primarily due to a decline in realized effective billing and utilization rates in our professional services teams.

Operating Expenses

	Three Months Ended July 31,				Six Months Ended July 31,			
($ in thousands)	**2022**		**2023**		**2022**		**2023**	
Operating expenses:								
Sales and marketing	$ 32,512	32.6 %	$ 32,164	27.4 %	$ 61,851	31.9 %	$ 62,105	26.9 %
Research and development	29,701	29.8	29,889	25.5	58,816	30.3	58,084	25.2
General and administrative	21,199	21.3	21,930	18.7	43,885	22.6	39,905	17.3
Total operating expenses	83,412	83.7	83,983	71.6	164,552	84.8	160,094	69.4
Loss from operations	$ (25,006)	(25.1)%	$ (14,794)	(12.6)%	$ (52,237)	(26.9)%	$ (23,421)	(10.2)%

Sales and Marketing

Sales and marketing expenses decreased $0.3 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, primarily due to a decrease of $0.6 million in sales-related travel costs, a decrease of $0.3 million in marketing costs, and a decrease of $0.1 million in third-party professional fees. The decrease in sales and marketing expenses was partially offset by an increase of $0.4 million in personnel costs, including stock-based compensation expense, mainly from compensation increases, the impact of changing our merit cycle from a work anniversary basis to an annual basis, and an increase in expatriate tax equalization expenses offset by a decrease in headcount. The decrease in sales and marketing expenses was also partially offset by an increase of $0.3 million in allocated overhead costs.

Sales and marketing expenses increased $0.3 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, primarily due to an increase of $0.5 million in allocated overhead costs and an increase of $0.5 million in third-party professional fees. The increase in sales and marketing expenses also included an increase of $0.1 million in personnel costs, including stock-based compensation expense, mainly from compensation increases, the impact of changing our merit cycle from a work anniversary basis to an annual basis, and an increase in expatriate tax equalization expenses offset by a decrease in headcount. The increase in sales and marketing expenses was partially offset by a decrease of $0.6 million in marketing costs and a decrease of $0.2 million in sales-related travel costs.

Our sales and marketing headcount decreased by 75 from July 31, 2022 to July 31, 2023 primarily due to attrition and our workforce reduction. We expect sales and marketing expenses will decrease as a percentage of revenues as we leverage the investments we have made to date.

Research and Development

Research and development expenses increased $0.2 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, primarily due to an increase of $0.7 million in personnel costs, primarily attributable to a $1.7 million increase in stock-based compensation expense, compensation increases, and the impact of changing our merit cycle from a work anniversary basis to an annual basis offset by a decrease in headcount. The increase in research and development expenses also included an increase of $0.4 million in allocated overhead costs due to growth supporting our continued business expansion, partially offset by a decrease of $1.0 million in third-party professional fees as a result of lower contract research and development spend.

Research and development expenses decreased $0.7 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, primarily due to an increase of $0.9 million in allocated overhead costs due to growth supporting our continued business expansion and an increase of $0.3 million in personnel costs, primarily attributable to a $1.8 million increase in stock-based compensation, compensation increases, and the impact of changing our merit cycle from a work anniversary basis to an annual basis offset by a decrease in headcount. The increase in research and development expenses was partially offset by a $2.0 million decrease in third-party professional fees primarily attributable to reduced contract research and development spend.

Our research and development headcount decreased by 84 from July 31, 2022 to July 31, 2023 primarily due to our workforce reduction. We expect research and development expenses will decrease as a percentage of revenues as we leverage the investments we have made to date.

General and Administrative

General and administrative expenses increased $0.7 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, primarily due to an increase of $0.7 million in third party professional fees, mostly attributable to the accrual for the proposed settlement agreement of approximately $2.2 million, disclosed in Note 12 "Commitments and Contingencies" of Part I, Item I of this Quarterly Report on Form 10-Q, partially offset by a decrease in third party professional fees and expenses related to other litigation expenses including the government antitrust investigation and related civil action (the "Antitrust Matters"). The increase in general and administrative expenses for the three months ended July 31, 2023 compared to the three months ended July 31, 2022 also included an increase of $0.1 million in allocated overhead and other general and administrative costs and an increase of $0.1 million in personnel costs, mostly attributable to compensation increases and the impact of changing our merit cycle from a work anniversary basis to an annual basis partially offset by a decrease in headcount and a decrease of $0.1 million in stock-based compensation expense. The increase in general and administrative expenses was partially offset by a decrease of $0.2 million in travel-related costs.

General and administrative expenses decreased $4.0 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, primarily due to a decrease of $3.1 million in personnel costs, mostly attributable to a $2.3 million decrease in stock-based compensation expense, and a decrease in headcount partially offset by compensation increases and the impact of changing our merit cycle from a work anniversary basis to an annual basis. The decrease in general and administrative spend also included a decrease of $1.0 million in third party professional fees for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, mostly attributable to a decrease in third party professional fees and expenses related to acquisition costs for SimpleNexus and fees and expenses related to the Antitrust Matters, partially offset by the accrual for the proposed settlement agreement of approximately $2.2 million, disclosed in Note 12 "Commitments and Contingencies" of Part I, Item I of this Quarterly Report on Form 10-Q. The decrease in general and administrative expenses also included a decrease of $0.3 million in travel related costs, partially offset by an increase of $0.4 million in allocated overhead and other general and administrative costs.

Our general and administrative headcount decreased by 3 from July 31, 2022 to July 31, 2023, primarily due to our workforce reduction which was partially offset by employees that moved from our sales and marketing department to our general and administrative department due to a change in responsibilities. We expect general and administrative expenses will decrease as a percentage of revenues as we leverage the investments we have made to date.

Non-Operating Income (Expense)

($ in thousands)	Three Months Ended July 31, 2022			2023		Six Months Ended July 31, 2022			2023	
Interest income	$	26	— %	$ 835	0.7 %	$	28	— %	$ 1,372	0.6 %
Interest expense		(631)	(0.6)	(1,044)	(0.9)		(1,269)	(0.7)	(2,423)	(1.0)
Other income (expense), net		(1,014)	(1.0)	469	0.4		(2,587)	(1.3)	(313)	(0.1)

Interest income increased $0.8 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, due to increase in our accounts earning interest and increased interest rates. Interest expense increased $0.4 million for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, due to borrowing on our revolving credit facility and an increase in our financing obligations for leases for which we are considered the owners for accounting purposes. The decrease of $1.5 million in other income (expense), net for the three months ended July 31, 2023 compared to the three months ended July 31, 2022, was primarily driven by intercompany loans and transactions that are denominated in currencies other than the underlying functional currency of the applicable entity.

Interest income increased $1.3 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, due to increase in our accounts earning interest and increased interest rates. Interest expense increased $1.2 million for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, due to borrowing on our revolving credit facility and an increase in our financing obligations for leases for which we are considered the owners for accounting purposes. The decrease of $2.3 million in other expense, net for the six months ended July 31, 2023 compared to the six months ended July 31, 2022, was primarily driven by intercompany loans and transactions that are denominated in currencies other than the underlying functional currency of the applicable entity.

Income Tax Provision

($ in thousands)	Three Months Ended July 31, 2022			2023		Six Months Ended July 31, 2022			2023	
Income tax provision	$	799	0.8 %	$ 1,545	1.3 %	$	1,362	0.7 %	$ 2,938	1.3 %

Income tax provision was $1.5 million for the three months ended July 31, 2023 compared to a provision of $0.8 million for the three months ended July 31, 2022, and resulted in an effective tax rate of (10.6)% and (3.0)%, respectively.

Income tax provision was $2.9 million for the six months ended July 31, 2023 compared to a provision of $1.4 million for the six months ended July 31, 2022, and resulted in an effective tax rate of (11.9)% and (2.4)%, respectively.

We continue to maintain a valuation allowance against our deferred tax assets in most jurisdictions, including the U.S. It is determined by management when a valuation allowance should be recorded, utilizing significant judgement and the use of estimates.

We have adopted, as required, Code Section 174, as amended by the Tax Cuts and Jobs Act of 2017. This will result in the repartition of our deferred tax asset balances from net operating losses and tax credit carryforwards to non-tax attribute deferred tax balances. In addition, this may reduce our operating cash flows in future periods through cash remittances of U.S. federal and state income tax.

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, and 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 income (loss), as discussed below.

Non-GAAP operating income (loss). Non-GAAP operating income (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, stock-based compensation expense, acquisition-related expenses, legal expenses related to certain litigation, and restructuring and related charges. See Note 15 "Restructuring" of the notes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the charges related to restructuring. Non-GAAP operating income (loss) is widely used by securities analysts, investors, and other interested parties to evaluate the profitability of companies. Non-GAAP operating income (loss) eliminates potential differences in performance caused by these items that are not indicative of the Company's ongoing operating performance and hinders comparability with prior and future performance.

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 income (loss) to loss from operations, the most directly comparable financial measure, calculated and presented in accordance with GAAP (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
($ in thousands)	**2022**	**2023**	**2022**	**2023**
GAAP loss from operations	$ (25,006)	$ (14,794)	$ (52,237)	$ (23,421)
Adjustments				
Amortization of intangible assets	7,028	7,044	14,061	14,149
Stock-based compensation expense	12,671	15,281	25,971	26,146
Acquisition-related expenses	387	212	1,884	423
Litigation expenses[1]	2,136	3,204	3,868	4,349
Restructuring and related charges	—	238	—	477
Total adjustments	22,222	25,979	45,784	45,544
Non-GAAP operating income (loss)	$ (2,784)	$ 11,185	$ (6,453)	$ 22,123

[1]Represents legal expenses related to the Antitrust Matters and a shareholder derivative lawsuit.

Liquidity and Capital Resources

As of July 31, 2023, we had $98.0 million in cash and cash equivalents, and an accumulated deficit of $337.5 million. Our net losses have been driven by our investments in developing the nCino Bank Operating System and scaling our sales and marketing organization and finance and administrative functions to support our rapid growth. We expect to continue to incur operating losses on a GAAP basis for the foreseeable future.

To date, we have funded our capital needs through issuances of common stock including our initial public offering in July 2020, operating cash flows, and during fiscal 2023, our revolving line of credit. 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.

On February 11, 2022, we entered into the Credit Facility of up to $50.0 million. We borrowed and repaid $20.0 million under the Credit Facility during the three months ended April 30, 2022 and borrowed $30.0 million during the three months ended October 31, 2022. We repaid $30.0 million under the Credit Facility during the six months ended July 31, 2023. As of July 31, 2023, the Company had no amounts outstanding and no letters of credit issued under the Credit Facility and was in compliance with all covenants. See Note 11 "Revolving Credit Facility" of the notes to our unaudited condensed consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q for more information.

We believe that current cash and cash equivalents as well as borrowings available under the Credit Facility 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 solutions, the continued expansion of our sales and marketing activities, 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, 2023 and July 31, 2023, the redeemable non-controlling interest was $3.6 million and $3.0 million, respectively.

As part of our joint venture obligations, we may be required to make an additional cash capital contribution of up to $3.0 million to nCino K.K. during fiscal 2024.

Cash Flows

Summary Cash Flow information for the six months ended July 31, 2022 and 2023 are set forth below:

	Six Months Ended July 31,	
($ in thousands)	**2022**	**2023**
Net cash provided by operating activities	$ 10,719	$ 43,267
Net cash used in investing activities	(9,303)	(2,820)
Net cash provided by (used in) financing activities	3,610	(25,662)

Net Cash Provided by Operating Activities

The $43.3 million provided by operating activities in the six months ended July 31, 2023 reflects our net loss of $27.7 million, offset by $53.5 million in non-cash charges and $17.5 million generated by changes in working capital accounts. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization, amortization of costs capitalized to obtain revenue contracts, non-cash operating lease costs, provision for deferred taxes and bad debt. Cash generated by working capital accounts was principally a function of an $18.4 million decrease in accounts receivable due to the timing of billings and collections from customers, a $13.8 million increase in deferred revenue as we expanded our customer base and renewed existing customers, and a $1.1 million decrease in prepaid expenses and other assets. The cash generated by working capital accounts was partially offset by a $9.3 million decrease in accrued expenses and other current liabilities which includes payments of approximately $5.0 million for severance and other employee costs associated with the restructuring plan and changing commission payment plans from a quarterly basis to a monthly basis. Additional offsets were payments of $3.0 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a $2.0 million decrease in operating lease liabilities, and a $1.4 million decrease in accounts payable.

The $10.7 million provided by operating activities in the six months ended July 31, 2022 reflects our net loss of $57.4 million, offset by $52.2 million in non-cash charges and $15.9 million generated by changes in working capital accounts.

Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization, amortization of costs capitalized to obtain revenue contracts, foreign currency losses related to intercompany loans and transactions, and non-cash operating lease costs. Cash generated by working capital accounts was principally a function of a $30.3 million increase in deferred revenue, as we expanded our customer base and renewed existing customers, and a $5.4 million decrease in accounts receivable due to the timing of billings. The cash generated by working capital accounts was partially offset by a $9.7 million decrease in accrued expenses and other current liabilities, payments of $4.6 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a $2.1 million decrease in operating lease liabilities, a $1.9 million decrease in accounts payable, and a $1.7 million increase in prepaid expenses and other assets.

Net Cash Used in Investing Activities

The $2.8 million used in investing activities in the six months ended July 31, 2023 was comprised of $2.5 million for the purchase of property and equipment and leasehold improvements to support the expansion of our business and $0.4 million for the final cash considerations relating to an asset acquisition completed in August 2022. We used $9.3 million in investing activities in the six months ended July 31, 2022 for the purchase of property and equipment and leasehold improvements to support the expansion of our business.

Net Cash Provided by (Used in) Financing Activities

The $25.7 million used in financing activities in the six months ended July 31, 2023 was comprised principally of payments of $30.0 million on the Credit Facility and principal payments of $0.6 million on financing obligations. The cash used in financing activities was partially offset by $2.7 million of proceeds from stock issuances under the employee stock purchase plan and $2.2 million of proceeds from the exercise of stock options. The $3.6 million provided by financing activities in the six months ended July 31, 2022 was comprised principally of $2.4 million of proceeds from stock issuances under the employee stock purchase plan and $1.9 million of proceeds from the exercise of stock options, partially reduced by payments of debt issuance costs of $0.4 million, and principal payments of $0.3 million on financing obligations. We borrowed and repaid $20.0 million under our revolving credit facility during the six months ended July 31, 2022.

Contractual Obligations and Commitments

Our estimated future obligations principally consist of leases related to our facilities, purchase obligations related primarily to licenses and hosting services, financing obligations for leases for which we are considered the owners for accounting purposes and the Credit Facility. See Note 10 "Leases," Note 11 "Revolving Credit Facility," and Note 12 "Commitments and Contingencies" of the notes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

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 Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the SEC on March 28, 2023.

Recent Accounting Pronouncements

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

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 July 31, 2023, we had cash, cash equivalents and restricted cash of $103.4 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.

On February 11, 2022, we entered into a senior secured revolving credit facility of up to $50.0 million. Borrowings bear interest, at the Company's option, at: (i) a base rate equal to the greater of (a) the lender’s “prime rate,” (b) the federal funds rate plus 0.50%, and (c) the BSBY rate plus 1.00%, plus a margin of 0.00% (provided that the base rate shall not be less than 0.00%); or (ii) the BSBY rate (provided that the BSBY shall not be less than 0.00%), plus a margin of 1.00%. As a result, we are exposed to increased interest rate risk as we make draws. At July 31, 2023, we had no amounts outstanding under the Credit Facility. See Note 11, "Revolving Credit Facility" of the notes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

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 unaudited condensed consolidated statements of operations. Furthermore, our customers outside of the U.S. 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 Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures at July 31, 2023, the last day of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, at July 31, 2023, 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.

Inherent Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also 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; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 "Commitments and Contingencies" of the notes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding certain legal proceedings in which we are involved, which is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors

There are no material changes to the risk factors in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the SEC on March 28, 2023 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

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended July 31, 2023, the following Section 16 officer adopted, modified or terminated a “Rule 10b5-1 trading arrangement” as defined in Item 408 of Regulation S-K, as follows:

On June 26, 2023, Pierre Naudé, Chairman and Chief Executive Officer, terminated a Rule 10b5-1 trading arrangement providing for the sale of 99,028 shares of our common stock. The trading arrangement was intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement was until June 28, 2024, or earlier if all transactions under the trading arrangement had been completed.

No other officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K Item 408, during the fiscal quarter.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation	8-K12B	001-41211	3.1	January 10, 2022	
3.2	Amended and Restated Bylaws	8-K	001-41211	3.1	November 29, 2022	
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.					X
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.					X
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.					X
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.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

* The certifications furnished in Exhibit 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purpose of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates by reference.

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: August 29, 2023	By:	/s/ Pierre Naudé Pierre Naudé Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 29, 2023	By:	/s/ Gregory D. Orenstein Gregory D. Orenstein Chief Financial Officer & 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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: August 29, 2023

By: /s/ Pierre Naudé

Pierre Naudé

Chairman 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, Gregory D. Orenstein, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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: August 29, 2023

By: /s/ Gregory D. Orenstein

Gregory D. Orenstein
Chief Financial Officer & Treasurer

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 July 31, 2023 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: August 29, 2023

By: /s/ Pierre Naudé
Pierre Naudé
Chairman 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 July 31, 2023 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: August 29, 2023	By:	/s/ Gregory D. Orenstein
		Gregory D. Orenstein
		Chief Financial Officer & Treasurer