Table of Contents

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, 2021
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __to __
Commission File Number: 001-39380

nCino, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**46-4353148**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 96,195,901 shares of common stock, $0.0005 par value per share, as of August 27, 2021.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

nCino, Inc.

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

	January 31, 2021	July 31, 2021
		(Unaudited)
Assets		
Current assets		
Cash and cash equivalents (VIE: $7,425 and $5,478 at January 31, 2021 and July 31, 2021, respectively)	$ 371,425	$ 399,363
Accounts receivable, less allowance for doubtful accounts of $88 and $59 at January 31, 2021 and July 31, 2021, respectively	55,517	51,823
Costs capitalized to obtain revenue contracts, current portion, net	4,864	5,400
Prepaid expenses and other current assets	10,425	8,778
Total current assets	442,231	465,364
Property and equipment, net	29,943	41,111
Operating lease right-of-use assets, net	—	11,028
Costs capitalized to obtain revenue contracts, noncurrent, net	10,191	11,369
Goodwill	57,149	56,740
Intangible assets, net	23,137	21,455
Other long-term assets	750	999
Total assets	$ 563,401	$ 608,066
Liabilities, redeemable non-controlling interest, and stockholders' equity		
Current liabilities		
Accounts payable	$ 1,634	$ 3,875
Accounts payable, related parties	4,363	5,062
Accrued commissions	12,500	8,503
Construction liability, current portion	—	9,755
Other accrued expenses	7,527	10,864
Deferred rent, current portion	203	—
Deferred revenue, current portion	89,141	116,033
Financing obligation, current portion	324	212
Operating lease liabilities, current portion	—	2,685
Total current liabilities	115,692	156,989
Operating lease liabilities, noncurrent	—	9,980
Deferred income taxes, noncurrent	368	586
Deferred rent, noncurrent	1,486	—
Deferred revenue, noncurrent	946	120
Financing obligation, noncurrent	15,939	15,956
Construction liability, noncurrent	—	2,079
Total liabilities	134,431	185,710
Commitments and contingencies (Notes 8, 12, and 13)		
Redeemable non-controlling interest (Note 3)	3,791	2,463
Stockholders' equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized, and none issued and outstanding as of January 31, 2021 and July 31, 2021	—	—
Common stock, $0.0005 par value; 500,000,000 shares authorized as of January 31, 2021 and July 31, 2021; 93,643,759 and 95,927,741 shares issued and outstanding as of January 31, 2021 and July 31, 2021, respectively	47	48
Additional paid-in capital	585,956	610,166
Accumulated other comprehensive income (loss)	240	(259)
Accumulated deficit	(161,064)	(190,062)
Total stockholders' equity	425,179	419,893
Total liabilities, redeemable non-controlling interest, and stockholders' equity	$ 563,401	$ 608,066

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, 2020	Three Months Ended July 31, 2021	Six Months Ended July 31, 2020	Six Months Ended July 31, 2021
Revenues				
Subscription (related parties $0, $0, $2,439 and $0, respectively)	$ 39,351	$ 53,934	$ 74,182	$ 104,967
Professional services	9,414	12,585	19,295	23,907
Total revenues	48,765	66,519	93,477	128,874
Cost of revenues				
Subscription[1] (related party $8,700, $11,151, $16,210 and $21,720, respectively)	11,920	15,308	22,019	30,254
Professional services[1]	10,667	11,267	19,434	22,620
Total cost of revenues	22,587	26,575	41,453	52,874
Gross profit	26,178	39,944	52,024	76,000
Operating expenses				
Sales and marketing[1]	15,626	19,216	27,852	37,641
Research and development[1]	15,292	18,609	26,257	36,034
General and administrative[1]	10,953	15,287	17,879	30,967
Total operating expenses	41,871	53,112	71,988	104,642
Loss from operations	(15,693)	(13,168)	(19,964)	(28,642)
Non-operating income (expense)				
Interest income	55	59	211	116
Interest expense	—	(330)	—	(598)
Other income (expense), net	1,117	(337)	597	(70)
Loss before income tax expense	(14,521)	(13,776)	(19,156)	(29,194)
Income tax expense	203	487	400	674
Net loss	(14,724)	(14,263)	(19,556)	(29,868)
Net loss attributable to redeemable non-controlling interest (Note 3)	(232)	(403)	(408)	(870)
Adjustment attributable to redeemable non-controlling interest (Note 3)	154	(177)	267	(307)
Net loss attributable to nCino, Inc.	$ (14,646)	$ (13,683)	$ (19,415)	$ (28,691)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.17)	$ (0.14)	$ (0.23)	$ (0.30)
Weighted average number of common shares outstanding:				
Basic and diluted	84,629,777	95,661,756	83,112,132	95,042,448

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

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2021	Six Months Ended July 31, 2020	Six Months Ended July 31, 2021
Cost of subscription revenues	$ 242	$ 257	$ 303	$ 542
Cost of professional services revenues	2,282	1,340	2,548	2,672
Sales and marketing	3,346	1,977	3,661	3,730
Research and development	3,031	1,686	3,340	3,229
General and administrative	4,368	2,380	4,468	4,531
Total stock-based compensation expense	$ 13,269	$ 7,640	$ 14,320	$ 14,704

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,	
	2020	2021	2020	2021
Net loss	$ (14,724)	$ (14,263)	$ (19,556)	$ (29,868)
Other comprehensive income (loss):				
Foreign currency translation	467	(442)	779	(650)
Other comprehensive income (loss)	467	(442)	779	(650)
Comprehensive loss	(14,257)	(14,705)	(18,777)	(30,518)
Less comprehensive loss attributable to redeemable non-controlling interest:				
Net loss attributable to redeemable non-controlling interest	(232)	(403)	(408)	(870)
Foreign currency translation attributable to redeemable non-controlling interest	78	(22)	169	(151)
Comprehensive loss attributable to redeemable non-controlling interest	(154)	(425)	(239)	(1,021)
Comprehensive loss attributable to nCino, Inc.	$ (14,103)	$ (14,280)	$ (18,538)	$ (29,497)

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, 2020									
	Common Stock		Voting Common Stock		Non-voting Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, April 30, 2020	—	$ —	75,651,808	$ 38	5,931,319	$ 3	$ 289,624	$ (187)	$ (125,580)	$ 163,898
Issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions	9,269,000	5	—	—	—	—	268,370	—	—	268,375
Costs in connection with initial public offering	—	—	—	—	—	—	(4,534)	—	—	(4,534)
Exercise of stock options	500	—	269,729	—	—	—	739	—	—	739
Reclassification of voting and non-voting common stock	81,852,856	41	(75,921,537)	(38)	(5,931,319)	(3)	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	13,269	—	—	13,269
Other comprehensive loss	—	—	—	—	—	—	—	389	—	389
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	—	—	—	—	(154)	—	(14,492)	(14,646)
Balance, July 31, 2020	91,122,356	$ 46	—	$ —	—	$ —	$ 567,314	$ 202	$ (140,072)	$ 427,490

	Three Months Ended July 31, 2021					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, April 30, 2021	95,318,070	$ 48	$ 601,034	$ 161	$ (176,202)	$ 425,041
Exercise of stock options	316,241	—	1,315	—	—	1,315
Stock issuance upon vesting of restricted stock units	293,430	—	—	—	—	—
Stock-based compensation	—	—	7,640	—	—	7,640
Other comprehensive loss	—	—	—	(420)	—	(420)
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	177	—	(13,860)	(13,683)
Balance, July 31, 2021	95,927,741	$ 48	$ 610,166	$ (259)	$ (190,062)	$ 419,893

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, 2020									
	Common Stock		Voting Common Stock		Non-voting Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 31, 2020	—	$ —	75,596,007	$ 38	5,931,319	$ 3	$ 288,564	$ (408)	$ (120,924)	$ 167,273
Issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions	9,269,000	5	—	—	—	—	268,370	—	—	268,375
Costs in connection with initial public offering	—	—	—	—	—	—	(4,534)	—	—	(4,534)
Exercise of stock options	500	—	325,530	—	—	—	861	—	—	861
Reclassification of voting and non-voting common stock	81,852,856	41	(75,921,537)	(38)	(5,931,319)	(3)	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	14,320	—	—	14,320
Other comprehensive income	—	—	—	—	—	—	—	610	—	610
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	—	—	—	—	(267)	—	(19,148)	(19,415)
Balance, July 31, 2020	91,122,356	$ 46	—	$ —	—	$ —	$ 567,314	$ 202	$ (140,072)	$ 427,490

	Six Months Ended July 31, 2021					
	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, January 31, 2021	93,643,759	$ 47	$ 585,956	$ 240	$ (161,064)	$ 425,179
Exercise of stock options	1,967,584	1	9,199	—	—	9,200
Stock issuance upon vesting of restricted stock units	316,398	—	—	—	—	—
Stock-based compensation	—	—	14,704	—	—	14,704
Other comprehensive income	—	—	—	(499)	—	(499)
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	307	—	(28,998)	(28,691)
Balance, July 31, 2021	95,927,741	$ 48	$ 610,166	$ (259)	$ (190,062)	$ 419,893

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, 2020	Six Months Ended July 31, 2021
Cash flows from operating activities		
Net loss attributable to nCino, Inc.	$ (19,415)	$ (28,691)
Net loss and adjustment attributable to redeemable non-controlling interest	(141)	(1,177)
Net loss	(19,556)	(29,868)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,500	4,106
Non-cash operating lease costs	—	1,224
Amortization of costs capitalized to obtain revenue contracts	2,430	2,712
Stock-based compensation	14,320	14,704
Deferred income taxes	40	221
Provision for (recovery of) bad debt	619	(5)
Net foreign currency (gains) losses	—	245
Change in operating assets and liabilities:		
Accounts receivable	3,365	3,787
Accounts receivable, related parties	9,201	—
Costs capitalized to obtain revenue contracts	(3,615)	(4,416)
Prepaid expenses and other assets	(13)	1,715
Accounts payable and accrued expenses and other liabilities	(4,115)	1,026
Accounts payable, related parties	620	699
Deferred rent	(65)	—
Deferred revenue	33,188	26,023
Deferred revenue, related parties	(8,013)	—
Operating lease liabilities	—	(1,274)
Net cash provided by operating activities	31,906	20,899
Cash flows from investing activities		
Purchases of property and equipment	(2,936)	(1,272)
Net cash used in investing activities	(2,936)	(1,272)
Cash flows from financing activities		
Proceeds from initial public offering, net of underwriting discounts and commissions	268,375	—
Payments of costs related to initial public offering	(1,345)	—
Exercise of stock options	861	9,200
Principal payments on financing obligation	—	(95)
Net cash provided by financing activities	267,891	9,105
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	146	(466)
Net increase in cash, cash equivalents, and restricted cash	297,007	28,266
Cash and cash equivalents, beginning of period	91,184	371,425
Cash, cash equivalents, and restricted cash, end of period	$ 388,191	$ 399,691
Cash, cash equivalents, and restricted cash, end of period:		
Cash and cash equivalents	$ 388,191	$ 399,363
Restricted cash included in other long-term assets	—	328
Total cash, cash equivalents, and restricted cash, end of period	$ 388,191	$ 399,691
Supplemental disclosure of cash flow information		
Cash paid during the year for taxes, net of refunds	$ 236	$ 117
Cash paid during the year for interest	$ —	$ 598
Supplemental disclosure of noncash investing and financing activities		
Purchase of property and equipment, accrued but not paid	$ 86	$ 12,379
Costs related to initial public offering, accrued but not paid	$ 1,420	$ —
Costs related to initial public offering, reclassified from other long term assets to equity	$ 1,769	$ —

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

nCino, Inc.

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

Note 1. Organization and Description of Business

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

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

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") and applicable rules and regulations of the Securities Exchange Commission ("SEC") regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2021 filed with the SEC on March 31, 2021. 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. See the variable interest entity section below and Note 3 "Variable Interest Entity and Redeemable Non-Controlling Interest" for additional information regarding the Company's variable interest entity.

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

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal 2022 or any future period.

In March 2021, a Certificate of Amendment was filed with the state of Delaware for Visible Equity, LLC ("Visible Equity"), a wholly-owned subsidiary of the Company, to change its name to nCino Portfolio Analytics, LLC. The state of Delaware effected the name change in April 2021.

Effective February 1, 2021, the Company adopted the requirement of Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* using the alternative transition method. Under this method, the Company is not required to restate or disclose the effects of applying this ASU for comparative periods. See the Recently Adopted Accounting Guidance section for the adoption of ASU 2016-02, *Leases (Topic 842).*

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

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

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

Concentration of Credit Risk and Significant Customers: The Company’s financial instruments that are exposed to concentration of credit risk consist primarily of cash, cash equivalents and restricted cash. The Company’s cash and cash equivalents exceeded the Federal deposit insurance limit at January 31, 2021 and July 31, 2021. The Company maintains its cash, cash equivalents and restricted cash with high-credit-quality financial institutions.

As of January 31, 2021 and July 31, 2021, no individual customer represented more than 10% of accounts receivable and two customers represented 24% and 12%, respectively. For the three and six months ended July 31, 2020 and 2021, no individual customer represented more than 10% of the Company’s total revenues.

Restricted Cash: Restricted cash consists of deposits held as collateral for the Company's bank guarantees issued in place of security deposits for certain property leases.

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

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

The Company records allowances for doubtful accounts based upon the credit worthiness of customers, historical experience, the age of the accounts receivable, current market and economic conditions, and supportable forecasts about the future. Relevant risk characteristics include customer size and historical loss patterns. See the Recently Adopted Accounting Guidance section for the adoption of ASU 2016-13, *Financial Instruments–Credit Losses: Measurement of Credit Losses on Financial Instruments.*

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
Balance, beginning of period	$ 167	$ 52	$ —	$ 88
Charged to (recovery of) bad debt expense	452	7	619	(5)
Charged to (recovery of) deferred revenue	—	—	—	(24)
Translation adjustments	3	—	3	—
Balance, end of period	$ 622	$ 59	$ 622	$ 59

Leases: The Company determines if an arrangement is or contains a lease at inception date based on whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. The Company determines the classification of the lease, whether operating or financing, at the lease commencement date, which is the date the leased assets are made available for use. The Company accounts for lease and non-lease components as a single lease component for its facilities and equipment leases. The Company did not have any finance leases as of July 31, 2021.

Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The lease term reflects the noncancelable period of the lease together with options to extend or terminate the lease when it is reasonably certain the Company will exercise such option. Variable costs, such as common area maintenance costs, are not included in the measurement of the ROU assets and lease liabilities, but are expensed as incurred. The Company's leases do not generally provide an implicit rate; therefore, the Company uses its incremental borrowing rate in determining the present value of the lease payments. Lease expense is recognized on a straight-line basis over the lease term.

The Company does not recognize ROU assets or lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term.

Recently Adopted Accounting Guidance: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For lessors, accounting for leases is substantially the same as in prior periods. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, to clarify how to apply certain aspects of the new leases standard. ASU 2016-02, as subsequently amended for various technical issues, is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, and early adoption is permitted. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. Since the Company will cease to qualify as an emerging growth company as of January 31, 2022, the Company adopted this ASU effective February 1, 2021.

The Company used the alternative transition method in which the Company is not required to restate or disclose the effects of applying this ASU for comparative periods. The Company elected the package of practical expedients which permits the Company to not reassess prior conclusions pertaining to lease identification, lease classification, and initial direct costs. The Company did not elect the use-of-hindsight or the practical expedient pertaining to land easements. In addition, the Company elected ongoing practical expedients including the option to not recognize right-of-use assets and lease liabilities for short term leases (leases with an original term of twelve months or less). The Company also elected the practical expedient to not separate lease and non-lease components for our facilities and equipment leases.

The adoption of this ASU resulted in the recognition of operating right-of-use assets of $10.5 million and lease liabilities of $12.2 million, and the derecognition of deferred rent on the Company's unaudited condensed consolidated balance sheet on February 1, 2021. The adoption of this ASU did not impact the Company's unaudited condensed consolidated statements of operations, comprehensive loss or the unaudited condensed consolidated statements of cash flows. Upon the adoption of this ASU there was no change to the accounting for the Company's financing obligation.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13, as subsequently amended for various technical issues, is effective for emerging growth companies following private company adoption dates for fiscal years beginning after December 15, 2022 and for interim periods within those fiscal years. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. Since the Company will cease to qualify as an emerging growth company as of January 31, 2022, the Company adopted this ASU effective February 1, 2021. The adoption of this ASU, which impacted the Company's allowance for doubtful accounts, did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, I*ncome Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, with early adoption permitted, including adoption in an interim period. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. Since the Company will cease to qualify as an emerging growth company as of January 31, 2022, the Company adopted this ASU effective February 1, 2021. The adoption of this ASU did not have a material impact on the Company’s unaudited condensed consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*. The guidance includes amendments to improve the codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to the financial statements is codified in the disclosure section of the codification and to clarify guidance so that entities can apply guidance more consistently on codifications that are varied in nature where the original guidance may have been unclear. ASU 2020-10 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, and early adoption is permitted. If the Company were to cease meeting the emerging growth company criteria during the fiscal year ending January 31, 2022, this ASU would be effective for the Company for its Annual Report on Form 10-K for the fiscal year ended January 31, 2022. Since the Company will cease to qualify as an emerging growth company as of January 31, 2022, the Company adopted this ASU effective February 1, 2021. The adoption of this ASU did not have a material impact 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, 2021, the Company controls a majority of the outstanding common stock in nCino K.K.

All of the common stock held by the Investors is callable by the Company or puttable by the Investors at the option of the Investors or at the option of the Company beginning on the eighth anniversary of the agreement with the Investors. Should the call or put option be exercised, the redemption value would be determined based on a prescribed formula derived from the discrete revenues of nCino K.K. and the Company and may be settled, at the Company's discretion, with Company stock or cash or a combination of the foregoing. As a result of the put right available to the Investors, the redeemable non-controlling interests in nCino K.K. are classified outside of permanent equity in the Company's unaudited condensed consolidated balance sheets. The estimated redemption value of the call/put option embedded in the redeemable non-controlling interest was $0.1 million at July 31, 2021.

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

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
Balance, beginning of period	$ 4,384	$ 3,065	$ 4,356	$ 3,791
Net loss attributable to redeemable non-controlling interest (excluding adjustment to non-controlling interest)	(232)	(403)	(408)	(870)
Foreign currency translation	78	(22)	169	(151)
Adjustment to redeemable non-controlling interest	154	(177)	267	(307)
Balance, end of period	$ 4,384	$ 2,463	$ 4,384	$ 2,463

Note 4. Fair Value of Financial Instruments

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

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

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

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

The carrying amounts of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value as of January 31, 2021 and July 31, 2021 because of the relatively short duration of these instruments.

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, 2021 and July 31, 2021 and indicates the fair value hierarchy of the valuation:

	Fair value measurements on a recurring basis as of January 31, 2021		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 332,541	$ —	$ —
Total assets	$ 332,541	$ —	$ —

	Fair value measurements on a recurring basis as of July 31, 2021		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	$ 355,455	$ —	$ —
Time deposits (included in other long-term assets)	328	—	—
Total assets	$ 355,783	$ —	$ —

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

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.

Note 5. Revenues

Revenues by Geographic Area

Revenues by geographic region were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
United States	$ 44,049	$ 55,706	$ 84,520	$ 109,032
International	4,716	10,813	8,957	19,842
	$ 48,765	$ 66,519	$ 93,477	$ 128,874

The Company disaggregates its revenues from contracts with customers by geographic location. Revenues by geography are determined based on the region of the Company’s contracting entity, which may be different than the region of the customer. No country outside the United States represented 10% or more of total revenues.

Contract Amounts

Accounts Receivable

Accounts receivable, less allowance for doubtful accounts, is as follows as of January 31, 2021 and July 31, 2021:

	As of January 31, 2021	As of July 31, 2021
Trade accounts receivable	$ 53,272	$ 49,771
Unbilled accounts receivable	1,814	1,642
Allowance for doubtful accounts	(88)	(59)
Other accounts receivable	519	469
Total accounts receivable, net	$ 55,517	$ 51,823

Deferred Revenue and Remaining Performance Obligation

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, 2021, $64.2 million of revenues were recognized out of the deferred revenue balance as of January 31, 2021.

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

Remaining performance obligations were $706.9 million as of July 31, 2021. The Company expects to recognize approximately 57% of its remaining performance obligation as revenues in the next 24 months, approximately 33% 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, 2021	As of July 31, 2021
Furniture and fixtures	$ 6,706	$ 6,874
Computers and equipment	5,039	5,656
Buildings and land	16,300	16,300
Leasehold improvements	11,581	11,603
Construction in progress	277	12,927
	39,903	53,360
Less accumulated depreciation	(9,960)	(12,249)
	$ 29,943	$ 41,111

The Company recognized depreciation expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
Cost of revenues	$ 302	$ 352	$ 589	$ 737
Sales and marketing	246	288	513	597
Research and development	300	414	580	846
General and administrative	113	147	226	302
Total depreciation expense	$ 961	$ 1,201	$ 1,908	$ 2,482

The increase in construction in progress is primarily due to construction for a parking deck and an additional office building that is on the property of our existing headquarters for which we are considered the owners of for accounting purposes. See Note 12 "Commitments and Contingencies" for additional details including future commitments.

Note 7. Goodwill and Intangible Assets

Goodwill

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
Balance, beginning of period	$ 55,630	$ 57,325	$ 55,840	$ 57,149
Translation adjustments	897	(585)	687	(409)
Balance, end of period	$ 56,527	$ 56,740	$ 56,527	$ 56,740

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

Intangible assets

Intangible assets, net are as follows:

	As of January 31, 2021			As of July 31, 2021		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Acquired developed technology	$ 6,320	$ (2,295)	$ 4,025	$ 6,223	$ (3,041)	$ 3,182
Customer relationships	21,721	(2,609)	19,112	21,716	(3,443)	18,273
Trademarks	128	(128)	—	127	(127)	—
	$ 28,169	$ (5,032)	$ 23,137	$ 28,066	$ (6,611)	$ 21,455

The Company recognized amortization expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
Cost of subscription revenues	$ 378	$ 393	$ 747	$ 789
Sales and marketing	418	417	835	835
General and administrative	—	—	10	—
Total amortization expense	$ 796	$ 810	$ 1,592	$ 1,624

The expected future amortization expense for intangible assets as of July 31, 2021 is as follows:

Fiscal Year Ending January 31,	
2022 (remaining)	$ 1,613
2023	3,225
2024	2,520
2025	1,670
2026	1,670
Thereafter	10,757
	$ 21,455

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 8. Reseller Agreement

The Company has a reseller agreement in place with a related party to utilize their platform and to develop the Company's cloud-based banking software as an application within the related party's hosted environment. In June 2020, this agreement was renegotiated and expires in June 2027 and will automatically renew in annual increments thereafter unless either party gives notice of non-renewal before the end of the initial term or the respective renewal term. Cost of subscription revenues in each of the three and six months ended July 31, 2020 and 2021 substantially consists of fees paid for access to the related party's platform, including their hosting infrastructure and data center operations. The Company has recorded expenses of $8.7 million and $11.2 million for the three months ended July 31, 2020 and 2021, respectively, and $16.2 million and $21.7 million for the six months ended July 31, 2020 and 2021, respectively. See also Note 13 "Related-Party Transactions."

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

Note 9. Stockholders' Equity

At July 31, 2021, the Company committed a total of 25,901,959 shares of common stock for future issuance as follows:

Issued and outstanding stock options	3,465,303
Nonvested issued and outstanding restricted stock units ("RSUs")	2,294,314
Possible issuance under stock plans	20,142,342
	25,901,959

Note 10. Stock-Based Compensation

Stock Options

Stock option activity for the six months ended July 31, 2021 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 31, 2021	5,467,012	$ 6.00
Granted	—	—
Expired or forfeited	(34,125)	10.55
Exercised	(1,967,584)	4.68
Outstanding, July 31, 2021	3,465,303	$ 6.70
Exercisable, July 31, 2021	2,907,856	$ 5.08
Fully vested or expected to vest, July 31, 2021	3,409,558	$ 6.57

As of July 31, 2021, there was $2.2 million of total unrecognized compensation expense related to unvested stock-based compensation arrangements under the 2014 Stock Plan ("2014 Plan") and 2019 Equity Incentive Plan (as amended and restated, "2019 Plan"). That cost is expected to be recognized over a weighted average period of 1.51 years.

Restricted Stock Units

RSU activity during the six months ended July 31, 2021 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, January 31, 2021	1,848,296	$ 22.07
Granted	786,865	70.19
Vested	(316,398)	20.06
Forfeited	(24,449)	41.43
Nonvested, July 31, 2021	2,294,314	$ 38.64

As of July 31, 2021, total unrecognized compensation expense related to non-vested RSUs was $65.4 million, adjusted for estimated forfeitures, based on the estimated fair value of the Company's common stock at the time of grant. That cost is expected to be recognized over a weighted average period of 3.37 years.

Employee Stock Purchase Plan

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

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

The fair value of ESPP shares is estimated at the date of grant using the Black-Scholes option valuation model based on assumptions as follows for ESPP awards:

Expected life. The expected life reflects the period for which the Company believes the ESPP will remain outstanding. The expected term for the ESPP award approximates the offering period of six months.

Expected volatility. The expected volatility is based on the historical volatility of the Company's common stock.

Expected dividends. The expected dividend yield is zero as the Company has not and does not expect to pay dividends.

Risk-free interest rate. The risk-free interest rate reflects the U.S. Treasury yield for a similar expected life instrument in effect at the time of the grant of the ESPP share.

The assumptions utilized for the ESPP shares for the six months ended July 31, 2021 were as follows:

	Six Months Ended July 31,
	2021
Expected life (in years)	0.5
Expected volatility	48.70%
Expected dividends	0.00%
Risk-free interest rate	0.05%

As of July 31, 2021, total unrecognized compensation expense related to the ESPP was $0.7 million. That cost is expected to be recognized over the remaining term of the initial offering period.

Note 11. Leases

Operating Leases

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

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

The components of lease expense for the three and six months ended July 31, 2021 were as follows:

	Three Months Ended July 31, 2021	Six Months Ended July 31, 2021
Operating lease expense	$ 739	$ 1,421
Short-term lease expense	199	393
Variable lease expense	66	147
Total	$ 1,004	$ 1,961

Supplemental cash flow information for the six months ended July 31, 2021 related to operating leases was as follows:

Cash paid for amounts included in the measurement of operating lease liabilities	$ 1,435
Right-of-use assets obtained in exchange for operating lease liabilities	1,771

The weighted-average remaining lease term and weighted-average discount rate for the Company's operating lease liabilities as of July 31, 2021 were 5.11 years and 4.4%, respectively.

Future minimum lease payments as of July 31, 2021 were as follows:

Fiscal Year Ending January 31,	Operating Leases
2022 (remaining)	$ 3,043
2023	3,029
2024	2,147
2025	1,893
2026	1,691
Thereafter	1,950
Total lease liabilities	13,753
Less: imputed interest	(1,088)
Total lease obligations	12,665
Less: current obligations	(2,685)
Long-term lease obligations	$ 9,980

Future minimum lease payments as of January 31, 2021, prior to our adoption of the new lease ASU, were as follows:

Fiscal Year Ending January 31,	Operating Leases
2022	$ 2,445
2023	1,937
2024	1,942
2025	1,630
2026	1,679
Thereafter	2,544
Total lease liabilities	$ 12,177

Note 12. Commitments and Contingencies

In addition to the operating lease commitments described in Note 11 "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, entered into in the ordinary course of business.

In May 2021, the Company entered into an agreement for approximately $2.6 million for renovations to our existing headquarters building that is anticipated to be completed in fiscal 2023.

Financing Obligation and Construction Liabilities

The Company entered into a new lease agreement for our headquarters in November 2020 with a new lessor. The lease goes through 2035 with options to renew. Due to a purchase option contained in the lease, the Company is deemed to have continuing involvement and is considered to be the owner of our headquarters for accounting purposes. As a result, the Company did not meet the criteria to apply sale-leaseback accounting and therefore, recorded an asset and corresponding financing obligation for $16.3 million at inception of the lease. Upon expiration of the purchase option in the lease, the lease will be analyzed for applicable lease accounting. The fair value of the leased property and corresponding financing obligation are included in property and equipment, net and financing obligation on the unaudited condensed consolidated balance sheets, respectively.

In January 2021, the Company entered into an agreement for a parking deck which is an addition to the existing headquarters building. Due to the Company also being deemed to be the owner of the parking deck for accounting purposes, the costs associated with the construction of the parking deck will be capitalized as construction in progress with a corresponding construction liability through construction which is estimated to be approximately $18.0 million. Upon completion of the parking deck, the construction liability will be recorded as a financing obligation. Upon expiration of the purchase option in the lease, the lease will be analyzed for applicable lease accounting. The costs of the construction in progress and corresponding construction liability are included in property and equipment, net and construction liability, current on the unaudited condensed consolidated balance sheets, respectively.

In April 2021, the Company entered into a new lease agreement for the construction of an additional office building that is on the property of our existing headquarters. Due to the Company also being deemed to be the owner of the additional building for accounting purposes, the costs associated with the construction of the building will be capitalized as construction in progress with a corresponding construction liability through construction which is estimated to be approximately $24.0 million. Upon completion of the building, the construction liability will be recorded as a financing obligation. Upon expiration of the purchase option in the lease, the lease will be analyzed for applicable lease accounting. The costs of the construction in progress and corresponding construction liability are included in property and equipment, net and construction liability, noncurrent on the unaudited condensed consolidated balance sheets, respectively.

Indemnification

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

Legal Proceedings

From time to time, the Company may become involved in legal proceedings or be subject to claims including the following:

On February 23, 2021, the Company and certain of its officers and other employees were served with grand jury subpoenas wherein the Antitrust Division of the Department of Justice is seeking documents and information in connection with an investigation of the Company's hiring and wage practices under U.S. federal antitrust laws. The Company has retained outside counsel and is fully cooperating with the authorities. Although there can be no assurance with respect to the outcome of this matter, the Company believes its hiring and wage practices do not violate antitrust laws.

On March 12, 2021, a putative class action complaint was filed in the United States District Court for the Eastern District of North Carolina. The sole class representative in the suit is one individual alleging a contract, combination or conspiracy between and among the Company, Live Oak Bancshares, Inc. and Apiture LLC not to solicit or hire each other's employees in violation of Section 1 of the Sherman Act and N.C. Gen Stat. §§ 75-1 and 75-2. The complaint seeks treble damages and additional remedies, including restitution, disgorgement, reasonable attorneys' fees, the costs of the suit, and pre-judgment and post judgment interest. The complaint does not allege any specific damages. Although there can be no assurance with respect to the outcome of this matter, the Company believes the alleged claims are not meritorious and intends to defend itself vigorously.

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

Given the uncertainty and preliminary stages of these matters, we cannot reasonably estimate any possible loss or range of loss that may result.

Other Commitments and Contingencies

The Company may be subject to audits 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

The Company's main vendor is also an equity holder in the Company. Total payments related to the agreement with the related party are disclosed in Note 8. The Company also purchases services from this related party to assist in managing its own sales cycle, customer relationship management, and other business functions. The Company has a non-cancellable agreement with the related party for the purchase of services. In December 2020, this agreement was renewed for one year and expires in December 2021. Total payments to the related party for these services recorded to expenses were $0.3 million and $0.4 million for the three months ended July 31, 2020 and 2021, respectively, and $0.6 million and $0.8 million for the six months ended July 31, 2020 and 2021, respectively, and $1.3 million and $0.6 million were in prepaid expenses and other current assets as of January 31, 2021 and July 31, 2021, respectively. Accounts payable to the related party were $4.4 million and $5.1 million at January 31, 2021 and July 31, 2021, respectively, included in accounts payable, related parties.

In the quarter ended July 31, 2020, certain equity holders ceased to qualify as related parties of the Company and the amounts disclosed related to them are accordingly presented through April 30, 2020 only. Included in revenues from three equity holders, who are also customers of the Company, is $0.0 million for the three months ended July 31, 2020 and $2.8 million for the six months ended July 31, 2020.

The Company has a banking relationship with one of its former equity holders who was considered a related party. In the quarter ended July 31, 2020, the equity holder ceased to qualify as a related party of the Company and the amounts disclosed related to such former equity holder are accordingly presented as a related party through April 30, 2020 only.

Included in interest income is $0.0 million for the three months ended July 31, 2020 and $0.1 million for the six months ended July 31, 2020.

The Company entered into an agreement with one of its equity holders in May 2016 to spend an agreed-upon amount of funds over a three-year period to further the alliance between the two companies. In April 2019, the agreement was extended for an additional three years. As of July 31, 2021, the Company was in compliance with the terms of the agreement. In the quarter ended July 31, 2020, the equity holder ceased to qualify as a related party of the Company and the amounts disclosed related to such equity holder are accordingly presented as a related party through April 30, 2020 only. No funds were spent under the agreement during the three and six months ended July 31, 2020.

Note 14. Basic and Diluted Loss per Share

Basic loss per share is computed by dividing net loss attributable to nCino, Inc. by the weighted-average number of common shares outstanding for the fiscal period. Diluted loss per share is computed by giving effect to all potential weighted average dilutive common stock, including stock options issued and outstanding, nonvested RSUs issued and outstanding, and shares issuable pursuant to the ESPP. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method. Diluted loss per share for the three months ended July 31, 2020 and 2021 and for the six months ended July 31, 2020 and 2021 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,	
	2020	2021	2020	2021
Basic and diluted loss per share:				
Numerator				
Net loss attributable to nCino, Inc.	$ (14,646)	$ (13,683)	$ (19,415)	$ (28,691)
Denominator				
Weighted-average common shares outstanding	84,629,777	95,661,756	83,112,132	95,042,448
Basic and diluted loss per share attributable to nCino, Inc.	$ (0.17)	$ (0.14)	$ (0.23)	$ (0.30)

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

	Six Months Ended July 31,	
	2020	2021
Stock options issued and outstanding	7,464,094	3,465,303
Nonvested RSUs issued and outstanding	2,041,093	2,294,314
Shares issuable pursuant to the ESPP	—	7,753

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, 2021 filed with the SEC on March 31, 2021. 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 2022" refer to the fiscal year ended January 31, 2022.

Overview

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

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

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

We were founded in a bank with the goal of improving that institution's operations and client service. Realizing the problems we were addressing were endemic to virtually all banks and credit unions, we were spun out as a separate company in late 2011 with the vision of providing a comprehensive solution to onboard clients, originate any type of loan, and open any type of account on a single cloud-based platform. We initially focused the nCino Bank Operating System on transforming commercial and small business lending for community and regional banks. We introduced our solution to enterprise banks in the United States in 2014, and then internationally in 2017, and have subsequently expanded across North America, Europe, and APAC. In fiscal 2020, we acquired Visible Equity and FinSuite and combined the acquired technology with certain of our internally-developed technology to launch nCino IQ ("nIQ"). nIQ helps our customers improve operational and financial performance by using AI/ML to increase efficiency through automation and analytics to gain greater insights into their operations and client interactions. The state of Delaware effected the name change of Visible Equity to nCino Portfolio Analytics, LLC in April 2021. All Visible Equity references throughout this document are one and the same with the new name change nCino Portfolio Analytics, LLC.

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

We sell our solution directly through our business development managers, account executives, field sales engineers, and customer success managers. Our sales efforts in the United States are organized around financial institutions based on size, whereas internationally we focus our sales efforts by geography. To drive growth and serve customers in the EMEA region, we continue to expand headcount in our UK office. In fiscal 2020, we opened an office in Tokyo through our joint venture, nCino K.K., giving us another base of operations in APAC in addition to our Australian offices. As of July 31, 2021, we had 167 sales and sales support personnel in the United States, and 76 sales and support personnel in offices outside the United States.

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

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

For the three months ended July 31, 2020 and 2021, our total revenues were $48.8 million and $66.5 million, respectively, representing a 36.4% increase, and our subscription revenues were $39.4 million and $53.9 million, respectively, representing a 37.1% increase. Due to our continuing investment in growth, we recorded net losses attributable to nCino of $14.6 million and $13.7 million for the three months ended July 31, 2020 and 2021, respectively. For the six months ended July 31, 2020 and 2021, our total revenues were $93.5 million and $128.9 million, respectively, representing a 37.9% increase, and our subscription revenues were $74.2 million and $105.0 million, respectively, representing a 41.5% increase. We had net losses attributable to nCino of $19.4 million and $28.7 million for the six months ended July 31, 2020 and 2021, respectively.

On July 13, 2020, our Registration Statement on Form S-1 relating to the initial public offering ("IPO") of our common stock was declared effective by the SEC. In connection with the IPO, we issued and sold 9,269,000 shares of common stock (including shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a public offering price of $31.00 per share for net proceeds of $268.4 million, after deducting underwriters' discounts and commissions (excluding other IPO costs as of January 31, 2021).

On October 13, 2020, the Company completed a secondary public offering (the "Secondary Offering"). The Company did not offer any shares of common stock in the Secondary Offering and did not receive any proceeds from the sale of the shares of common stock by the selling stockholders. The Company incurred costs of approximately $1.0 million in relation to the Secondary Offering for fiscal 2021 and such costs are recorded as a component of general and administrative expenses on the consolidated statement of operations. The Company received $1.7 million in cash (excluding withholding taxes) in connection with the exercise of 554,112 options by certain stockholders participating in the Secondary Offering. In addition, concurrent with the pricing of the Secondary Offering, the underwriters in the Company's IPO released an additional 367,561 shares from lock-up agreements signed in connection with the IPO with stockholders who did not participate in the Secondary Offering. The release consisted of both outstanding shares and shares subject to options.

Factors Affecting Our Operating Results

Market Adoption of Our Solution. Our future growth depends on our ability to expand our reach to new financial institution customers and increase adoption with existing customers as they broaden their use of the nCino Bank Operating System within and across lines of business. Our success in growing our customer base and expanding adoption of our solution by existing customers requires a focused direct sales engagement and the ability to convince key decision makers at financial institutions to replace legacy third-party point solutions or internally developed software with the nCino Bank Operating

System. In addition, growing our customer base will require us to increasingly penetrate markets outside the United States, which markets accounted for 16.3% of total revenues for the three months ended July 31, 2021, and 15.4% for the six months ended July 31, 2021. For new customers, our sales cycles are typically lengthy, generally ranging from six to nine months for smaller financial institutions to 12 to 18 months or more for larger financial institutions. Reaching and converting potential customers requires that we continue to invest in the growth and success of our sales force both in the United States and internationally. In addition, key to landing new customers is our ability to successfully take our existing customers live and help them achieve measurable returns on their investment, thereby turning them into referenceable accounts. If we are unable to successfully address the foregoing challenges, our ability to grow our business and achieve profitability will be adversely affected, which may in turn reduce the value of our common stock.

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

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

In light of the extraordinary nature of this market demand, we offered our PPP solution on one- or two-year terms as well as on a multi-year basis co-terminus with existing contracts. Seats for our PPP solution were activated immediately, which caused subscription revenues from these seats to be recognized sooner than is typical with the phased seat activations usually offered to customers. We believe that the emergency purchases of our PPP solution, coupled with the disruptive effect of COVID-19 on the economy more generally, may have the effect of moderating revenue growth rates in fiscal 2022. In addition, our revenue growth rates in fiscal 2023 and our subscription revenue retention rates may be adversely affected upon the expiration of access and use rights to our PPP solution to the extent such rights are not re-purposed for other applications.

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

Components of Results of Operations

Revenues

We derive our revenues from subscription and professional services fees.

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

- Client onboarding, loan origination, and deposit account opening applications targeted at a financial institution’s commercial, small business, and retail lines of business, for which we generally charge on a per seat basis.

- nIQ, first introduced in fiscal 2020, for which we generally charge based on the asset size of the customer or on a usage basis. Prior to our acquisitions of Visible Equity and FinSuite in fiscal 2020, they generally licensed their products under annual contracts that could be cancelled on 30-days’ notice. We will continue to support these customers under their legacy contracts until such contracts are renewed, cancelled, or expire.

- Maintenance and support services as well as internal-use or “sandbox” development licenses, for which we charge as a percentage of the related subscription fees.

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

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

Cost of Revenues and Gross Margin

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

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

Operating Expenses

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

Research and Development. Research and development expenses consist primarily of salaries, benefits and stock-based compensation associated with our engineering, product and quality assurance personnel, as well as allocated overhead.

Research and development expenses also include the cost of third-party contractors. Research and development costs are expensed as incurred. We expect research and development costs to continue to increase as we develop new functionality and make improvements to the nCino Bank Operating System.

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

Stock-Based Compensation

We have historically recorded stock-based compensation expense associated with stock options in cost of revenues and operating expenses as the related options vest. Beginning in the quarter ended July 31, 2020, we recorded stock-based compensation expenses associated with RSUs as cost of revenues and operating expenses as a liquidity-based vesting condition was satisfied upon the IPO. This contributed to increased stock-based compensation expense for the three months ended July 31, 2020 compared to July 31, 2021. Stock-based compensation expense was $13.3 million and $7.6 million for the three months ended July 31, 2020 and 2021, respectively, and $14.3 million and $14.7 million for the six months ended July 31, 2020 and 2021, respectively. After the IPO, stock-based compensation expense for both stock options and RSUs is recognized as the time-based vesting conditions under such awards are met.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q. The following tables present our selected consolidated statements of operations data for three and six months ended July 31, 2020 and 2021 in both dollars and as a percentage of total revenues, except as noted.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2021	2020	2021
($ in thousands, except share and per share amounts)				
Revenues:				
Subscription revenues	$ 39,351	$ 53,934	$ 74,182	$ 104,967
Professional services revenues	9,414	12,585	19,295	23,907
Total revenues	48,765	66,519	93,477	128,874
Cost of revenues:				
Cost of subscription revenues[1]	11,920	15,308	22,019	30,254
Cost of professional services revenues[1]	10,667	11,267	19,434	22,620
Total cost of revenues	22,587	26,575	41,453	52,874
Gross profit	26,178	39,944	52,024	76,000
Operating expenses:				
Sales and marketing[1]	15,626	19,216	27,852	37,641
Research and development[1]	15,292	18,609	26,257	36,034
General and administrative[1]	10,953	15,287	17,879	30,967
Total operating expenses	41,871	53,112	71,988	104,642
Loss from operations	(15,693)	(13,168)	(19,964)	(28,642)
Non-operating income (expense):				
Interest income	55	59	211	116
Interest expense	—	(330)	—	(598)
Other income (expense), net	1,117	(337)	597	(70)
Loss before income tax expense	(14,521)	(13,776)	(19,156)	(29,194)
Income tax expense	203	487	400	674
Net loss	(14,724)	(14,263)	(19,556)	(29,868)
Net loss attributable to non-controlling interest	(232)	(403)	(408)	(870)
Adjustment attributable to non-controlling interest	154	(177)	267	(307)
Net loss attributable to nCino, Inc.	$ (14,646)	$ (13,683)	$ (19,415)	$ (28,691)
Net loss per share attributable to nCino, Inc.:				
Basic and diluted	$ (0.17)	$ (0.14)	$ (0.23)	$ (0.30)
Weighted average number of common shares outstanding:				
Basic and diluted	84,629,777	95,661,756	83,112,132	95,042,448

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

	Three Months Ended July 31,		Six Months Ended July 31,	
($ in thousands)	2020	2021	2020	2021
Cost of subscription revenues	$ 242	$ 257	$ 303	$ 542
Cost of professional services revenues	2,282	1,340	2,548	2,672
Sales and marketing	3,346	1,977	3,661	3,730
Research and development	3,031	1,686	3,340	3,229
General and administrative	4,368	2,380	4,468	4,531
Total stock-based compensation expense	$ 13,269	$ 7,640	$ 14,320	$ 14,704

The Company recognized amortization expense as follows:

($ in thousands)	Three Months Ended July 31, 2020	Three Months Ended July 31, 2021	Six Months Ended July 31, 2020	Six Months Ended July 31, 2021
Cost of subscription revenues	$ 378	$ 393	$ 747	$ 789
Sales and marketing	418	417	835	835
General and administrative	—	—	10	—
Total amortization expense	$ 796	$ 810	$ 1,592	$ 1,624

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2021	Six Months Ended July 31, 2020	Six Months Ended July 31, 2021
Revenues:				
Subscription revenues	80.7 %	81.1 %	79.4 %	81.4 %
Professional services revenues	19.3	18.9	20.6	18.6
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues (percentage shown in comparison to related revenues):				
Cost of subscription revenues	30.3	28.4	29.7	28.8
Cost of professional services revenues	113.3	89.5	100.7	94.6
Total cost of revenues	46.3	40.0	44.3	41.0
Gross profit	53.7	60.0	55.7	59.0
Operating expenses:				
Sales and marketing	32.0	28.9	29.8	29.2
Research and development	31.4	28.0	28.1	28.0
General and administrative	22.5	23.0	19.1	24.0
Total operating expenses	85.9	79.9	77.0	81.2
Loss from operations	(32.2)	(19.9)	(21.3)	(22.2)
Non-operating income (expense):				
Interest income	0.1	0.1	0.2	0.1
Interest expense	0.0	(0.5)	0.0	(0.5)
Other income (expense), net	2.3	(0.5)	0.6	(0.1)
Loss before income tax expense	(29.8)	(20.8)	(20.5)	(22.7)
Income tax expense	0.4	0.7	0.4	0.5
Net loss	(30.2)%	(21.5)%	(20.9)%	(23.2)%

Comparison of the Three and Six Months Ended July 31, 2020 and 2021

Revenues

($ in thousands)	Three Months Ended July 31, 2020		2021		Six Months Ended July 31, 2020		2021	
Revenues:								
Subscription revenues	$ 39,351	80.7 %	$ 53,934	81.1 %	$ 74,182	79.4 %	$ 104,967	81.4 %
Professional services revenues	9,414	19.3	12,585	18.9	19,295	20.6	23,907	18.6
Total revenues	$ 48,765	100.0 %	$ 66,519	100.0 %	$ 93,477	100.0 %	$ 128,874	100.0 %

Subscription Revenues

Subscription revenues increased $14.6 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020. Of the increase, 83.4% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solution, and 16.6% was attributable to initial revenues from customers who did not contribute to subscription revenues during the three months ended July 31, 2020. Subscription revenues were 81.1% of total revenues for the three months ended July 31, 2021 compared to 80.7% of total revenues for the three months ended July 31, 2020, reflecting the growth in our installed base.

Subscription revenues increased $30.8 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020. Of the increase, 87.4% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solution, and 12.6% was attributable to initial revenues from customers who did not contribute to subscription revenues during the six months ended July 31, 2020. Subscription revenues were 81.4% of total revenues for the six months ended July 31, 2021 compared to 79.4% of total revenues for the six months ended July 31, 2020, reflecting the growth in our installed base.

Professional Services Revenues

Professional services revenues increased $3.2 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020, primarily due to the addition of new customers as well as expanded adoption by existing customers within and across lines of business where implementation, configuration, and training services were required.

Professional services revenues increased $4.6 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020, primarily due to the addition of new customers as well as expanded adoption by existing customers within and across lines of business where implementation, configuration and training services were required.

Cost of Revenues and Gross Margin

	Three Months Ended July 31,				Six Months Ended July 31,			
($ in thousands)	**2020**		**2021**		**2020**		**2021**	
Cost of revenues (percentage shown in comparison to related revenues):								
Cost of subscription revenues	$ 11,920	30.3 %	$ 15,308	28.4 %	$ 22,019	29.7 %	$ 30,254	28.8 %
Cost of professional services revenues	10,667	113.3	11,267	89.5	19,434	100.7	22,620	94.6
Total cost of revenues	$ 22,587	46.3	$ 26,575	40.0	$ 41,453	44.3	$ 52,874	41.0
Gross profit	$ 26,178	53.7 %	$ 39,944	60.0 %	$ 52,024	55.7 %	$ 76,000	59.0 %

Cost of Subscription Revenues

Cost of subscription revenues increased $3.4 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020, generating a gross margin for subscription revenues of 71.6% compared to a gross margin of 69.7% for the three months ended July 31, 2020. Costs related to Salesforce user fees increased $2.4 million as we continued to add new customers and sell additional functionality to existing customers, and personnel costs increased $0.7 million as we added new employees. Other costs of subscription revenues increased $0.2 million due to other data center costs. 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 $8.2 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020, generating a gross margin for subscription revenues of 71.2% compared to a gross margin of 70.3% for the six months ended July 31, 2020. Costs related to Salesforce user fees increased $5.5 million as we continued to add new customers and sell additional functionality to existing customers, and personnel costs increased $1.9 million as we added new employees. Other costs of subscription revenues increased $0.6 million due to other data center costs. We expect the cost of subscription revenues will continue to increase in absolute dollars as the number of users of the nCino Bank Operating System grows.

Cost of Professional Services Revenues

Cost of professional services revenues increased $0.6 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020, generating a gross margin for professional services of 10.5% compared to a gross margin of (13.3)% for the three months ended July 31, 2020. Excluding the effect of stock-based compensation expense, gross margin for professional services was 21.1% and 10.9% for the three months ended July 31, 2021 and 2020, respectively. For the three months ended July 31, 2021, personnel costs increased $0.4 million. Excluding the effect of stock-based compensation expense that is included in personnel costs, personnel costs increased $1.3 million due to increased headcount. Allocated overhead increased $0.1 million. Stock-based compensation expense, included in personnel costs, decreased $0.9 million, primarily as a result of lower RSU related stock-based compensation expense for the three months ended July 31, 2021 compared to the three months ended July 31, 2020. Beginning in the quarter ended July 31, 2020, we recorded stock-based compensation expenses associated with RSUs as cost of revenues and operating expenses as a liquidity-based vesting condition was satisfied upon the IPO. This contributed to increased stock-based compensation expense for the three months ended July 31, 2020 compared to July 31, 2021. The increase in our professional services gross margin for the three months ended July 31, 2021 was primarily due to an improved mix and use of our billable resources on our professional services teams.

Cost of professional services revenues increased $3.2 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020, generating a gross margin for professional services of 5.4% compared to a gross margin of (0.7)% for the six months ended July 31, 2020. Excluding the effect of stock-based compensation expense, gross margin for professional services was 16.6% and 12.5% for the six months ended July 31, 2021 and 2020, respectively. For the six months ended July 31, 2021, personnel costs increased $3.2 million for the professional services team compared to the prior year period due to increased headcount. Allocated overhead costs increased $0.3 million compared to the prior year period due to growth supporting our continued business expansion. These increases were partially offset by a $0.3 million decrease in reimbursable travel and related expenses for the professional service organization due to COVID-19 related travel restrictions. The increase in our professional services gross margin for the six months ended July 31, 2021 was primarily due to an improved mix and use of our billable resources on our professional services teams.

We expect the cost of professional services revenues to increase in absolute dollars in the near term as we add new customer subscriptions where we provide professional services.

Operating Expenses

	Three Months Ended July 31,				Six Months Ended July 31,			
($ in thousands)	**2020**		**2021**		**2020**		**2021**	
Operating expenses:								
Sales and marketing	$ 15,626	32.0 %	$ 19,216	28.9 %	$ 27,852	29.8 %	$ 37,641	29.2 %
Research and development	15,292	31.4	18,609	28.0	26,257	28.1	36,034	28.0
General and administrative	10,953	22.5	15,287	23.0	17,879	19.1	30,967	24.0
Total operating expenses	41,871	85.9	53,112	79.9	71,988	77.0	104,642	81.2
Loss from operations	$ (15,693)	(32.2)%	$ (13,168)	(19.9)%	$ (19,964)	(21.3)%	$ (28,642)	(22.2)%

Sales and Marketing

Sales and marketing expenses increased $3.6 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020, primarily due to an increase of $2.3 million in personnel costs resulting from an increase in headcount on the sales and marketing teams. The increase in sales and marketing expenses also included an increase of $0.5 million in marketing costs, a $0.3 million increase in allocated overhead costs, a $0.3 million increase in outside consulting fees due to growth supporting our continued business expansion, and an increase of $0.2 million in sales-related travel costs. Stock-based compensation expense, included in personnel costs, decreased $1.4 million, primarily as a result of lower RSU related stock-based compensation expense for the three months ended July 31, 2021 compared to the three months ended July 31, 2020. Beginning in the quarter ended July 31, 2020, we recorded stock-based compensation expenses associated with RSUs as cost of revenues and operating expenses as a liquidity-based vesting condition was satisfied upon the IPO. This contributed to increased stock-based compensation expense for the three months ended July 31, 2020 compared to July 31, 2021.

Sales and marketing expenses increased $9.8 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020, primarily due to an increase of $8.2 million in personnel costs resulting from an increase in headcount on the sales and marketing teams. Contributing to the increase in personnel costs was also expatriate tax equalization expenses of $1.2 million. The increase in sales and marketing expenses also included an increase of $1.0 million in marketing costs, a $0.4 million increase in allocated overhead costs, and a $0.5 million increase in outside consulting fees due to growth supporting our continued business expansion. The increase in sales and marketing expenses for the six months ended July 31, 2021 was partially offset by a decrease of $0.3 million in sales-related travel costs due to COVID-19-related travel restrictions.

Our sales and marketing headcount grew by 53 from July 31, 2020 to July 31, 2021. We expect sales and marketing expenses to increase in absolute dollars as we invest in expanding our customer base and user adoption.

Research and Development

Research and development expenses increased $3.3 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020, primarily due to an increase of $2.1 million in personnel costs resulting from a continued increase in headcount, a $0.6 million increase in third party professional fees attributable to an increase in contract research and development spend, and a $0.6 million increase in allocated overhead costs due to growth supporting our continued business expansion. Stock-based compensation expense, included in personnel costs, decreased $1.3 million, primarily as a result of lower RSU related stock-based compensation expense for the three months ended July 31, 2021 compared to the three months ended July 31, 2020. Beginning in the quarter ended July 31, 2020, we recorded stock-based compensation expenses associated with RSUs as cost of revenues and operating expenses as a liquidity-based vesting condition was satisfied upon the IPO. This contributed to increased stock-based compensation expense for the three months ended July 31, 2020 compared to July 31, 2021.

Research and development expenses increased $9.8 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020, primarily due to an increase of $6.9 million in personnel costs resulting from a continued increase in headcount, a $2.0 million increase in third party professional fees attributable to an increase in contract research and development spend, and a $0.9 million increase in allocated overhead costs due to growth supporting our continued business expansion.

Our research and development headcount grew by 78 from July 31, 2020 to July 31, 2021. We expect research and development expenses to increase in absolute dollars due to higher headcount as we continue to develop new solutions and further enhance the nCino Bank Operating System.

General and Administrative

General and administrative expenses increased $4.3 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020. Personnel costs decreased $0.7 million. Excluding the effect of stock-based compensation expense that is included in personnel costs, personnel costs increased $1.3 million from additional headcount as we continued to scale our business. Third party professional fees increased $3.5 million for the three months ended July 31, 2021 compared to the three months ended July 31, 2020, mostly attributable to fees and expenses related to the Antitrust Matters (defined below) of $2.9 million and costs associated with being a public company. Allocated overhead and other general and administrative costs increased $1.3 million, which consisted primarily of an increase in insurance costs associated with being a public company. Stock-based compensation expense, included in personnel costs, decreased $2.0 million, primarily as a result of lower RSU related stock-based compensation expense for the three months ended July 31, 2021 compared to the three months ended July 31, 2020. Beginning in the quarter ended July 31, 2020, we recorded stock-based compensation expenses associated with RSUs as cost of revenues and operating expenses as a liquidity-based vesting condition was satisfied upon the IPO. This contributed to increased stock-based compensation expense for the three months ended July 31, 2020 compared to July 31, 2021.

General and administrative expenses increased $13.1 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020. Personnel costs increased $2.8 million from additional headcount as we continued to scale our business and also increased $0.8 million due to associated employer taxes with the exercises of certain stock-based transactions. Third party professional fees increased $7.5 million for the six months ended July 31, 2021 compared to the six months ended July 31, 2020, mostly attributable to fees and expenses related to the Antitrust Matters of $6.1 million and costs associated with being a public company. Allocated overhead and other general and administrative costs increased $2.5 million, which consisted primarily of insurance costs associated with being a public company.

Our general and administrative headcount grew by 26 from July 31, 2020 to July 31, 2021. We expect general and administrative expenses to increase in absolute dollars in the near term, primarily due to higher headcount to support our continued growth, fees and expenses related to the Antitrust Matters, and additional expenses for our transition to, and continuing costs of, being a public company.

Effects of COVID-19

COVID-19 began affecting our business in our first quarter fiscal 2021. To date, we have not experienced a material increase in customers' delaying purchase decisions or cancellations nor have we had a material impact from vendors and third-party service providers we rely on. Beginning in mid-March 2020, we implemented a company-wide work-from-home requirement for all of our employees and suspended all work-related travel. We have recently eased some of these restrictions, but substantially all of our employees continue to work remotely and work-related travel remains limited. In addition, we shifted most of our conferences and other marketing events to virtual for the foreseeable future. We expect these restrictions to stay in effect into future periods. To the extent COVID-19 has measurably affected our historical financial results, we have noted such effects in the discussion above. We are aware that there are effects of the COVID-19 pandemic in terms of efficiency, productivity, workforce retention and other matters that are not directly measurable. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments unknown and unpredictable at this time, including the ultimate duration, severity and spread of the pandemic, the effectiveness of COVID-19 vaccinations, the effects of pandemic on financial institutions generally as well as on our customers, their clients and on our business partners in particular, restrictions on travel and other actions that may be taken by governmental authorities and other factors. For further information, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Operating Results—COVID-19 Effects on Demand for Our Solutions” and “Risk Factors—Uncertain or weakened economic conditions, including as a result of COVID-19, may adversely affect our industry, business, and results of operations," included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021 filed with the SEC on March 31, 2021.

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 loss, as discussed below.

Non-GAAP operating loss. Non-GAAP operating loss is defined as loss from operations as reported in our unaudited condensed consolidated statements of operations excluding the impact of amortization of intangible assets, stock-based compensation expense, and expenses related to the government antitrust investigation and related civil action disclosed in Note 12 "Commitments and Contingencies" of Part I, Item I of this Quarterly Report on Form 10-Q (the "Antitrust Matters"). Non-GAAP operating loss is widely used by securities analysts, investors, and other interested parties to evaluate the profitability of companies. Non-GAAP operating loss eliminates potential differences in performance caused by variations in the extent to which intangible assets are identifiable (affecting relative amortization expense). We do not believe the fees and expenses related to the Antitrust Matters relate to the operating business and are operating expenses that would not have otherwise been incurred by the Company in the normal course of our business.

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

The following table reconciles non-GAAP operating loss to loss from operations, the most directly comparable financial measure, calculated and presented in accordance with GAAP (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
($ in thousands)	**2020**	**2021**	**2020**	**2021**
GAAP loss from operations	$ (15,693)	$ (13,168)	$ (19,964)	$ (28,642)
Adjustments				
Amortization of intangible assets	796	810	1,592	1,624
Stock-based compensation expense	13,269	7,640	14,320	14,704
Fees and expenses related to the Antitrust Matters	—	2,884	—	6,147
Total adjustments	14,065	11,334	15,912	22,475
Non-GAAP operating loss	$ (1,628)	$ (1,834)	$ (4,052)	$ (6,167)

Liquidity and Capital Resources

As of July 31, 2021, we had $399.4 million in cash and cash equivalents, and an accumulated deficit of $190.1 million. Our net losses have been driven by our investments in developing the nCino Bank Operating System, expanding our sales and marketing organization, and scaling our finance and administrative functions to support our rapid growth. We expect to continue to incur operating losses for the foreseeable future.

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

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

nCino K.K.

In fiscal 2020, we established nCino K.K., a Japanese company in which we own a controlling interest, for purposes of facilitating our entry into the Japanese market. We have consolidated the results of operations and financial condition of nCino K.K. since its inception. Pursuant to an agreement with the holders of the non-controlling interest in nCino K.K., beginning in 2027 we may redeem the non-controlling interest, or be required to redeem such interest by the holders thereof, based on a prescribed formula derived from the relative revenues of nCino K.K. and the Company. The balance of the redeemable non-controlling interest is reported on our balance sheet below total liabilities but above stockholders' equity at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings or losses and other comprehensive income or loss, or its estimated redemption value. As of January 31, 2021 and July 31, 2021, the redeemable non-controlling interest was $3.8 million and $2.5 million, respectively.

Cash Flows

Summary Cash Flow information for the six months ended July 31, 2020 and 2021 are set forth below.

	Six Months Ended July 31,	
($ in thousands)	**2020**	**2021**
Net cash provided by operating activities	$ 31,906	$ 20,899
Net cash used in investing activities	(2,936)	(1,272)
Net cash provided by financing activities	267,891	9,105

Net Cash Provided by Operating Activities

The $20.9 million provided by operating activities in the six months ended July 31, 2021 reflects our net loss of $29.9 million, offset by $23.2 million in non-cash charges and $27.6 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 and non-cash operating lease costs. Cash generated by working capital accounts was principally a function of a $26.0 million increase in deferred revenue, as we expanded our customer base and renewed existing customers, a $3.8 million decrease in accounts receivable, a $1.7 million increase in accounts payable and accrued expenses and other liabilities, and a $1.7 million decrease in prepaid expenses and other assets. The cash generated by working capital accounts was partially offset by payments of $4.4 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, and a $1.3 million decrease in operating lease liabilities.

The $31.9 million provided by operating activities in the six months ended July 31, 2020 reflects our net loss of $19.6 million, offset by $20.9 million in non-cash charges and $30.6 million generated by changes in working capital accounts. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization, and amortization of costs capitalized to obtain revenue contracts. Cash generated by working capital accounts was principally a function of a $25.2 million increase in our deferred revenue, as we expanded our customer base and renewed existing customers, and a $12.6 million decrease in accounts receivable. The cash generated by working capital accounts was partially offset by payments of $3.6 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a $3.5 million decrease in accounts payable and accrued expenses and other liabilities, and a $0.1 million decrease in deferred rent.

Net Cash Used in Investing Activities

We used $1.3 million and $2.9 million in investing activities in the six months ended July 31, 2021 and 2020, respectively, for the purchase of property and equipment and leasehold improvements to support the expansion of our business.

Net Cash Provided by Financing Activities

The $9.1 million provided by financing activities in the six months ended July 31, 2021 was comprised principally of $9.2 million of proceeds from the exercise of stock options. The cash provided by financing activities was partially reduced by principal payments of $0.1 million on the financing obligation. The $267.9 million provided by financing activities in the six months ended July 31, 2020 was comprised principally of $268.4 million in proceeds from the IPO in July 2020, net of underwriting discounts and commissions, and $0.9 million of proceeds from the exercise of stock options. The cash provided by financing activities was partially reduced by payments of $1.3 million in costs related to the IPO.

Contractual Obligations and Commitments

In April 2021, the Company entered into a new lease agreement for the construction of an additional office building that is on the property of our existing headquarters. Due to the Company also being deemed to be the owner of the additional building for accounting purposes, the costs associated with the construction of the building will be capitalized as construction in progress with a corresponding construction liability through construction which is estimated to be approximately $24.0 million. Upon completion of the building, the construction liability will be recorded as a financing obligation. Upon expiration of the purchase option in the lease, the lease will be analyzed for applicable lease accounting.

In May 2021, the Company entered into an agreement for approximately $2.6 million for renovations to our existing headquarters building that is anticipated to be completed in fiscal 2023.

For additional discussion on our leases and other contractual commitments, see Note 11 "Leases" and Note 12 "Commitments and Contingencies" of the notes to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q. There were no material changes, other than the agreement referred to above, to our contractual obligations and commitments as of July 31, 2021 compared to January 31, 2021 as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021 filed with the SEC on March 31, 2021.

Off-Balance Sheet Arrangements

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

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, 2021 filed with the SEC on March 31, 2021.

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 recent accounting pronouncements.

Emerging Growth Company Status

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

Based on the market value of our common stock held by non-affiliates as of July 31, 2021, we will cease to qualify as an emerging growth company as of January 31, 2022.

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, 2021, we had cash, cash equivalents and restricted cash of $399.7 million, which consisted primarily of bank deposits and money market accounts. Interest-earning instruments carry a degree of interest rate risk. However, our historical interest income has not fluctuated significantly. A hypothetical 10% change in interest rates would not have had a material impact on our financial results included in this Quarterly Report on Form 10-Q. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Exchange Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures at July 31, 2021, the last day of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, at July 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes 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 the Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Disclosure Controls and Procedures

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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, 2021 filed with the SEC on March 31, 2021 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

Use of Proceeds from our IPO

On July 16, 2020, we completed our IPO, selling 9,269,000 shares of our common stock at a price of $31.00 per share (including shares subject to the underwriters' over-allotment option) for an aggregate price of $287.3 million. The offer and sale of the shares in the IPO was registered under the Securities Act pursuant to a registration statement on Form S-1 (File Nos. 333-239335 and 333-239844), which was declared effective by the SEC on July 13, 2020. We raised approximately $268.4 million in net proceeds after deducting underwriting discounts and commissions of approximately $18.9 million.

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

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Form of Amended and Restated Certificate of Incorporation of nCino, Inc.	S-1/A	333-239335	3.1	July 6, 2020	
3.2	Form of Amended and Restated Bylaws of nCino, Inc.	S-1/A	333-239335	3.2	July 6, 2020	
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: September 1, 2021	By:	/s/ Pierre Naudé
		Pierre Naudé President and Chief Executive Officer; Director (Principal Executive Officer)
Date: September 1, 2021	By:	/s/ David Rudow
		David Rudow Chief Financial Officer and Treasurer (Principal Financial Officer)

Exhibit 31.1

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

I, Pierre Naudé, certify that:

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

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

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

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

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

    (b) 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

    (c) 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: September 1, 2021

By: /s/ Pierre Naudé

Pierre Naudé

President and Chief Executive Officer

Exhibit 31.2

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

I, David Rudow, certify that:

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

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

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

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

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

   (b) 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

   (c) 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: September 1, 2021

By: /s/ David Rudow
David Rudow
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of nCino, Inc. (the “Company”) on Form 10-Q for the period ending July 31, 2021 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: September 1, 2021	By:	/s/ Pierre Naudé
		Pierre Naudé
		President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of nCino, Inc. (the “Company”) on Form 10-Q for the period ending July 31, 2021 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: September 1, 2021	By:	/s/ David Rudow
		David Rudow
		Chief Financial Officer