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, 2024
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 ☐

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

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

Large accelerated filer	☒	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: 115,559,517 shares of common stock, $0.0005 par value per share, as of August 22, 2024.

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, 2024	July 31, 2024
		(Unaudited)
Assets		
Current assets		
Cash and cash equivalents (VIE: $2,277 and $1,963 at January 31, 2024 and July 31, 2024, respectively)	$ 112,085	$ 121,410
Accounts receivable, less allowances of $1,451 and $1,204 at January 31, 2024 and July 31, 2024, respectively	112,975	78,819
Costs capitalized to obtain revenue contracts, current portion, net	10,544	11,565
Prepaid expenses and other current assets	15,171	16,957
Total current assets	250,775	228,751
Property and equipment, net	79,145	76,785
Operating lease right-of-use assets, net	19,261	15,928
Costs capitalized to obtain revenue contracts, noncurrent, net	17,425	19,137
Goodwill	838,869	908,000
Intangible assets, net	115,572	135,524
Investments (related party $2,500 at January 31, 2024 and July 31, 2024)	9,294	9,294
Long-term prepaid expenses and other assets	10,089	15,328
Total assets	$ 1,340,430	$ 1,408,747
Liabilities, redeemable non-controlling interest, and stockholders' equity		
Current liabilities		
Accounts payable	$ 11,842	$ 13,137
Accrued compensation and benefits	16,283	11,555
Accrued expenses and other current liabilities	10,847	7,930
Deferred revenue, current portion	170,941	172,038
Financing obligations, current portion	1,474	1,567
Operating lease liabilities, current portion	3,649	4,750
Total current liabilities	215,036	210,977
Operating lease liabilities, noncurrent	16,423	12,508
Deferred income taxes, noncurrent	3,687	11,196
Deferred revenue, noncurrent	—	569
Revolving credit facility, noncurrent	—	40,000
Financing obligations, noncurrent	52,680	51,865
Other long-term liabilities	—	2,644
Total liabilities	287,826	329,759
Commitments and contingencies (Note 12)		
Redeemable non-controlling interest (Note 3)	3,428	4,133
Stockholders' equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized, and none issued and outstanding as of January 31, 2024 and July 31, 2024	—	—
Common stock, $0.0005 par value; 500,000,000 shares authorized as of January 31, 2024 and July 31, 2024; 113,684,299 and 115,387,309 shares issued and outstanding as of January 31, 2024 and July 31, 2024, respectively	57	58
Additional paid-in capital	1,400,881	1,439,245
Accumulated other comprehensive income	996	1,407
Accumulated deficit	(352,758)	(365,855)
Total stockholders' equity	1,049,176	1,074,855
Total liabilities, redeemable non-controlling interest, and stockholders' equity	$ 1,340,430	$ 1,408,747

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,	
	2023	2024	2023	2024
Revenues				
Subscription	$ 99,897	$ 113,911	$ 197,237	$ 224,317
Professional services and other	17,339	18,492	33,671	36,173
Total revenues	117,236	132,403	230,908	260,490
Cost of revenues				
Subscription	29,719	33,367	58,876	65,147
Professional services and other	18,328	20,564	35,359	39,964
Total cost of revenues	48,047	53,931	94,235	105,111
Gross profit	69,189	78,472	136,673	155,379
Operating expenses				
Sales and marketing	32,164	31,713	62,105	59,758
Research and development	29,889	34,271	58,084	64,252
General and administrative	21,930	20,394	39,905	42,938
Total operating expenses	83,983	86,378	160,094	166,948
Loss from operations	(14,794)	(7,906)	(23,421)	(11,569)
Non-operating income (expense)				
Interest income	835	321	1,372	926
Interest expense	(1,044)	(1,835)	(2,423)	(3,312)
Other income (expense), net	469	150	(313)	(594)
Loss before income taxes	(14,534)	(9,270)	(24,785)	(14,549)
Income tax provision (benefit)	1,545	1,753	2,938	(1,229)
Net loss	(16,079)	(11,023)	(27,723)	(13,320)
Net loss attributable to redeemable non-controlling interest (Note 3)	(268)	(58)	(548)	(223)
Adjustment attributable to redeemable non-controlling interest (Note 3)	73	75	(48)	919
Net loss attributable to nCino, Inc.	$ (15,884)	$ (11,040)	$ (27,127)	$ (14,016)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.14)	$ (0.10)	$ (0.24)	$ (0.12)
Weighted average number of common shares outstanding:				
Basic and diluted	112,396,716	115,180,130	112,262,527	114,694,001

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,	
	2023	2024	2023	2024
Net loss	$ (16,079)	$ (11,023)	$ (27,723)	$ (13,320)
Other comprehensive income:				
Foreign currency translation	26	540	140	409
Other comprehensive income	26	540	140	409
Comprehensive loss	(16,053)	(10,483)	(27,583)	(12,911)
Less comprehensive loss attributable to redeemable non-controlling interest:				
Net loss attributable to redeemable non-controlling interest	(268)	(58)	(548)	(223)
Foreign currency translation attributable to redeemable non-controlling interest	—	5	(10)	(2)
Comprehensive loss attributable to redeemable non-controlling interest	(268)	(53)	(558)	(225)
Comprehensive loss attributable to nCino, Inc.	$ (15,785)	$ (10,430)	$ (27,025)	$ (12,686)

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, 2023					
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
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

	Three Months Ended July 31, 2024					
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, April 30, 2024	114,339,887	$ 57	$ 1,417,838	$ 872	$ (354,890)	$ 1,063,877
Exercise of stock options	13,411	—	136	—	—	136
Stock issuance upon vesting of restricted stock units	940,029	1	(1)	—	—	—
Stock issuance under the employee stock purchase plan	93,982	—	2,514	—	—	2,514
Stock-based compensation	—	—	18,833	—	—	18,833
Other comprehensive income	—	—	—	535	—	535
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(75)	—	(10,965)	(11,040)
Balance, July 31, 2024	115,387,309	$ 58	$ 1,439,245	$ 1,407	$ (365,855)	$ 1,074,855

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, 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

	Six Months Ended July 31, 2024					
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, January 31, 2024	113,684,299	$ 57	$ 1,400,881	$ 996	$ (352,758)	$ 1,049,176
Exercise of stock options	212,711	—	1,737	—	—	1,737
Stock issuance upon vesting of restricted stock units	1,396,317	1	(1)	—	—	—
Stock issuance under the employee stock purchase plan	93,982	—	2,514	—	—	2,514
Stock-based compensation	—	—	35,033	—	—	35,033
Other comprehensive income	—	—	—	411	—	411
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(919)	—	(13,097)	(14,016)
Balance, July 31, 2024	115,387,309	$ 58	$ 1,439,245	$ 1,407	$ (365,855)	$ 1,074,855

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

nCino, Inc.

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

	Six Months Ended July 31, 2023	Six Months Ended July 31, 2024
Cash flows from operating activities		
Net loss attributable to nCino, Inc.	$ (27,127)	$ (14,016)
Net loss and adjustment attributable to redeemable non-controlling interest	(596)	696
Net loss	(27,723)	(13,320)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	18,297	17,219
Non-cash operating lease costs	2,421	2,715
Amortization of costs capitalized to obtain revenue contracts	4,869	5,645
Amortization of debt issuance costs	92	31
Stock-based compensation	26,146	35,044
Deferred income taxes	790	(2,656)
Provision for bad debt	756	25
Net foreign currency losses (gains)	(38)	392
Loss on disposal of long-lived assets	144	30
Change in operating assets and liabilities:		
Accounts receivable	18,446	37,778
Costs capitalized to obtain revenue contracts	(3,002)	(8,382)
Prepaid expenses and other assets	1,051	(2,430)
Accounts payable	(1,406)	768
Accrued expenses and other liabilities	(9,313)	(8,645)
Deferred revenue	13,772	(2,572)
Operating lease liabilities	(2,035)	(2,201)
Net cash provided by operating activities	43,267	59,441
Cash flows from investing activities		
Acquisition of business, net of cash acquired	—	(90,839)
Acquisition of assets	(356)	(300)
Purchases of property and equipment	(2,464)	(786)
Net cash used in investing activities	(2,820)	(91,925)
Cash flows from financing activities		
Proceeds from borrowings on revolving credit facility	—	75,000
Payments on revolving credit facility	(30,000)	(35,000)
Payments of debt issuance costs	—	(370)
Exercise of stock options	2,204	1,737
Stock issuance under the employee stock purchase plan	2,698	2,514
Principal payments on financing obligations	(564)	(722)
Net cash provided by (used in) financing activities	(25,662)	43,159
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	1,166	(1,354)
Net increase in cash, cash equivalents, and restricted cash	15,951	9,321
Cash, cash equivalents, and restricted cash, beginning of period	87,418	117,444
Cash, cash equivalents, and restricted cash, end of period	$ 103,369	$ 126,765
Reconciliation of cash, cash equivalents, and restricted cash, end of period:		
Cash and cash equivalents	$ 98,003	$ 121,410
Restricted cash included in prepaid expenses and other current assets	5,162	—
Restricted cash included in long-term prepaid expenses and other assets	204	5,355
Total cash, cash equivalents, and restricted cash, end of period	$ 103,369	$ 126,765

nCino, Inc.

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

	Six Months Ended July 31,	
	2023	2024
Supplemental disclosure of cash flow information		
Cash paid for taxes, net of refunds	$ 1,906	$ 2,035
Cash paid for interest	$ 2,580	$ 2,843
Supplemental disclosure of noncash investing and financing activities		
Purchase of property and equipment, accrued but not paid	$ 29	$ 239
Deferred costs, accrued but not paid	$ —	$ 46
Receivables from exercise of stock options	$ 4	$ —
Accrued purchase price related to acquisitions	$ —	$ 150

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. 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, Asia Pacific, and South Africa.

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, 2024 filed with the SEC on March 26, 2024. 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 2025 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 investments, 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."

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

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, 2024 and July 31, 2024. The Company maintains its cash, cash equivalents and restricted cash with high-credit-quality financial institutions.

As of January 31, 2024 and July 31, 2024, no individual customer represented 10% of accounts receivable. For the three and six months ended July 31, 2023 and 2024, 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 long-term prepaid expenses and other assets at January 31, 2024 and July 31, 2024 on the unaudited condensed consolidated balance sheets.

Allowances: 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. The Company records the allowance against bad debt expense through the unaudited condensed consolidated statements of operations, included in general and administrative expenses, up to the amount of revenues recognized to date. Any incremental allowance is recorded as an offset to deferred revenue on the unaudited condensed consolidated balance sheets. Receivables are written off and charged against the recorded allowance when the Company has exhausted collection efforts without success.

A summary of activity in the allowance for doubtful accounts and reserve for expected credit losses is as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2024	2023	2024
Balance, beginning of period	$ 1,037	$ 1,100	$ 899	$ 1,451
Charged to bad debt expense	458	156	756	25
Write-offs and other	(622)	(52)	(779)	(272)
Translation adjustments	3	—	—	—
Balance, end of period	$ 876	$ 1,204	$ 876	$ 1,204

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.

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

Recent Accounting Pronouncements Not Yet Adopted: In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The guidance includes amendments to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The ASU is effective for fiscal years beginning after December 15, 2023 on a retrospective basis, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on the Company’s unaudited condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The guidance includes amendments to enhance existing income tax disclosure requirements, primarily related to the rate reconciliation and income taxes paid disclosures. The ASU is effective for annual periods beginning after December 15, 2024 on a prospective basis with the option to apply the ASU retrospectively. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on the Company’s unaudited condensed consolidated financial statements.

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, 2024, the Company controls a majority of the outstanding common stock in nCino K.K. In October 2023, the Company made a further investment in nCino K.K. of $1.0 million that, including additional investments in nCino K.K. of $1.0 million by existing third-party investors in October 2023, maintained the Company's ownership of 51%.

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 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,	
	2023	2024	2023	2024
Balance, beginning of period	$ 3,184	$ 4,105	$ 3,589	$ 3,428
Net loss attributable to redeemable non-controlling interest (excluding adjustment to non-controlling interest)	(268)	(58)	(548)	(223)
Foreign currency translation	—	5	(10)	(2)
Adjustment to redeemable non-controlling interest	73	75	(48)	919
Stock-based compensation expense[1]	6	6	12	11
Balance, end of period	$ 2,995	$ 4,133	$ 2,995	$ 4,133

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

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

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, 2024 and July 31, 2024 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, 2024 and July 31, 2024 and indicates the fair value hierarchy of the valuation:

	Fair value measurements on a recurring basis as of January 31, 2024		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 38,649	$ —	$ —
Time deposits (included in long-term prepaid expenses and other assets)	359	—	—
Total assets	$ 39,008	$ —	$ —

	Fair value measurements on a recurring basis as of July 31, 2024		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 30,480	$ —	$ —
Time deposits (included in long-term prepaid expenses and other assets)	355	—	—
Total assets	$ 30,835	$ —	$ —

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 non-recurring 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, 2023 and 2024.

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

Note 5. Revenues

Revenues by Geographic Area

Revenues by geographic region were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2024	2023	2024
United States	$ 95,315	$ 104,925	$ 189,761	$ 207,166
International	21,921	27,478	41,147	53,324
	$ 117,236	$ 132,403	$ 230,908	$ 260,490

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. For the three and six months ended July 31, 2023 and 2024, 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, 2024 and July 31, 2024:

	As of January 31, 2024	As of July 31, 2024
Trade accounts receivable	$ 106,170	$ 66,411
Unbilled accounts receivable	7,699	12,520
Allowance for doubtful accounts	(1,451)	(1,204)
Other accounts receivable	557	1,092
Total accounts receivable, net	$ 112,975	$ 78,819

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, 2024, $134.3 million of revenues were recognized out of the deferred revenue balance as of January 31, 2024.

Remaining performance obligations were $1.04 billion as of July 31, 2024. The Company expects to recognize approximately 67% of its remaining performance obligation as revenues in the next 24 months, approximately 27% more in the following 25 to 48 months, and the remainder thereafter.

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

Note 6. Property and Equipment

Property and equipment, net consisted of the following:

	As of January 31, 2024	As of July 31, 2024
Furniture and fixtures	$ 12,066	$ 12,003
Computers and equipment	8,010	7,477
Buildings and land	56,379	56,379
Leasehold improvements	27,712	27,714
Construction in progress	170	611
	104,337	104,184
Less accumulated depreciation	(25,192)	(27,399)
	$ 79,145	$ 76,785

The Company recognized depreciation expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2024	2023	2024
Cost of subscription revenues	$ 150	$ 121	$ 287	$ 242
Cost of professional services and other revenues	474	327	918	669
Sales and marketing	445	323	884	665
Research and development	747	619	1,470	1,228
General and administrative	306	190	589	384
Total depreciation expense	$ 2,122	$ 1,580	$ 4,148	$ 3,188

Note 7. Business Combinations

DocFox, Inc. ("DocFox")

On March 20, 2024 (the "DocFox Acquisition Date"), the Company acquired through a merger the outstanding equity interests of DocFox, which provides a solution to automate onboarding experiences for commercial and business banking. The Company acquired DocFox for its complementary product set, which helps simplify and automate the onboarding and account opening process. The Company has included the financial results of DocFox in the consolidated statements of operations from the DocFox Acquisition Date. Including the $2.0 million in post combination expense referenced below, transaction costs associated with the DocFox acquisition were approximately $3.9 million and were recorded in general and administrative expenses for the three months ended April 30, 2024.

The Company paid a total of $74.3 million in cash as of the DocFox Acquisition Date. Included in the total cash paid was $6.2 million for DocFox common stock options that were cash settled on the DocFox Acquisition Date. The $6.2 million fair value of the DocFox common stock options was allocated between consideration transferred and post combination expense in the amounts of $4.2 million and $2.0 million, respectively. As there was no future service requirement due to accelerated vesting of these options, the entire $2.0 million was recorded as transaction cost immediately following the acquisition and not in consideration transferred. The $2.0 million is included within general and administrative expense for the three months ended April 30, 2024. The estimated fair value of the consideration transferred was $72.4 million on the DocFox Acquisition Date.

In addition, the Company issued 198,505 RSUs with an approximate fair value of $6.1 million to certain employees of DocFox, which will vest over four years subject to such employees' continued employment. The RSUs will be recorded as stock-based compensation expense post-acquisition as the RSUs vest and has been excluded from the purchase consideration.

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

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the DocFox Acquisition Date:

	Fair Value
Cash and cash equivalents	$ 1,400
Accounts receivable	1,898
Operating lease right-of-use assets, net	405
Other current and noncurrent assets	444
Intangible assets	24,600
Goodwill	57,430
Accounts payable, accrued expenses, and other liabilities, current and noncurrent	(3,495)
Deferred revenue, current and noncurrent	(3,505)
Operating lease liabilities, current and noncurrent	(405)
Deferred income taxes	(6,407)
Net assets acquired	$ 72,365

The transaction was accounted for using the acquisition method and, as a result, tangible and intangible assets acquired and liabilities assumed were recorded at their estimated fair values at the DocFox Acquisition Date. Any excess consideration over the fair value of the assets acquired and liabilities assumed was recognized as goodwill and is subject to revision as the purchase price allocation is complete. The Company determined the acquisition date contract assets and liabilities in accordance with ASC 606.

Due to the timing of the transaction, initial accounting for the acquisition is not complete, and further measurement period adjustments may occur in fiscal year 2025, but no later than one year from the DocFox Acquisition Date. The Company has estimated the preliminary fair value of net assets acquired based on information currently available and with the assistance of independent third-party valuations and will continue to adjust those estimates as additional information becomes available, valuations are finalized and the tax returns for the pre-acquisition period are completed. The primary areas of the acquisition accounting that remain preliminary relate to, but are not limited to, (i) finalizing the review and valuation of intangible assets (including key assumptions, inputs and estimates), (ii) finalizing the Company's review of certain assets acquired and liabilities assumed, (iii) finalizing the evaluation and valuation of certain legal matters and/or loss contingencies, including those that the Company may not yet be aware of but meet the requirement to qualify as a pre-acquisition contingency, (iv) finalizing our estimate of the impact of acquisition accounting on deferred income taxes or liabilities, including uncertain tax positions, and (v) finalizing the Company’s review of the acquired contracts and related contract assets and liabilities. As the initial acquisition accounting is based on preliminary assessments, actual values may differ materially when final information becomes available. The Company believes the information gathered to date provides a reasonable basis for estimating the preliminary fair values of assets acquired and liabilities assumed. The Company will continue to evaluate these items until they are satisfactorily resolved and make necessary adjustments, within the allowable measurement period.

The following table sets forth the components of the preliminary fair value of identifiable intangible assets and their estimated useful lives over which the acquired intangible assets will be amortized on a straight-line basis, as this approximates the pattern in which economic benefits of the assets are consumed as of the DocFox Acquisition Date:

	Fair Value	Useful Life
Trade name	$ 200	1 year
Customer relationships	16,400	10 years
Developed technology	8,000	5 years
Total intangible assets subject to amortization	$ 24,600	

Developed technology represents the preliminary fair value of DocFox's technology. Customer relationships represent the preliminary fair value of the underlying relationships with DocFox's customers. Trade names represents the preliminary fair value of DocFox’s company name. The Company continues to assess the rates used in the preliminary valuation methods such as, but not limited to, the discount rates for developed technology, customer relationships and trade name and customer attrition rate for customer relationships.

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

Goodwill is primarily attributable to expanded market opportunities, synergies expected from the acquisition, and assembled workforce. The goodwill is not expected to be deductible for tax.

The financial results of DocFox since the DocFox Acquisition Date are included in the Company's unaudited condensed consolidated financial statements and are not material to the Company. The Company has not disclosed pro-forma revenue and earnings attributable to DocFox as they did not have a material effect on the Company's unaudited condensed consolidated financial statements.

Integrated Lending Technologies, LLC ("ILT")

On April 1, 2024 (the "ILT Acquisition Date"), the Company acquired all outstanding membership interests of ILT, which provides consumer loan origination software that streamlines direct and indirect lending operations. The Company acquired ILT for its complementary products and believes this will provide greater value for new and existing customers. The Company has included the financial results of ILT in the consolidated statements of operations from the ILT Acquisition Date. Transaction costs associated with the ILT acquisition were approximately $0.9 million and were recorded in general and administrative expenses for the three months ended April 30, 2024.

The fair value of the consideration transferred was $19.9 million and paid in cash on the ILT Acquisition Date, subject to a net working capital adjustment. The net working capital adjustment was finalized in July 2024, resulting in an increase to the purchase price of $0.1 million which was recorded to goodwill.

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of July 31, 2024:

	Fair Value
Cash and cash equivalents	$ 164
Accounts receivable	343
Intangible assets	8,660
Goodwill	11,111
Accounts payable, accrued expenses, and other liabilities, current and noncurrent	(240)
Net assets acquired	$ 20,038

The transaction was accounted for using the acquisition method and, as a result, tangible and intangible assets acquired, and liabilities assumed were recorded at their estimated fair values at the ILT Acquisition Date. Any excess consideration over the fair value of the assets acquired and liabilities assumed was recognized as goodwill and is subject to revision as the purchase price allocation is completed. The Company determined the acquisition date contract assets and liabilities in accordance with ASC 606.

Due to the timing of the transaction, initial accounting for the acquisition is not complete, and further measurement period adjustments may occur in fiscal year 2025, but no later than one year from the ILT Acquisition Date. The Company has estimated the preliminary fair value of net assets acquired based on information currently available and with the assistance of independent third-party valuations and will continue to adjust those estimates as additional information becomes available and valuations are finalized. The primary areas of the acquisition accounting that remain preliminary relate to, but are not limited to, (i) finalizing the review and valuation of intangible assets (including key assumptions, inputs and estimates), (ii) finalizing the Company's review of certain assets acquired and liabilities assumed, and (iii) finalizing the Company's review of the acquired contracts and related contract assets and liabilities. As the initial acquisition accounting is based on preliminary assessments, actual values may differ materially when final information becomes available. The Company believes the information gathered to date provides a reasonable basis for estimating the preliminary fair values of assets acquired and liabilities assumed. The Company will continue to evaluate these items until they are satisfactorily resolved and make necessary adjustments, within the allowable measurement period.

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

The following table sets forth the components of the preliminary fair value of identifiable intangible assets and their estimated useful lives over which the acquired intangible assets will be amortized on a straight-line basis, as this approximates the pattern in which economic benefits of the assets are consumed as of the ILT Acquisition Date:

	Fair Value	Useful Life
Trade name	$ 210	1 year
Customer relationships	5,870	10 years
Developed technology	2,580	5 years
Total intangible assets subject to amortization	$ 8,660	

Developed technology represents the preliminary estimated fair value of ILT's technology. Customer relationships represent the preliminary estimated fair value of the underlying relationships with ILT's customers. Trade name represents the preliminary estimated fair value of ILT's company name. The Company continues to assess the rates used in the preliminary valuation methods such as, but not limited to, the discount rates for developed technology, customer relationships and trade name and customer attrition rate for customer relationships.

Goodwill is primarily attributable to expanded market opportunities, synergies expected from the acquisition, and assembled workforce and approximately $11.1 million is expected to be deductible for tax purposes.

The financial results of ILT since the ILT Acquisition Date are included in the Company's unaudited condensed consolidated financial statements and are not material to the Company. The Company has not disclosed pro-forma revenue and earnings attributable to ILT as they did not have a material effect on the Company's condensed consolidated financial statements.

Note 8. Goodwill and Intangible Assets

Goodwill

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

Balance, January 31, 2024	$ 838,869
Acquisitions	68,541
Translation adjustments	590
Balance, July 31, 2024	$ 908,000

Intangible assets

Intangible assets, net are as follows:

	As of January 31, 2024			As of July 31, 2024		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 83,468	$ (38,010)	$ 45,458	$ 88,080	$ (40,564)	$ 47,516
Customer relationships	91,704	(22,085)	69,619	114,241	(27,240)	87,001
Trademarks and trade name	14,624	(14,624)	—	419	(148)	271
Other	919	(424)	495	1,369	(633)	736
	$ 190,715	$ (75,143)	$ 115,572	$ 204,109	$ (68,585)	$ 135,524

During the six months ended July 31, 2024, the Company wrote off approximately $20.6 million of fully amortized intangible assets and the corresponding accumulated amortization.

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

The Company recognized amortization expense for intangible assets as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2024	2023	2024
Cost of subscription revenues	$ 4,190	$ 4,404	$ 8,441	$ 8,522
Cost of professional services and other revenues	83	83	165	165
Sales and marketing	2,771	2,862	5,543	5,344
Total amortization expense	$ 7,044	$ 7,349	$ 14,149	$ 14,031

During the third quarter of fiscal 2024, the Company rebranded the SimpleNexus solution to nCino Mortgage, resulting in a change to the trade name useful life and recorded incremental amortization of $10.1 million to fully amortize the remaining trade name intangible asset.

The expected future amortization expense for intangible assets as of July 31, 2024 is as follows:

Fiscal Year Ending January 31,	
2025 (remaining)	$ 14,699
2026	28,878
2027	27,610
2028	13,152
2029	13,052
Thereafter	38,133
	$ 135,524

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.

Note 9. Stock-Based Compensation

Stock Options

Stock option activity for the six months ended July 31, 2024 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 31, 2024	1,212,704	$ 7.14
Granted	—	—
Expired or forfeited	(1,375)	12.06
Exercised	(212,711)	8.16
Outstanding, July 31, 2024	998,618	$ 6.92
Exercisable, July 31, 2024	998,618	$ 6.92
Fully vested or expected to vest, July 31, 2024	998,618	$ 6.92

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

Restricted Stock Units

RSU activity during the six months ended July 31, 2024 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, January 31, 2024	5,626,125	$ 33.19
Granted	2,558,830	33.73
Vested	(1,396,317)	33.58
Forfeited	(426,301)	35.97
Nonvested, July 31, 2024	6,362,337	$ 33.19

As of July 31, 2024, total unrecognized compensation expense related to non-vested RSUs was $178.6 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 2.93 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.

The fair value of ESPP shares during the six months ended July 31, 2023 and 2024 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,	
	2023	2024
Expected life (in years)	0.50	0.50
Expected volatility	61.66% - 61.86%	38.70% - 38.91%
Expected dividends	0.00%	0.00%
Risk-free interest rate	4.77% - 5.53%	5.24% - 5.37%

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,	
	2023	2024	2023	2024
Cost of subscription revenues	$ 485	$ 793	$ 799	$ 1,355
Cost of professional services and other revenues	2,460	2,980	4,089	5,759
Sales and marketing	3,830	4,184	7,041	8,140
Research and development	4,279	5,286	7,279	9,512
General and administrative	4,227	5,596	6,938	10,278
Total stock-based compensation expense	$ 15,281	$ 18,839	$ 26,146	$ 35,044

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

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 December 2033, 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,	
	2023	2024	2023	2024
Operating lease expense	$ 1,312	$ 1,392	$ 2,617	$ 2,726
Variable lease expense	473	647	934	1,270
Short-term lease expense	112	58	234	148
Total	$ 1,897	$ 2,097	$ 3,785	$ 4,144

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

	Six Months Ended July 31,	
	2023	2024
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,231	$ 2,212
Operating right-of-use assets obtained in exchange for operating lease liabilities	132	810
Operating right-of-use assets and operating lease liabilities disposed of	—	1,947

The weighted-average remaining lease term and weighted-average discount rate for the Company's operating lease liabilities as of July 31, 2024 were 6.21 years and 6.8%, respectively.

Future minimum lease payments as of July 31, 2024 were as follows:

Fiscal Year Ending January 31,	Operating Leases
2025 (remaining)	$ 2,176
2026	5,054
2027	3,284
2028	2,777
2029	1,715
Thereafter	6,489
Total lease liabilities	21,495
Less: imputed interest	(4,237)
Total lease obligations	17,258
Less: current obligations	(4,750)
Long-term lease obligations	$ 12,508

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 provided 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.

On February 9, 2024, the Company entered into a First Amendment to extend the existing maturity date of the Credit Facility provided for under the Credit Agreement to February 11, 2025.

On March 17, 2024, the Company entered into the Second Amendment which increased our borrowing availability to $100.0 million and extended the existing maturity date of the Credit Facility under the Credit Facility to March 17, 2029.

Borrowings under the Credit Facility bear interest, at the Borrower’s option, at: (i) a base rate equal to the greatest of (a) the Lender’s “prime rate”, (b) the federal funds rate plus 0.50%, and (c) the Term SOFR rate plus 1.00% (provided that the base rate shall not be less than 0.00%), plus a margin of 1.3125%; or (ii) the Term SOFR rate (provided that the Term SOFR shall not be less than 0.00%), plus a margin of 2.3125%, in each case with such margin subject to a step down based on achievement of a certain leverage ratio. The Company is also required to pay an unused commitment fee to the Lender of 0.30% of the average daily unutilized commitments (with a step down based on achievement of a certain leverage ratio). The Company must also pay customary letter of credit fees.

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 covenants require the Company and its subsidiaries on a consolidated basis to maintain (i) a Consolidated Senior Secured Leverage Ratio not in excess of 2.50:1.00 as of the end of any fiscal quarter, and (ii) a Consolidated Interest Coverage Ratio not less than 3.00:1.00 as of the end of any fiscal quarter beginning with the second quarter of fiscal year 2025. 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 long-term prepaid expenses and other assets as of January 31, 2024 and July 31, 2024 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 $0.0 million and $40.0 million outstanding and no letters of credit issued under the Credit Facility and was in compliance with all covenants as of January 31, 2024 and July 31, 2024, respectively. As of July 31, 2024, the applicable interest rate was 7.38%. The available borrowing capacity under the Credit Facility was $60.0 million as of July 31, 2024.

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.

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

Financing Obligations

The Company's financing obligations consist of leases for the Company's headquarters and parking deck in which the Company is deemed the owner of for accounting purposes. The leases will be analyzed for applicable lease accounting upon expiration of the purchase option, if not exercised.

Purchase commitments and future minimum lease payments required under financing obligations as of July 31, 2024 is as follows:

Fiscal Year Ending January 31,	Purchase commitments	Financing obligations - leased facility
2025 (remaining)	$ 37,933	$ 2,275
2026	74,639	4,644
2027	73,340	3,950
2028	71,226	—
2029	1,226	—
Thereafter	357	—
Total	$ 258,721	$ 10,869
Residual financing obligations and assets		49,476
Less: amount representing interest		(6,913)
Financing obligations		$ 53,432

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, 2024 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. The Company 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 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. On December 28, 2023, the Delaware Court of Chancery granted in full defendants' motions to dismiss the complaint. On January 25, 2024, the plaintiff filed a notice of appeal.

The Company does not presently believe the above matter 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, 2024 and July 31, 2024 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 and six months ended July 31, 2023 and 2024 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,	
	2023	2024	2023	2024
Basic and diluted loss per share:				
Numerator				
Net loss attributable to nCino, Inc.	$ (15,884)	$ (11,040)	$ (27,127)	$ (14,016)
Denominator				
Weighted-average common shares outstanding	112,396,716	115,180,130	112,262,527	114,694,001
Basic and diluted loss per share attributable to nCino, Inc.	$ (0.14)	$ (0.10)	$ (0.24)	$ (0.12)

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,	
	2023	2024
Stock options issued and outstanding	1,664,830	998,618
Nonvested RSUs issued and outstanding	5,784,062	6,362,337
Shares issuable pursuant to the ESPP	16,994	81,048

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, 2024 filed with the SEC on March 26, 2024. 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 2025" refer to the fiscal year ended January 31, 2025.

Overview

Through its single software-as-a-service ("SaaS") platform, nCino helps financial institutions ("FI") serving corporate and commercial, small business, consumer, and mortgage customers modernize and more effectively onboard clients, open accounts, make loans and navigate the loan lifecycle, and effectively monitor and manage their portfolio. With the nCino Bank Operating System, FIs can:

- digitally serve their clients across lines of business,
- improve efficiency,
- elevate employee experience and performance,
- manage risk and compliance more effectively,
- establish an active data, audit, and business intelligence hub, and
- embrace the value of intelligent automation and uncover data-driven insights.

nCino was originally founded in a bank to improve that FI's operations and client service. After realizing that 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—were endemic across the financial services industry, nCino 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 become more efficient by providing an end-to-end platform that spans business lines and combines capabilities for a seamless experience.

The nCino Bank Operating System was initially designed to help transform commercial and small business lending for community and regional banks. This solution was introduced to enterprise banks in the United States ("U.S.") in 2014, and then internationally in 2017, and has subsequently expanded across North America, Europe, the Middle East, South Africa and Asia-Pacific. Throughout this market expansion, we broadened the nCino Bank Operating System by adding functionality for consumer lending, client onboarding, deposit account opening, analytics and artificial intelligence and machine learning. In fiscal 2020, we made two acquisitions 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. An acquisition in fiscal 2022 expanded our capabilities to the U.S. point-of-sale mortgage market.

On March 20, 2024 (the "DocFox Acquisition Date"), we acquired DocFox, Inc. ("DocFox") which provides a solution for automating onboarding experiences for commercial and business banking, for an aggregate preliminary purchase price of $74.3 million. We funded the purchase consideration with $75.0 million borrowed under the Credit Facility as further described in 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. We have included the financial results of DocFox in our unaudited condensed consolidated financial statements from the DocFox Acquisition Date.

We acquired Integrated Lending Technologies, LLC ("ILT") on April 1, 2024 (the "ILT Acquisition Date"), which provides consumer loan origination software that streamlines direct and indirect lending operations, for an aggregate purchase price of $20.0 million in cash. We have included the financial results of ILT in our unaudited condensed consolidated financial statements from the ILT Acquisition Date.

See Note 7 "Business Combinations" 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 DocFox and ILT acquisitions.

We generally offer the nCino Bank Operating System on a subscription basis pursuant to non-cancellable multi-year contracts that typically range from three to five years, and we employ a “land and expand” business model. 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, 2024, we had 206 sales and sales support personnel in the U.S. and 88 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 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, 2023 and 2024, our total revenues were $117.2 million and $132.4 million, respectively, representing a 12.9% increase. For the three months ended July 31, 2023 and 2024, our subscription revenues were $99.9 million and $113.9 million, respectively, representing a 14.0% increase. Due to our investments in growth, we recorded net losses attributable to nCino, Inc. of $15.9 million and $11.0 million for the three months ended July 31, 2023 and 2024, respectively. For the six months ended July 31, 2023 and 2024, our total revenues were $230.9 million and $260.5 million, respectively, representing a 12.8% increase. For the six months ended July 31, 2023 and 2024, our subscription revenues were $197.2 million and $224.3 million, respectively, representing a 13.7% increase. Due to our investments in growth, we recorded net losses attributable to nCino, Inc. of $27.1 million and $14.0 million for the six months ended July 31, 2023 and 2024, 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 20.8% of total revenues for the three months ended July 31, 2024 and 20.5% for the six months ended July 31, 2024. 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 higher interest rate environment as the U.S. Federal Reserve has raised 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 nCino Mortgage business.

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 nCino Mortgage. 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 nCino Mortgage, a digital homeownership solution 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 nCino Mortgage 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 nCino Mortgage 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, which are primarily related to legal, consulting and other professional services fees. We expect general and administrative expenses will decrease as a percentage of revenues over the long term 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 transactions denominated in currencies other than the underlying functional currency of the applicable entity.

Income Tax Provision (Benefit). Income tax provision (benefit) 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, 2023 and 2024 in both dollars and as a percentage of total revenues, except as noted.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2024	2023	2024
($ in thousands, except share and per share amounts)				
Revenues:				
Subscription revenues	$ 99,897	$ 113,911	$ 197,237	$ 224,317
Professional services and other revenues	17,339	18,492	33,671	36,173
Total revenues	117,236	132,403	230,908	260,490
Cost of revenues:				
Cost of subscription revenues	29,719	33,367	58,876	65,147
Cost of professional services and other revenues	18,328	20,564	35,359	39,964
Total cost of revenues	48,047	53,931	94,235	105,111
Gross profit	69,189	78,472	136,673	155,379
Operating expenses:				
Sales and marketing	32,164	31,713	62,105	59,758
Research and development	29,889	34,271	58,084	64,252
General and administrative	21,930	20,394	39,905	42,938
Total operating expenses	83,983	86,378	160,094	166,948
Loss from operations	(14,794)	(7,906)	(23,421)	(11,569)
Non-operating income (expense):				
Interest income	835	321	1,372	926
Interest expense	(1,044)	(1,835)	(2,423)	(3,312)
Other income (expense), net	469	150	(313)	(594)
Loss before income taxes	(14,534)	(9,270)	(24,785)	(14,549)
Income tax provision (benefit)	1,545	1,753	2,938	(1,229)
Net loss	(16,079)	(11,023)	(27,723)	(13,320)
Net loss attributable to redeemable non-controlling interest	(268)	(58)	(548)	(223)
Adjustment attributable to redeemable non-controlling interest	73	75	(48)	919
Net loss attributable to nCino, Inc.	$ (15,884)	$ (11,040)	$ (27,127)	$ (14,016)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.14)	$ (0.10)	$ (0.24)	$ (0.12)
Weighted average number of common shares outstanding:				
Basic and diluted	112,396,716	115,180,130	112,262,527	114,694,001

The Company recognized stock-based compensation expense as follows:

($ in thousands)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2024	Six Months Ended July 31, 2023	Six Months Ended July 31, 2024
Cost of subscription revenues	$ 485	$ 793	$ 799	$ 1,355
Cost of professional services and other revenues	2,460	2,980	4,089	5,759
Sales and marketing	3,830	4,184	7,041	8,140
Research and development	4,279	5,286	7,279	9,512
General and administrative	4,227	5,596	6,938	10,278
Total stock-based compensation expense	$ 15,281	$ 18,839	$ 26,146	$ 35,044

The Company recognized amortization expense for intangible assets as follows:

($ in thousands)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2024	Six Months Ended July 31, 2023	Six Months Ended July 31, 2024
Cost of subscription revenues	$ 4,190	$ 4,404	$ 8,441	$ 8,522
Cost of professional services and other revenues	83	83	165	165
Sales and marketing	2,771	2,862	5,543	5,344
Total amortization expense	$ 7,044	$ 7,349	$ 14,149	$ 14,031

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2024	Six Months Ended July 31, 2023	Six Months Ended July 31, 2024
Revenues:				
Subscription revenues	85.2 %	86.0 %	85.4 %	86.1 %
Professional services and other revenues	14.8	14.0	14.6	13.9
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues (percentage shown in comparison to related revenues):				
Cost of subscription revenues	29.7	29.3	29.9	29.0
Cost of professional services and other revenues	105.7	111.2	105.0	110.5
Total cost of revenues	41.0	40.7	40.8	40.4
Gross profit	59.0	59.3	59.2	59.6
Operating expenses:				
Sales and marketing	27.4	24.0	26.9	22.9
Research and development	25.5	25.9	25.2	24.7
General and administrative	18.7	15.4	17.3	16.5
Total operating expenses	71.6	65.3	69.4	64.1
Loss from operations	(12.6)	(6.0)	(10.2)	(4.5)
Non-operating income (expense):				
Interest income	0.7	0.2	0.6	0.4
Interest expense	(0.9)	(1.4)	(1.0)	(1.3)
Other income (expense), net	0.4	0.1	(0.1)	(0.2)
Loss before income taxes	(12.4)	(7.1)	(10.7)	(5.6)
Income tax provision (benefit)	1.3	1.3	1.3	(0.5)
Net loss	(13.7)%	(8.4)%	(12.0)%	(5.1)%

Comparison of the Three and Six Months Ended July 31, 2023 and 2024

Revenues

($ in thousands)	Three Months Ended July 31, 2023		Three Months Ended July 31, 2024		Six Months Ended July 31, 2023		Six Months Ended July 31, 2024	
Revenues:								
Subscription revenues	$ 99,897	85.2 %	$ 113,911	86.0 %	$ 197,237	85.4 %	$ 224,317	86.1 %
Professional services and other revenues	17,339	14.8	18,492	14.0	33,671	14.6	36,173	13.9
Total revenues	$ 117,236	100.0 %	$ 132,403	100.0 %	$ 230,908	100.0 %	$ 260,490	100.0 %

Subscription Revenues

Subscription revenues increased $14.0 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, 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, 52.0% 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 48.0% was attributable to initial revenues from customers who did not contribute to subscription revenues during the three months ended July 31, 2023. Subscription revenues were 86.0% of total revenues for the three months ended July 31, 2024 compared to 85.2% of total revenues for the three months ended July 31, 2023, primarily due to growth in our installed base.

Subscription revenues increased $27.1 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, 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, 57.1% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solutions, and 42.9% was attributable to initial revenues from customers who did not contribute to subscription revenues during the six months ended July 31, 2023. Subscription revenues were 86.1% of total revenues for the six months ended July 31, 2024 compared to 85.4% of total revenues for the six months ended July 31, 2023, primarily due to growth in our installed base.

Professional Services and Other Revenues

Professional services and other revenues increased $1.2 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, 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 $2.5 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, 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

($ in thousands)	Three Months Ended July 31, 2023		Three Months Ended July 31, 2024		Six Months Ended July 31, 2023		Six Months Ended July 31, 2024	
Cost of revenues (percentage shown in comparison to related revenues):								
Cost of subscription revenues	$ 29,719	29.7 %	$ 33,367	29.3 %	$ 58,876	29.9 %	$ 65,147	29.0 %
Cost of professional services and other revenues	18,328	105.7	20,564	111.2	35,359	105.0	39,964	110.5
Total cost of revenues	$ 48,047	41.0	$ 53,931	40.7	$ 94,235	40.8	$ 105,111	40.4
Gross profit	$ 69,189	59.0 %	$ 78,472	59.3 %	$ 136,673	59.2 %	$ 155,379	59.6 %

Cost of Subscription Revenues

Cost of subscription revenues increased $3.6 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, generating a gross margin for subscription revenues of 70.7% compared to a gross margin of 70.3% for the three months ended July 31, 2023. Other costs of subscription revenues increased $1.7 million due to costs associated with access to other platforms and data center costs, and costs related to Salesforce user fees increased $0.8 million as we continued to add new customers and sell additional functionality to existing customers. Personnel costs, including stock-based compensation expense, increased $1.0 million, mainly from an increase in headcount. 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 $6.3 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, generating a gross margin for subscription revenues of 71.0% compared to a gross margin of 70.1% for the six months ended July 31, 2023. Costs related to Salesforce user fees increased $2.1 million as we continued to add new customers and sell additional functionality to existing customers, and other costs of subscription revenues increased $2.1 million due to costs associated with access to other platforms and data center costs. Personnel costs, including stock-based compensation expense, increased $2.1 million, mainly from an increase in headcount. 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 $2.2 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, generating a gross margin for professional services and other revenues of (11.2)% compared to a gross margin of (5.7)% for the three months ended July 31, 2023. For the three months ended July 31, 2024, personnel costs, including stock-based compensation expense, increased $1.8 million for professional services compared to the three months ended July 31, 2023, mainly from an increase in headcount. The increase in cost of professional services and other revenues also included a $0.4 million increase for third-party costs of professional services.

Cost of professional services and other revenues increased $4.6 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, generating a gross margin for professional services and other revenues of (10.5)% compared to a gross margin of (5.0)% for the six months ended July 31, 2023. For the six months ended July 31, 2024, personnel costs, including stock-based compensation expense, increased $4.3 million for professional services compared to the six months ended July 31, 2023, mainly from an increase in headcount. The increase in cost of professional services and other revenues also included a $0.4 million increase for third-party professional services costs.

Operating Expenses

	Three Months Ended July 31,				Six Months Ended July 31,			
($ in thousands)	**2023**		**2024**		**2023**		**2024**	
Operating expenses:								
Sales and marketing	$ 32,164	27.4 %	$ 31,713	24.0 %	$ 62,105	26.9 %	$ 59,758	22.9 %
Research and development	29,889	25.5	34,271	25.9	58,084	25.2	64,252	24.7
General and administrative	21,930	18.7	20,394	15.4	39,905	17.3	42,938	16.5
Total operating expenses	83,983	71.6	86,378	65.3	160,094	69.4	166,948	64.1
Loss from operations	$ (14,794)	(12.6)%	$ (7,906)	(6.0)%	$ (23,421)	(10.2)%	$ (11,569)	(4.5)%

Sales and Marketing

Sales and marketing expenses decreased $0.5 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, primarily due to a decrease of $1.3 million in sales and marketing personnel costs due to a decrease in headcount and a decrease in expatriate tax equalization expenses, partially offset by an increase in stock-based compensation expense. Amortization expense was comparable for the three months ended July 31, 2024 compared to the three months ended July 31, 2023 due to no amortization for the SimpleNexus trade name intangible asset as a result of the rebranding of the SimpleNexus solution to nCino Mortgage during the third quarter of fiscal 2024 offset by increased amortization expense for the DocFox and ILT acquisitions. The decrease in sales and marketing expenses was partially offset by an increase of $0.6 million in marketing costs and an increase of $0.2 million in third-party professional fees.

Sales and marketing expenses decreased $2.3 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, primarily due to a decrease of $1.4 million in personnel costs due to a decrease in headcount and a decrease in expatriate tax equalization expenses, partially offset by an increase in stock-based compensation expense. The decrease in sales and marketing expenses also included a decrease of $0.6 million in sales-related travel costs and a decrease of $0.3 million in third-party professional fees. Amortization expense was comparable for the six months ended July 31, 2024 compared to the six months ended July 31, 2023 due to no amortization for the SimpleNexus trade name intangible asset as a result of the rebranding of the SimpleNexus solution to nCino Mortgage during the third quarter of fiscal 2024 offset by increased amortization expense for the DocFox and ILT acquisitions. The decrease in sales and marketing expenses was partially offset by an increase of $0.3 million in marketing costs.

Our sales and marketing headcount decreased by 10 from July 31, 2023 to July 31, 2024. 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 $4.4 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, primarily due to an increase of $3.3 million in personnel costs, mainly from an increase in headcount and an increase in stock-based compensation expense. The increase in research and development also included an increase of $1.1 million in third-party professional fees primarily attributable to increased contract research and development spend.

Research and development expenses increased $6.2 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, primarily due to an increase of $5.3 million in personnel costs, mainly from the increase in headcount and an increase in stock-based compensation expense. The increase in research and development also included an increase of $0.9 million in third-party professional fees primarily attributable to increased contract research and development spend.

Our research and development headcount increased by 10 from July 31, 2023 to July 31, 2024. 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 decreased $1.5 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, primarily due to a decrease of $2.4 million in third-party professional fees and expenses related to other litigation expenses, partially offset by an increase for acquisition-related expenses for DocFox and ILT. The decrease in general and administrative expenses for the three months ended July 31, 2024 compared to the three months ended July 31, 2023 also included a decrease of $0.9 million in allocated overhead and other general and administrative costs. The decrease in general and administrative expenses was partially offset by an increase of $1.6 million in personnel costs, mostly attributable to a $1.4 million increase in stock-based compensation expense.

General and administrative expenses increased $3.0 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, primarily due to an increase of $3.7 million in personnel costs, mostly attributable to a $3.3 million increase in stock-based compensation expense. The increase in general and administrative spend also included an increase of $0.6 million in third party professional fees for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, mostly attributable to an increase in third party professional fees and acquisition-related expenses for DocFox and ILT, offset by a decrease in fees and expenses related to other litigation expenses. The increase in general and administrative expenses was partially offset by a decrease of $1.4 million in allocated overhead and other general and administrative costs.

Our general and administrative headcount decreased by 2 from July 31, 2023 to July 31, 2024. 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,				Six Months Ended July 31,			
	2023		2024		2023		2024	
Interest income	$ 835	0.7 %	$ 321	0.2 %	$ 1,372	0.6 %	$ 926	0.4 %
Interest expense	(1,044)	(0.9)	(1,835)	(1.4)	(2,423)	(1.0)	(3,312)	(1.3)
Other income (expense), net	469	0.4	150	0.1	(313)	(0.1)	(594)	(0.2)

Interest income decreased $0.5 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, due to a decrease in our accounts earning interest. Interest expense increased $0.8 million for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, due to borrowing on our revolving credit facility. The decrease of $0.3 million in other income, net for the three months ended July 31, 2024 compared to the three months ended July 31, 2023, 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 decreased $0.4 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, due to a decrease in our accounts earning interest. Interest expense increased $0.9 million for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, due to borrowing on our revolving credit facility. The increase of $0.3 million in other expense, net for the six months ended July 31, 2024 compared to the six months ended July 31, 2023, 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 (Benefit)

($ in thousands)	Three Months Ended July 31,				Six Months Ended July 31,			
	2023		2024		2023		2024	
Income tax provision (benefit)	$ 1,545	1.3 %	$ 1,753	1.3 %	$ 2,938	1.3 %	$ (1,229)	(0.5)%

Income tax provision was $1.8 million for the three months ended July 31, 2024 compared to a provision of $1.5 million for the three months ended July 31, 2023, and resulted in an effective tax rate of (18.9)% and (10.6)%, respectively.

Income tax benefit was $1.2 million for the six months ended July 31, 2024 compared to a provision of $2.9 million for the six months ended July 31, 2023, and resulted in an effective tax rate of 8.4% and (11.9)%, respectively. The change in the effective tax rate for the six months ended July 31, 2024 compared to the effective tax rate for the six months ended July 31, 2023 was primarily due to a reduction of our valuation allowance.

Prior to the DocFox acquisition, we continued to maintain a valuation allowance against our deferred tax assets in several jurisdictions, including the U.S. On the DocFox Acquisition Date, the Company measured and recorded net U.S. deferred tax liabilities, most of which relate to identifiable intangible assets. The deferred tax liabilities recognized provide additional positive evidence that a portion of the Company's U.S. deferred tax assets are realizable. As a result, the Company reduced the valuation allowance by $3.6 million during the first quarter of the Company’s fiscal 2025.

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, as discussed below.

Non-GAAP operating income. Non-GAAP operating income 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. Non-GAAP operating income is widely used by securities analysts, investors, and other interested parties to evaluate the profitability of companies. Non-GAAP operating income 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 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)	**2023**	**2024**	**2023**	**2024**
GAAP loss from operations	$ (14,794)	$ (7,906)	$ (23,421)	$ (11,569)
Adjustments				
Amortization of intangible assets	7,044	7,349	14,149	14,031
Stock-based compensation expense	15,281	18,839	26,146	35,044
Acquisition-related expenses	212	947	423	5,987
Litigation expenses[1]	3,204	69	4,349	250
Restructuring and related charges	238	—	477	—
Total adjustments	25,979	27,204	45,544	55,312
Non-GAAP operating income	$ 11,185	$ 19,298	$ 22,123	$ 43,743

[1]Represents legal expenses related to a closed government antitrust investigation and related settled civil action and a shareholder derivative lawsuit.

Liquidity and Capital Resources

As of July 31, 2024, we had $121.4 million in cash and cash equivalents, and an accumulated deficit of $365.9 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.

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 starting 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.

On March 17, 2024, the Company entered into the Second Amendment for the Credit Facility which, among other things, increased our borrowing availability to $100.0 million. In March 2024, we borrowed $75.0 million under the Credit Facility to fund the acquisition of DocFox. In April 2024 and July 2024, we repaid $20.0 million and $15.0 million, respectively, under the Credit Facility. As of July 31, 2024, the applicable interest rate was 7.38%. The Company had $40.0 million outstanding and no letters of credit issued under the Credit Facility and was in compliance with all covenants as of July 31, 2024. 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 expect to incur capital expenditures in fiscal 2025 for planned office build-outs to accommodate our growth, primarily for an international office, which we estimate to be approximately $8.0 million. 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, 2024 and July 31, 2024, the redeemable non-controlling interest was $3.4 million and $4.1 million, respectively.

As part of our joint venture obligations, we made an additional cash capital contribution of $1.0 million to nCino K.K. during the third quarter of fiscal 2024.

Cash Flows

Summary Cash Flow information for the six months ended July 31, 2023 and 2024 are set forth below:

	Six Months Ended July 31,	
($ in thousands)	**2023**	**2024**
Net cash provided by operating activities	$ 43,267	$ 59,441
Net cash used in investing activities	(2,820)	(91,925)
Net cash provided by (used in) financing activities	(25,662)	43,159

Net Cash Provided by Operating Activities

The $59.4 million provided by operating activities in the six months ended July 31, 2024 reflects our net loss of $13.3 million, offset by $58.4 million in non-cash charges and $14.3 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, foreign currency losses related to intercompany loans and transactions, partially offset by deferred income taxes. Cash generated by working capital accounts was principally a function of a $37.8 million decrease in accounts receivable due to the timing of billings and collections from customers, and a $0.8 million increase in accounts payable. The cash generated by working capital accounts was partially offset by an $8.6 million decrease in accrued expenses and other liabilities primarily due to the payout of bonuses and commissions, an increase of $8.4 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a $2.6 million decrease in deferred revenue due to the timing of billings and revenue recognition, a $2.4 million increase in prepaid expenses and other assets, and a $2.2 million decrease in operating lease liabilities.

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, deferred income taxes, and provision for bad debt. Cash generated by working capital accounts was principally a function of a $18.4 million decrease in accounts receivable due to timing of billings and collections from customers and 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 liabilities which includes payments of approximately $5.0 million for severance and other employee costs associated with restructuring. 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.

Net Cash Used in Investing Activities

The $91.9 million used in investing activities in the six months ended July 31, 2024 was comprised of $90.8 million used for the acquisitions of DocFox and ILT, $0.8 million for the purchase of property and equipment and leasehold improvements to support the expansion of our business, and $0.3 million for an asset acquisition. 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 consideration relating to an asset acquisition completed in August 2022.

Net Cash Provided by (Used in) Financing Activities

The $43.2 million provided by financing activities in the six months ended July 31, 2024 was comprised principally of $75.0 million proceeds from borrowings on the Credit Facility to fund the acquisition of DocFox, $2.5 million of proceeds from stock issuances under the employee stock purchase plan, and $1.7 million of proceeds from the exercise of stock options. The cash provided by financing activities was partially offset by payments of $35.0 million on the Credit Facility, principal payments of $0.7 million on financing obligations, and payments of debt issuance costs of $0.4 million. 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, 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.

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, 2024 filed with the SEC on March 26, 2024.

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, 2024, we had cash, cash equivalents and restricted cash of $126.8 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. On March 17, 2024, the Company entered into the Second Amendment which, among other things, increased our borrowing availability to $100.0 million. Borrowings bear interest, at the Borrower's option, at: (i) a base rate equal to the greatest of (a) the Lender’s “prime rate”, (b) the federal funds rate plus 0.50%, and (c) the Term SOFR rate plus 1.00% (provided that the base rate shall not be less than 0.00%), plus a margin of 1.3125%; or (ii) the Term SOFR rate (provided that the Term SOFR shall not be less than 0.00%), plus a margin of 2.3125%, in each case with such margin subject to a step down based on achievement of a certain leverage ratio. As a result, we are exposed to increased interest rate risk as we make draws. At July 31, 2024, we had $40.0 million outstanding under the Credit Facility. A hypothetical 100 basis point change in interest rates would not have had a material impact on our financial results included in this Quarterly Report on Form 10-Q. 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.

At July 31, 2024, based on the balances of our cash, cash equivalents, and restricted cash denominated in foreign currencies, a hypothetical 10% increase or decrease in foreign currency exchange rates would have had an impact of approximately $7.0 million on our cash, cash equivalents and restricted cash at July 31, 2024.

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, 2024, 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, 2024, 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, 2024 filed with the SEC on March 26, 2024 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, 2024, 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 July 16, 2024, Sean Desmond, Chief Product Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 60,000 shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until December 31, 2024, or earlier if all transactions under the trading arrangement are 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	Second Amended and Restated Certificate of Incorporation	8-K	001-41211	3.1	June 24, 2024	
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 27, 2024	By:	/s/ Pierre Naudé Pierre Naudé Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 27, 2024	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 27, 2024

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 27, 2024

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, 2024 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 27, 2024

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, 2024 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 27, 2024	By:	/s/ Gregory D. Orenstein
		Gregory D. Orenstein
		Chief Financial Officer & Treasurer