

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 October 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**  
(State or other jurisdiction of  
incorporation or organization)

**46-4353148**  
(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:

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 96,749,427 shares of common stock, \$0.0005 par value per share, as of November 26, 2021.

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## TABLE OF CONTENTS

	Page
<a href="#">Cautionary Note Regarding Forward-Looking Statements</a>	i
<b><a href="#">Part I. Financial Information</a></b>	
Item 1. <a href="#">Financial Statements</a>	1
<a href="#">Condensed Consolidated Balance Sheets as of January 31, 2021 and October 31, 2021 (Unaudited)</a>	1
<a href="#">Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended October 31, 2020 and 2021</a>	2
<a href="#">Unaudited Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended October 31, 2020 and 2021</a>	3
<a href="#">Unaudited Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended October 31, 2020 and 2021</a>	4
<a href="#">Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October 31, 2020 and 2021</a>	6
<a href="#">Notes to Unaudited Condensed Consolidated Financial Statements</a>	7
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	23
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	36
Item 4. <a href="#">Controls and Procedures</a>	36
<b><a href="#">Part II. Other Information</a></b>	
Item 1. <a href="#">Legal Proceedings</a>	38
Item 1A. <a href="#">Risk Factors</a>	38
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	38
Item 3. <a href="#">Defaults Upon Senior Securities</a>	38
Item 4. <a href="#">Mine Safety Disclosures</a>	38
Item 5. <a href="#">Other Information</a>	38
Item 6. <a href="#">Exhibits</a>	39
<a href="#">Signatures</a>	40

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## 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	October 31, 2021 (Unaudited)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (VIE: \$7,425 and \$4,722 at January 31, 2021 and October 31, 2021, respectively)	\$ 371,425	\$ 381,080
Accounts receivable, less allowance for doubtful accounts of \$88 and \$151 at January 31, 2021 and October 31, 2021, respectively	55,517	33,776
Costs capitalized to obtain revenue contracts, current portion, net	4,864	5,524
Prepaid expenses and other current assets	10,425	11,898
<b>Total current assets</b>	<b>442,231</b>	<b>432,278</b>
Property and equipment, net	29,943	53,916
Operating lease right-of-use assets, net	—	10,420
Costs capitalized to obtain revenue contracts, noncurrent, net	10,191	11,230
Goodwill	57,149	56,977
Intangible assets, net	23,137	20,678
Other long-term assets	750	1,044
<b>Total assets</b>	<b>\$ 563,401</b>	<b>\$ 586,543</b>
<b>Liabilities, redeemable non-controlling interest, and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,634	\$ 5,790
Accounts payable, related parties	4,363	5,236
Accrued commissions	12,500	7,021
Other accrued expenses	7,527	11,191
Deferred rent, current portion	203	—
Deferred revenue, current portion	89,141	86,825
Financing obligations, current portion	324	570
Operating lease liabilities, current portion	—	2,717
<b>Total current liabilities</b>	<b>115,692</b>	<b>119,350</b>
Operating lease liabilities, noncurrent	—	9,323
Deferred income taxes, noncurrent	368	582
Deferred rent, noncurrent	1,486	—
Deferred revenue, noncurrent	946	72
Financing obligations, noncurrent	15,939	33,190
Construction liability, noncurrent	—	5,899
<b>Total liabilities</b>	<b>134,431</b>	<b>168,416</b>
Commitments and contingencies (Notes 8, 12, and 13)		
Redeemable non-controlling interest (Note 3)	3,791	2,360
<b>Stockholders' equity</b>		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, and none issued and outstanding as of January 31, 2021 and October 31, 2021	—	—
Common stock, \$0.0005 par value; 500,000,000 shares authorized as of January 31, 2021 and October 31, 2021; 93,643,759 and 96,691,631 shares issued and outstanding as of January 31, 2021 and October 31, 2021, respectively	47	48
Additional paid-in capital	585,956	619,063
Accumulated other comprehensive income (loss)	240	(14)
Accumulated deficit	(161,064)	(203,330)
Total stockholders' equity	425,179	415,767
<b>Total liabilities, redeemable non-controlling interest, and stockholders' equity</b>	<b>\$ 563,401</b>	<b>\$ 586,543</b>

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

nCino, Inc.

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
<b>Revenues</b>				
Subscription (related parties \$0, \$0, \$2,439, and \$0, respectively)	\$ 43,279	\$ 57,085	\$ 117,461	\$ 162,052
Professional services	10,950	12,951	30,245	36,858
Total revenues	54,229	70,036	147,706	198,910
<b>Cost of revenues</b>				
Subscription <sup>1</sup> (related party \$9,067, \$11,638, \$25,277, and \$33,358, respectively)	12,380	15,753	34,399	46,007
Professional services <sup>1</sup>	10,134	11,501	29,568	34,121
Total cost of revenues	22,514	27,254	63,967	80,128
<b>Gross profit</b>	31,715	42,782	83,739	118,782
<b>Operating expenses</b>				
Sales and marketing <sup>1</sup>	14,175	20,586	42,027	58,227
Research and development <sup>1</sup>	15,077	19,956	41,334	55,990
General and administrative <sup>1</sup>	11,251	14,964	29,130	45,931
Total operating expenses	40,503	55,506	112,491	160,148
<b>Loss from operations</b>	(8,788)	(12,724)	(28,752)	(41,366)
<b>Non-operating income (expense)</b>				
Interest income	78	57	289	173
Interest expense	—	(379)	—	(977)
Other income (expense), net	(260)	(255)	337	(325)
<b>Loss before income tax expense</b>	(8,970)	(13,301)	(28,126)	(42,495)
Income tax expense	309	356	709	1,030
<b>Net loss</b>	(9,279)	(13,657)	(28,835)	(43,525)
Net loss attributable to redeemable non-controlling interest (Note 3)	(292)	(389)	(700)	(1,259)
Adjustment attributable to redeemable non-controlling interest (Note 3)	76	368	343	61
<b>Net loss attributable to nCino, Inc.</b>	<u>\$ (9,063)</u>	<u>\$ (13,636)</u>	<u>\$ (28,478)</u>	<u>\$ (42,327)</u>
<b>Net loss per share attributable to nCino, Inc.:</b>				
Basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>	<u>\$ (0.33)</u>	<u>\$ (0.44)</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic and diluted	<u>91,600,203</u>	<u>96,431,082</u>	<u>85,962,141</u>	<u>95,510,413</u>

<sup>1</sup>Includes stock-based compensation expense as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Cost of subscription revenues	\$ 135	\$ 179	\$ 438	\$ 721
Cost of professional services revenues	810	1,209	3,358	3,881
Sales and marketing	1,157	1,685	4,818	5,415
Research and development	1,066	1,351	4,406	4,580
General and administrative	2,125	1,421	6,593	5,952
Total stock-based compensation expense	<u>\$ 5,293</u>	<u>\$ 5,845</u>	<u>\$ 19,613</u>	<u>\$ 20,549</u>

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

## nCino, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
<b>Net loss</b>	\$ (9,279)	\$ (13,657)	\$ (28,835)	\$ (43,525)
<b>Other comprehensive income (loss):</b>				
Foreign currency translation	(3)	163	776	(487)
<b>Other comprehensive income (loss)</b>	(3)	163	776	(487)
<b>Comprehensive loss</b>	(9,282)	(13,494)	(28,059)	(44,012)
<b>Less comprehensive loss attributable to redeemable non-controlling interest:</b>				
Net loss attributable to redeemable non-controlling interest	(292)	(389)	(700)	(1,259)
Foreign currency translation attributable to redeemable non-controlling interest	(2)	(82)	167	(233)
<b>Comprehensive loss attributable to redeemable non-controlling interest</b>	(294)	(471)	(533)	(1,492)
<b>Comprehensive loss attributable to nCino, Inc.</b>	<u>\$ (8,988)</u>	<u>\$ (13,023)</u>	<u>\$ (27,526)</u>	<u>\$ (42,520)</u>

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

nCino, Inc.

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

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

**Three Months Ended October 31, 2021**

	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance, July 31, 2021	95,927,741	\$ 48	\$ 610,166	\$ (259)	\$ (190,062)	\$ 419,893
Exercise of stock options	559,703	—	3,420	—	—	3,420
Stock issuance upon vesting of restricted stock units	204,187	—	—	—	—	—
Stock-based compensation	—	—	5,845	—	—	5,845
Other comprehensive income	—	—	—	245	—	245
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(368)	—	(13,268)	(13,636)
Balance, October 31, 2021	96,691,631	\$ 48	\$ 619,063	\$ (14)	\$ (203,330)	\$ 415,767

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

**nCino, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(In thousands, except share data)**  
**(Unaudited)**
**Nine Months Ended October 31, 2020**

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

**Nine Months Ended October 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	2,527,287	1	12,619	—	—	12,620
Stock issuance upon vesting of restricted stock units	520,585	—	—	—	—	—
Stock-based compensation	—	—	20,549	—	—	20,549
Other comprehensive loss	—	—	—	(254)	—	(254)
Net loss attributable to nCino, Inc., including adjustment to redeemable non-controlling interest	—	—	(61)	—	(42,266)	(42,327)
Balance, October 31, 2021	<u>96,691,631</u>	<u>\$ 48</u>	<u>\$ 619,063</u>	<u>\$ (14)</u>	<u>\$ (203,330)</u>	<u>\$ 415,767</u>

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



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

	Nine Months Ended October 31,	
	2020	2021
<b>Cash flows from operating activities</b>		
Net loss attributable to nCino, Inc.	\$ (28,478)	\$ (42,327)
Net loss and adjustment attributable to redeemable non-controlling interest	(357)	(1,198)
Net loss	(28,835)	(43,525)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,425	6,139
Non-cash operating lease costs	—	1,847
Amortization of costs capitalized to obtain revenue contracts	3,521	4,157
Stock-based compensation	19,613	20,549
Deferred income taxes	96	192
Provision for bad debt	342	84
Net foreign currency losses	—	393
Change in operating assets and liabilities:		
Accounts receivable	8,535	21,614
Accounts receivable, related parties	9,201	—
Costs capitalized to obtain revenue contracts	(4,531)	(5,848)
Prepaid expenses and other assets	(2,652)	(1,430)
Accounts payable and accrued expenses and other liabilities	(1,551)	1,887
Accounts payable, related parties	692	873
Deferred rent	(109)	—
Deferred revenue	19,413	(3,192)
Deferred revenue, related parties	(8,013)	—
Operating lease liabilities	—	(1,917)
<b>Net cash provided by operating activities</b>	<b>21,147</b>	<b>1,823</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(3,755)	(3,640)
<b>Net cash used in investing activities</b>	<b>(3,755)</b>	<b>(3,640)</b>
<b>Cash flows from financing activities</b>		
Proceeds from initial public offering, net of underwriting discounts and commissions	268,375	—
Payments of costs related to initial public offering	(2,524)	—
Exercise of stock options	3,859	12,620
Principal payments on financing obligations	—	(181)
<b>Net cash provided by financing activities</b>	<b>269,710</b>	<b>12,439</b>
Effect of foreign currency exchange rate changes on cash, cash equivalents, and restricted cash	298	(632)
<b>Net increase in cash, cash equivalents, and restricted cash</b>	<b>287,400</b>	<b>9,990</b>
Cash and cash equivalents, beginning of period	91,184	371,425
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 378,584</b>	<b>\$ 381,415</b>
<b>Cash, cash equivalents, and restricted cash, end of period:</b>		
Cash and cash equivalents	\$ 378,584	\$ 381,080
Restricted cash included in other long-term assets	—	335
Total cash, cash equivalents, and restricted cash, end of period	\$ 378,584	\$ 381,415
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for taxes, net of refunds	\$ 587	\$ 335
Cash paid during the year for interest on financing obligations	\$ —	\$ 977
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Purchase of property and equipment, accrued but not paid	\$ 116	\$ 6,370
Building-leased facility acquired through financing obligation	\$ —	\$ 17,678
Costs related to initial public offering, accrued but not paid	\$ 241	\$ —
Costs related to initial public offering, reclassified from other long term assets to equity	\$ 1,769	\$ —

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.

On November 16, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Penny HoldCo, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Parent"), SimpleNexus, LLC, a Utah limited liability company ("SimpleNexus"), and certain other parties thereto providing for a merger transaction with the Company and SimpleNexus surviving as wholly-owned subsidiaries of Parent and the holders of shares of the Company's common stock, par value \$0.0005 ("Company Common Stock") immediately prior to the effectuation of the merger transaction receiving a commensurate number of shares of Parent common stock, par value \$0.0005 ("Parent Common Stock"). See Note 15 "Subsequent Event" for additional information regarding the Merger Agreement.

**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

## nCino, Inc.

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

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; 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 October 31, 2021. The Company maintains its cash, cash equivalents and restricted cash with high-credit-quality financial institutions.

As of January 31, 2021, no individual customer represented more than 10% of accounts receivable and, as of October 31, 2021, one customer represented 34% of accounts receivable. For the three and nine months ended October 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

## nCino, Inc.

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

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.

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 October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Balance, beginning of period	\$ 622	\$ 59	\$ —	\$ 88
Charged to (recovery of) bad debt expense	(277)	89	342	84
Other	—	—	—	(24)
Translation adjustments	(3)	3	—	3
Balance, end of period	\$ 342	\$ 151	\$ 342	\$ 151

**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 October 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.

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

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, *Income 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.

**Recent Accounting Pronouncements Not Yet Adopted:** In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The standard addresses diversity and inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination. ASU 2021-08 requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, *Revenue from Contracts with Customers*. ASU 2021-08 is effective for emerging growth companies following private company adoption dates in fiscal years beginning

## nCino, Inc.

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

after December 15, 2023, and for interim periods within those fiscal years, and early adoption is permitted. Since the Company will cease to qualify as an emerging growth company as of 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, 2024, with early adoption permitted. The Company is currently evaluating the impact of this standard to the Company's 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 October 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 \$0.5 million at October 31, 2021.

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Balance, beginning of period	\$ 4,384	\$ 2,463	\$ 4,356	\$ 3,791
Net loss attributable to redeemable non-controlling interest (excluding adjustment to non-controlling interest)	(292)	(389)	(700)	(1,259)
Foreign currency translation	(2)	(82)	167	(233)
Adjustment to redeemable non-controlling interest	76	368	343	61
Balance, end of period	\$ 4,166	\$ 2,360	\$ 4,166	\$ 2,360

**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 October 31, 2021 because of the relatively short duration of these instruments.

nCino, Inc.

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

The Company evaluated its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. The following table summarizes the Company's financial assets measured at fair value as of January 31, 2021 and October 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 October 31, 2021		
	Level 1	Level 2	Level 3
Assets:			
Money market accounts (included in cash and cash equivalents)	\$ 329,501	\$ —	\$ —
Time deposits (included in other long-term assets)	335	—	—
Total assets	\$ 329,836	\$ —	\$ —

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 October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
United States	\$ 47,635	\$ 58,357	\$ 132,155	\$ 167,389
International	6,594	11,679	15,551	31,521
	\$ 54,229	\$ 70,036	\$ 147,706	\$ 198,910

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.

## nCino, Inc.

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

**Contract Amounts***Accounts Receivable*

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

	As of January 31, 2021	As of October 31, 2021
Trade accounts receivable	\$ 53,272	\$ 31,027
Unbilled accounts receivable	1,814	1,873
Allowance for doubtful accounts	(88)	(151)
Other accounts receivable	519	1,027
<b>Total accounts receivable, net</b>	<b>\$ 55,517</b>	<b>\$ 33,776</b>

*Deferred Revenue and Remaining Performance Obligations*

Significant movements in the deferred revenue balance during the period consisted of increases due to payments received or due in advance prior to the transfer of control of the underlying performance obligations to the customer, which were offset by decreases due to revenues recognized in the period. During the nine months ended October 31, 2021, \$82.2 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 \$717.7 million as of October 31, 2021. The Company expects to recognize approximately 59% of its remaining performance obligation as revenues in the next 24 months, approximately 32% more in the following 25 to 48 months, and the remainder thereafter.

**Note 6. Property and Equipment**

Property and equipment, net consisted of the following:

	As of January 31, 2021	As of October 31, 2021
Furniture and fixtures	\$ 6,706	\$ 7,045
Computers and equipment	5,039	6,181
Buildings and land <sup>1</sup>	16,300	33,978
Leasehold improvements	11,581	13,425
Construction in progress <sup>2</sup>	277	6,623
	39,903	67,252
Less accumulated depreciation	(9,960)	(13,336)
	<b>\$ 29,943</b>	<b>\$ 53,916</b>



nCino, Inc.

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

The Company recognized depreciation expense as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Cost of revenues	\$ 346	\$ 326	\$ 935	\$ 1,063
Sales and marketing	279	275	792	872
Research and development	361	467	941	1,313
General and administrative	136	159	362	461
Total depreciation expense	\$ 1,122	\$ 1,227	\$ 3,030	\$ 3,709

<sup>1</sup>The construction of a parking deck, which is an addition to our existing headquarters, began in fiscal 2022 and was completed during September 2021. Since we are considered the owners of the parking deck for accounting purposes, upon completion of the construction of the parking deck, \$17.7 million was reclassified from construction in progress to buildings and land within property and equipment, net on the unaudited condensed consolidated balance sheets. See Note 12 "Commitments and Contingencies" for additional details.

<sup>2</sup>The increase in construction in progress is primarily due to construction for an additional office building that is on the property of our existing headquarters for which we are considered the owners 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 October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Balance, beginning of period	\$ 56,527	\$ 56,740	\$ 55,840	\$ 57,149
Translation adjustments	(229)	237	458	(172)
Balance, end of period	\$ 56,298	\$ 56,977	\$ 56,298	\$ 56,977

**Intangible assets**

Intangible assets, net are as follows:

	As of January 31, 2021			As of October 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	\$ 6,279	\$ (3,459)	\$ 2,820
Customer relationships	21,721	(2,609)	19,112	21,719	(3,861)	17,858
Trademarks	128	(128)	—	128	(128)	—
	\$ 28,169	\$ (5,032)	\$ 23,137	\$ 28,126	\$ (7,448)	\$ 20,678

## nCino, Inc.

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

The Company recognized amortization expense as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Cost of subscription revenues	\$ 386	\$ 388	\$ 1,133	\$ 1,177
Sales and marketing	417	418	1,252	1,253
General and administrative	—	—	10	—
Total amortization expense	<u>\$ 803</u>	<u>\$ 806</u>	<u>\$ 2,395</u>	<u>\$ 2,430</u>

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

<u>Fiscal Year Ending January 31,</u>	
2022 (remaining)	\$ 811
2023	3,239
2024	2,530
2025	1,670
2026	1,670
Thereafter	10,758
	<u>\$ 20,678</u>

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 nine months ended October 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 \$9.1 million and \$11.6 million for the three months ended October 31, 2020 and 2021, respectively, and \$25.3 million and \$33.4 million for the nine months ended October 31, 2020 and 2021, respectively. See also Note 13 "Related-Party Transactions."

#### Note 9. Stockholders' Equity

At October 31, 2021, the Company committed a total of 25,138,069 shares of common stock for future issuance as follows:

Issued and outstanding stock options	2,873,232
Nonvested issued and outstanding restricted stock units ("RSUs")	2,007,528
Possible issuance under stock plans	20,257,309
	<u>25,138,069</u>

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

**Note 10. Stock-Based Compensation****Stock Options**

Stock option activity for the nine months ended October 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	(66,493)	14.79
Exercised	(2,527,287)	4.99
Outstanding, October 31, 2021	<u>2,873,232</u>	\$ 6.68
Exercisable, October 31, 2021	<u>2,528,860</u>	\$ 5.56
Fully vested or expected to vest, October 31, 2021	<u>2,838,795</u>	\$ 6.58

As of October 31, 2021, there was \$1.5 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 1.26 years.

**Restricted Stock Units**

RSU activity during the nine months ended October 31, 2021 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, January 31, 2021	1,848,296	\$ 22.07
Granted	812,025	70.01
Vested	(520,585)	20.83
Forfeited	(132,208)	34.37
Nonvested, October 31, 2021	<u>2,007,528</u>	\$ 40.97

As of October 31, 2021, total unrecognized compensation expense related to non-vested RSUs was \$58.5 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 3.17 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.

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.

## nCino, Inc.

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

*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 nine months ended October 31, 2021 were as follows:

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

As of October 31, 2021, total unrecognized compensation expense related to the ESPP was \$0.3 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.

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

	Three Months Ended October 31, 2021	Nine Months Ended October 31, 2021
Operating lease expense	\$ 733	\$ 2,154
Short-term lease expense	226	619
Variable lease expense	63	210
Total	\$ 1,022	\$ 2,983

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

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,212
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 October 31, 2021 were 5.02 years and 4.4%, respectively.

## nCino, Inc.

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

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

<u>Fiscal Year Ending January 31,</u>	<u>Operating Leases</u>
2022 (remaining)	\$ 775
2023	3,054
2024	2,708
2025	1,895
2026	1,929
Thereafter	2,671
<b>Total lease liabilities</b>	<b>13,032</b>
Less: imputed interest	(992)
<b>Total lease obligations</b>	<b>12,040</b>
Less: current obligations	(2,717)
<b>Long-term lease obligations</b>	<b>\$ 9,323</b>

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

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

## 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.

### *Financing Obligations 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 obligations on the unaudited condensed consolidated balance sheets, respectively.

## nCino, Inc.

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

In January 2021, the Company entered into an agreement for a parking deck which is an addition to our 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 were capitalized as construction in progress with a corresponding construction liability through construction. Upon completion of the parking deck in September 2021, for approximately \$17.7 million, the costs of the construction in progress and the corresponding construction liability were reclassified to property and equipment, net and financing obligations on the unaudited condensed consolidated balance sheets, respectively. Upon expiration of the purchase option in the lease, the lease will be analyzed for applicable lease accounting.

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.

Purchase commitments and future minimum lease payments required under financing obligations as of October 31, 2021 were as follows:

<b><u>Fiscal Year Ending January 31,</u></b>	<b><u>Purchase commitments</u></b>	<b><u>Financing obligations - leased facility</u></b>
2022 (remaining)	1,073	672
2023	5,356	2,712
2024	4,471	2,773
2025	3,040	2,835
2026	1,503	2,899
Thereafter	1,104	35,912
<b>Total</b>	<b>\$ 16,547</b>	<b>\$ 47,803</b>
Residual financing obligations and assets		10,104
Less: amount representing interest		(24,147)
Financing obligations		<b>\$ 33,760</b>

**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

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

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 "District Court"). The sole class representative in the suit is one individual alleging a contract, combination or conspiracy between and among the Company, Live Oak Bancshares, Inc. ("Live Oak") and Apiture, Inc. ("Apiture") not to solicit or hire each other's employees in violation of Section 1 of the Sherman Act and N.C. Gen Stat. §§ 75-1 and 75-2. The complaint seeks treble damages and additional remedies, including restitution, disgorgement, reasonable attorneys' fees, the costs of the suit, and pre-judgment and post judgment interest. The complaint does not allege any specific damages. On November 23, 2021, the District Court approved preliminary settlements between the plaintiff and defendant Live Oak in the amount of approximately \$3.9 million and unnamed party Apiture in the amount of approximately \$0.8 million. 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 equityholder 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 October 31, 2020 and 2021, respectively, and \$0.9 million and \$1.2 million for the nine months ended October 31, 2020 and 2021, respectively, and \$1.3 million and \$0.2 million were in prepaid expenses and other current assets as of January 31, 2021 and October 31, 2021, respectively. Accounts payable to the related party were \$4.4 million and \$5.2 million at January 31, 2021 and October 31, 2021, respectively, included in accounts payable, related parties.

In the quarter ended July 31, 2020, certain equityholders 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 equityholders, who are also customers of the Company, is \$0.0 million for the three months ended October 31, 2020 and \$2.8 million for the nine months ended October 31, 2020.

The Company has a banking relationship with one of its former equityholders who was considered a related party. In the quarter ended July 31, 2020, the equityholder ceased to qualify as a related party of the Company and the amounts disclosed related to such former equityholder 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 October 31, 2020 and \$0.1 million for the nine months ended October 31, 2020.

The Company entered into an agreement with one of its equityholders 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 October 31, 2021, the Company was in compliance with the terms of the

## nCino, Inc.

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

agreement. In the quarter ended July 31, 2020, the equityholder ceased to qualify as a related party of the Company and the amounts disclosed related to such equityholder are accordingly presented as a related party through April 30, 2020 only. No funds were spent under the agreement during the nine months ended October 31, 2020.

The Company entered into a Merger Agreement, as disclosed in Note 1 "Organization and Description of Business". Affiliates of Insight Partners are equityholders of SimpleNexus and certain other parties in connection with the transactions contemplated by the Merger Agreement, and other affiliates of Insight Partners are currently significant stockholders of the Company. See Note 15 "Subsequent Event" for additional information regarding the Merger Agreement.

**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 October 31, 2020 and 2021 and for the nine months ended October 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 October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Basic and diluted loss per share:				
Numerator				
Net loss attributable to nCino, Inc.	\$ (9,063)	\$ (13,636)	\$ (28,478)	\$ (42,327)
Denominator				
Weighted-average common shares outstanding	91,600,203	96,431,082	85,962,141	95,510,413
Basic and diluted loss per share attributable to nCino, Inc.	\$ (0.10)	\$ (0.14)	\$ (0.33)	\$ (0.44)

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:

	Nine Months Ended October 31,	
	2020	2021
Stock options issued and outstanding	6,620,274	2,873,232
Nonvested RSUs issued and outstanding	1,834,626	2,007,528
Shares issuable pursuant to the ESPP	—	34,128

**Note 15. Subsequent Event**

On November 16, 2021, the Company entered into the Merger Agreement with Parent, SimpleNexus and certain other parties thereto, with the Company and SimpleNexus surviving as wholly-owned subsidiaries of Parent. The Merger Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, the Company will pay to certain securityholders of SimpleNexus and certain blocker entities a total consideration of approximately \$1.2 billion, subject to certain customary adjustments. The consideration to be paid to such securityholders will consist, in the aggregate, of approximately 80% Parent Common Stock (at a fixed value of \$72.5250 per share, which is the average of the daily volume weighted average prices of the shares of the Company Common Stock for the 20 trading days prior to and including November 12, 2021) and approximately 20% in cash, subject to certain customary adjustments. Any securityholder of SimpleNexus or the blocker entities that is not an accredited investor will receive his, her or its portion of the merger consideration solely in cash



nCino, Inc.

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

and the securityholders that are accredited investors will receive proportionally more shares of Parent Common Stock and less cash. A portion of the cash consideration will also be held in escrow to serve as security for the potential payment of a customary post-closing purchase price adjustment, capped at the amount of such escrowed funds.

In connection with the transaction contemplated by the Merger Agreement, each share of the Company Common Stock, par value \$0.0005, that is issued and outstanding immediately prior to the effectuation of the merger will automatically convert into an equivalent corresponding share of Parent Common Stock, having the same designations, rights, powers and preferences and the qualifications, limitations and restrictions as the corresponding share of the Company Common Stock being converted. Accordingly, upon the consummation of the merger, the Company's stockholders immediately prior to the consummation of the merger will become the stockholders of the Parent. The stockholders of the Company will not recognize gain or loss for U.S. federal income tax purposes upon the conversion of their shares in connection with the merger.

The merger will be conducted pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, which provides for the formation of a holding company without a vote of the stockholders of the constituent corporation. The conversion of stock will occur automatically. Following the consummation of the merger, Parent Common Stock shares will continue to trade on the Nasdaq Global Select Market on an uninterrupted basis under the symbol "NCNO" with a new CUSIP number. Immediately after consummation of the merger, Parent will have, on a consolidated basis, the same assets, businesses and operations as the Company had immediately prior to the consummation of the merger. As a result of the merger, Parent will become the successor issuer to the Company pursuant to 12g-3(a) of the Exchange Act and as a result the Parent Common Stock shares will be deemed registered under Section 12(b) of the Exchange Act.

The completion of the merger is subject to customary closing conditions, including, without limitation, (i) the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) the absence of any material applicable law or any order that has the effect of enjoining or otherwise prohibiting the completion of the mergers, (iii) the receipt of certain tax opinions, (iv) the absence of a material adverse effect on the Company and SimpleNexus, and (v) the authorization for listing of the shares of Parent Common Stock on Nasdaq. The closing of the transactions contemplated by the Merger Agreement is anticipated to occur in the fourth quarter of the Company's fiscal year, ending January 31, 2022.

Affiliates of Insight Partners are equityholders of SimpleNexus and certain other parties in connection with the transactions contemplated by the Merger Agreement, and other affiliates of Insight Partners are currently significant stockholders of the Company (collectively, the "Insight Parties"). As such, and as a condition and material inducement to the willingness of the Company, Parent and other parties to enter into the Merger Agreement, Parent and the Insight Parties have entered into a restrictive covenant agreement with Parent providing for, among other things, the Insight Parties' agreement not to sell or otherwise directly or indirectly dispose of approximately two-thirds of the shares of Parent Common Stock that will be held by the Insight Parties following the closing of the transactions contemplated by the Merger Agreement, on a pro forma basis, and assuming no sales by the Insight Parties of shares of the Company's Common Stock prior to the closing of the transactions contemplated by the Merger Agreement. Following the closing of the transactions contemplated by the Merger Agreement, approximately one-third of this approximately two-thirds will be released from such restrictions on each of the six, nine and twelve month anniversaries of the closing of the transactions contemplated by the Merger Agreement.

## 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 October 31, 2021, we had 174 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 October 31, 2020 and 2021, our total revenues were \$54.2 million and \$70.0 million, respectively, representing a 29.1% increase, and our subscription revenues were \$43.3 million and \$57.1 million, respectively, representing a 31.9% increase. Due to our continuing investment in growth, we recorded net losses attributable to nCino of \$9.1 million and \$13.6 million for the three months ended October 31, 2020 and 2021, respectively. For the nine months ended October 31, 2020 and 2021, our total revenues were \$147.7 million and \$198.9 million, respectively, representing a 34.7% increase, and our subscription revenues were \$117.5 million and \$162.1 million, respectively, representing a 38.0% increase. We had net losses attributable to nCino of \$28.5 million and \$42.3 million for the nine months ended October 31, 2020 and 2021, respectively.

## **Agreement and Plan of Merger**

On November 16, 2021, the Company entered into the Merger Agreement with Parent, SimpleNexus and certain other parties thereto, with the Company and SimpleNexus surviving as wholly-owned subsidiaries of Parent. The Merger Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, the Company will pay to certain securityholders of SimpleNexus and certain blocker entities a total consideration of approximately \$1.2 billion, subject to certain customary adjustments. The consideration to be paid to such securityholders will consist, in the aggregate, of approximately 80% Parent Common Stock (at a fixed value of \$72.5250 per share, which is the average of the daily volume weighted average prices of the shares of the Company Common Stock for the 20 trading days prior to and including November 12, 2021) and approximately 20% in cash, subject to certain customary adjustments. Any securityholder of SimpleNexus or the blocker entities that is not an accredited investor will receive his, her or its portion of the merger consideration solely in cash and the securityholders that are accredited investors will receive proportionally more shares of Parent Common Stock and less cash. A portion of the cash consideration will also be held in escrow to serve as security for the potential payment of a customary post-closing purchase price adjustment, capped at the amount of such escrowed funds.

In connection with the transaction contemplated by the Merger Agreement, each share of the Company Common Stock, par value \$0.0005, that is issued and outstanding immediately prior to the effectuation of the merger will automatically convert into an equivalent corresponding share of Parent Common Stock, having the same designations, rights, powers and preferences and the qualifications, limitations and restrictions as the corresponding share of the Company Common Stock being converted. Accordingly, upon the consummation of the merger, the Company's stockholders immediately prior to the consummation of the merger will become the stockholders of the Parent. The stockholders of the Company will not recognize gain or loss for U.S. federal income tax purposes upon the conversion of their shares in connection with the merger.

The merger will be conducted pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, which provides for the formation of a holding company without a vote of the stockholders of the constituent corporation. The conversion of stock will occur automatically. Following the consummation of the merger, Parent Common Stock shares will continue to trade on the Nasdaq Global Select Market on an uninterrupted basis under the symbol "NCNO" with a new CUSIP number. Immediately after consummation of the merger, Parent will have, on a consolidated basis, the same assets, businesses and operations as the Company had immediately prior to the consummation of the merger. As a result of the merger, Parent will become the successor issuer to the Company pursuant to 12g-3(a) of the Exchange Act and as a result the Parent Common Stock shares will be deemed registered under Section 12(b) of the Exchange Act.

The completion of the merger is subject to customary closing conditions, including, without limitation, (i) the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) the absence of any material applicable law or any order that has the effect of enjoining or otherwise prohibiting the completion of the mergers, (iii) the receipt of certain tax opinions, (iv) the absence of a material adverse effect on the Company and SimpleNexus, and (v) the authorization for listing of the shares of Parent Common Stock on Nasdaq. The closing of the transactions contemplated by the Merger Agreement is anticipated to occur in the fourth quarter of the Company's fiscal year, ending January 31, 2022.

Affiliates of Insight Partners are equityholders of SimpleNexus and certain other parties in connection with the transactions contemplated by the Merger Agreement, and other affiliates of Insight Partners are currently significant stockholders of the Company. As such, and as a condition and material inducement to the willingness of the Company, Parent and other parties to enter into the Merger Agreement, Parent and the Insight Parties have entered into a restrictive covenant agreement with Parent providing for, among other things, the Insight Parties' agreement not to sell or otherwise directly or indirectly dispose of approximately two-thirds of the shares of Parent Common Stock that will be held by the Insight Parties following the closing of the transactions contemplated by the Merger Agreement, on a pro forma basis, and assuming no sales by the Insight Parties of shares of the Company's Common Stock prior to the closing of the transactions contemplated by the Merger Agreement. Following the closing of the transactions contemplated by the Merger Agreement, approximately one-third of this approximately two-thirds will be released from such restrictions on each of the six, nine and twelve month anniversaries of the closing of the transactions contemplated by the Merger Agreement.

## **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 16.7% of total revenues for the three months ended October 31, 2021, and 15.8% for the nine months ended October 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, as well as acquisition-related expenses, which primarily consists of third-party expenses related to announced acquisitions, such as legal professional services fees. 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. Stock-based compensation expense was \$5.3 million and \$5.8 million for the three months ended October 31, 2020 and 2021, respectively, and \$19.6 million and \$20.5 million for the nine months ended October 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 nine months ended October 31, 2020 and 2021 in both dollars and as a percentage of total revenues, except as noted.

(\$ in thousands, except share and per share amounts)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
<b>Revenues:</b>				
Subscription revenues	\$ 43,279	\$ 57,085	\$ 117,461	\$ 162,052
Professional services revenues	10,950	12,951	30,245	36,858
Total revenues	54,229	70,036	147,706	198,910
<b>Cost of revenues:</b>				
Cost of subscription revenues <sup>1</sup>	12,380	15,753	34,399	46,007
Cost of professional services revenues <sup>1</sup>	10,134	11,501	29,568	34,121
Total cost of revenues	22,514	27,254	63,967	80,128
Gross profit	31,715	42,782	83,739	118,782
<b>Operating expenses:</b>				
Sales and marketing <sup>1</sup>	14,175	20,586	42,027	58,227
Research and development <sup>1</sup>	15,077	19,956	41,334	55,990
General and administrative <sup>1</sup>	11,251	14,964	29,130	45,931
Total operating expenses	40,503	55,506	112,491	160,148
Loss from operations	(8,788)	(12,724)	(28,752)	(41,366)
<b>Non-operating income (expense):</b>				
Interest income	78	57	289	173
Interest expense	—	(379)	—	(977)
Other income (expense), net	(260)	(255)	337	(325)
Loss before income tax expense	(8,970)	(13,301)	(28,126)	(42,495)
Income tax expense	309	356	709	1,030
Net loss	(9,279)	(13,657)	(28,835)	(43,525)
Net loss attributable to non-controlling interest	(292)	(389)	(700)	(1,259)
Adjustment attributable to non-controlling interest	76	368	343	61
Net loss attributable to nCino, Inc.	\$ (9,063)	\$ (13,636)	\$ (28,478)	\$ (42,327)
<b>Net loss per share attributable to nCino, Inc.:</b>				
Basic and diluted	\$ (0.10)	\$ (0.14)	\$ (0.33)	\$ (0.44)
<b>Weighted average number of common shares outstanding:</b>				
Basic and diluted	91,600,203	96,431,082	85,962,141	95,510,413

<sup>1</sup>Includes stock-based compensation expense as follows:

(\$ in thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Cost of subscription revenues	\$ 135	\$ 179	\$ 438	\$ 721
Cost of professional services revenues	810	1,209	3,358	3,881
Sales and marketing	1,157	1,685	4,818	5,415
Research and development	1,066	1,351	4,406	4,580
General and administrative	2,125	1,421	6,593	5,952
Total stock-based compensation expense	\$ 5,293	\$ 5,845	\$ 19,613	\$ 20,549



The Company recognized amortization expense as follows:

(\$ in thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
Cost of subscription revenues	\$ 386	\$ 388	\$ 1,133	\$ 1,177
Sales and marketing	417	418	1,252	1,253
General and administrative	—	—	10	—
Total amortization expense	\$ 803	\$ 806	\$ 2,395	\$ 2,430

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
<b>Revenues:</b>				
Subscription revenues	79.8 %	81.5 %	79.5 %	81.5 %
Professional services revenues	20.2	18.5	20.5	18.5
Total revenues	100.0	100.0	100.0	100.0
<b>Cost of revenues (percentage shown in comparison to related revenues):</b>				
Cost of subscription revenues	28.6	27.6	29.3	28.4
Cost of professional services revenues	92.5	88.8	97.8	92.6
Total cost of revenues	41.5	38.9	43.3	40.3
Gross profit	58.5	61.1	56.7	59.7
<b>Operating expenses:</b>				
Sales and marketing	26.1	29.4	28.5	29.3
Research and development	27.8	28.5	28.0	28.1
General and administrative	20.7	21.4	19.7	23.1
Total operating expenses	74.6	79.3	76.2	80.5
Loss from operations	(16.1)	(18.2)	(19.5)	(20.8)
<b>Non-operating income (expense):</b>				
Interest income	0.1	0.1	0.2	0.1
Interest expense	0.0	(0.5)	0.0	(0.5)
Other income (expense), net	(0.5)	(0.4)	0.2	(0.2)
Loss before income tax expense	(16.5)	(19.0)	(19.1)	(21.4)
Income tax expense	0.6	0.5	0.5	0.5
Net loss	(17.1)%	(19.5)%	(19.6)%	(21.9)%

### Comparison of the Three and Nine Months Ended October 31, 2020 and 2021

#### Revenues

(\$ in thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
<b>Revenues:</b>				
Subscription revenues	\$ 43,279	79.8 %	\$ 57,085	81.5 %
Professional services revenues	10,950	20.2	12,951	18.5
Total revenues	\$ 54,229	100.0 %	\$ 70,036	100.0 %

#### Subscription Revenues

Subscription revenues increased \$13.8 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020. Of the increase, 75.6% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solution, and 24.4% was attributable to initial revenues from customers who did not contribute to subscription revenues during the three



months ended October 31, 2020. Subscription revenues were 81.5% of total revenues for the three months ended October 31, 2021 compared to 79.8% of total revenues for the three months ended October 31, 2020, reflecting the growth in our installed base.

Subscription revenues increased \$44.6 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020. Of the increase, 77.0% was attributable to increased revenues from existing customers as additional seats were activated in accordance with contractual terms and customers expanded their adoption of our solution, and 23.0% was attributable to initial revenues from customers who did not contribute to subscription revenues during the nine months ended October 31, 2020. Subscription revenues were 81.5% of total revenues for the nine months ended October 31, 2021 compared to 79.5% of total revenues for the nine months ended October 31, 2020, reflecting the growth in our installed base.

#### *Professional Services Revenues*

Professional services revenues increased \$2.0 million for the three months ended October 31, 2021 compared to the three months ended October 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 \$6.6 million for the nine months ended October 31, 2021 compared to the nine months ended October 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**

(\$ in thousands)	Three Months Ended October 31,				Nine Months Ended October 31,			
	2020		2021		2020		2021	
Cost of revenues (percentage shown in comparison to related revenues):								
Cost of subscription revenues	\$ 12,380	28.6 %	\$ 15,753	27.6 %	\$ 34,399	29.3 %	\$ 46,007	28.4 %
Cost of professional services revenues	10,134	92.5	11,501	88.8	29,568	97.8	34,121	92.6
Total cost of revenues	\$ 22,514	41.5	\$ 27,254	38.9	\$ 63,967	43.3	\$ 80,128	40.3
Gross profit	\$ 31,715	58.5 %	\$ 42,782	61.1 %	\$ 83,739	56.7 %	\$ 118,782	59.7 %

#### *Cost of Subscription Revenues*

Cost of subscription revenues increased \$3.4 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020, generating a gross margin for subscription revenues of 72.4% compared to a gross margin of 71.4% for the three months ended October 31, 2020. Costs related to Salesforce user fees increased \$2.6 million as we continued to add new customers and sell additional functionality to existing customers, and personnel costs increased \$0.4 million as we added new employees. Other costs of subscription revenues increased \$0.3 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 \$11.6 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020, generating a gross margin for subscription revenues of 71.6% compared to a gross margin of 70.7% for the nine months ended October 31, 2020. Costs related to Salesforce user fees increased \$8.1 million as we continued to add new customers and sell additional functionality to existing customers, and personnel costs increased \$2.3 million as we added new employees. Other costs of subscription revenues increased \$0.9 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 \$1.4 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020, generating a gross margin for professional services of 11.2% compared to a gross margin of 7.5% for the three months ended October 31, 2020. For the three months ended October 31, 2021,

personnel costs increased \$1.2 million primarily due to increased headcount. The increase in our professional services gross margin for the three months ended October 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 \$4.6 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020, generating a gross margin for professional services of 7.4% compared to a gross margin of 2.2% for the nine months ended October 31, 2020. For the nine months ended October 31, 2021, personnel costs increased \$4.4 million for the professional services team compared to the prior year period primarily due to increased headcount. The increase in our professional services gross margin for the nine months ended October 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

(\$ in thousands)	Three Months Ended October 31,				Nine Months Ended October 31,			
	2020		2021		2020		2021	
<b>Operating expenses:</b>								
Sales and marketing	\$ 14,175	26.1 %	\$ 20,586	29.4 %	\$ 42,027	28.5 %	\$ 58,227	29.3 %
Research and development	15,077	27.8	19,956	28.5	41,334	28.0	55,990	28.1
General and administrative	11,251	20.7	14,964	21.4	29,130	19.7	45,931	23.1
Total operating expenses	40,503	74.6	55,506	79.3	112,491	76.2	160,148	80.5
Loss from operations	\$ (8,788)	(16.1)%	\$ (12,724)	(18.2)%	\$ (28,752)	(19.5)%	\$ (41,366)	(20.8)%

#### Sales and Marketing

Sales and marketing expenses increased \$6.4 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020, primarily due to an increase of \$4.7 million in personnel costs resulting mainly from an increase in headcount on the sales and marketing teams. Also contributing to the increase in personnel costs was expatriate tax equalization expenses of \$1.2 million. The increase in sales and marketing expenses also included an increase of \$1.1 million in marketing costs, an increase of \$0.4 million in sales-related travel costs, and an increase of \$0.2 million in allocated overhead costs.

Sales and marketing expenses increased \$16.2 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020, primarily due to an increase of \$12.9 million in personnel costs resulting mainly from an increase in headcount on the sales and marketing teams. Also contributing to the increase in personnel costs was expatriate tax equalization expenses of \$2.6 million. The increase in sales and marketing expenses also included an increase of \$2.1 million in marketing costs, an increase of \$0.1 million in sales-related travel costs, an increase of \$0.6 million in allocated overhead costs, and an increase of \$0.5 million in outside consulting fees due to growth supporting our continued business expansion.

Our sales and marketing headcount grew by 52 from October 31, 2020 to October 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 \$4.9 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020, primarily due to an increase of \$4.2 million in personnel costs resulting mainly from a continued increase in headcount, a \$0.6 million increase in allocated overhead costs due to growth supporting our continued business expansion, and a \$0.1 million increase in third party professional fees attributable to an increase in contract research and development spend.

Research and development expenses increased \$14.7 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020, primarily due to an increase of \$11.1 million in personnel costs resulting mainly from a continued increase in headcount, a \$2.1 million increase in third party professional fees attributable to an increase in contract research and development spend, and a \$1.5 million increase in allocated overhead costs due to growth supporting our continued business expansion.

Our research and development headcount grew by 91 from October 31, 2020 to October 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 \$3.7 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020. Personnel costs increased \$0.6 million. Excluding the effect of stock-based compensation expense that is included in personnel costs, personnel costs increased \$1.3 million primarily from additional headcount as we continued to scale our business. Third party professional fees increased \$2.1 million for the three months ended October 31, 2021 compared to the three months ended October 31, 2020, mostly attributable to a \$2.0 million increase in fees and expenses related to the Antitrust Matters (defined below) and a \$0.9 million increase in acquisition-related expenses for an announced acquisition, partially offset by a \$0.8 million decrease in other professional fees. Allocated overhead and other general and administrative costs increased \$0.8 million, which includes an increase in insurance costs associated with being a public company, and an increase in travel-related costs of \$0.2 million. Stock-based compensation expense, included in personnel costs, decreased \$0.7 million overall due to reversals of stock-based compensation expense as a result of forfeited awards.

General and administrative expenses increased \$16.8 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020. Personnel costs increased \$3.4 million. Excluding the effect of stock-based compensation expense that is included in personnel costs, personnel costs increased \$4.0 million primarily from additional headcount as we continued to scale our business and \$0.9 million due to associated employer taxes with the exercises of certain stock-based transactions. Third party professional fees increased \$9.6 million for the nine months ended October 31, 2021 compared to the nine months ended October 31, 2020, mostly attributable to a \$8.2 million increase in fees and expenses related to the Antitrust Matters and a \$0.9 million increase in acquisition-related expenses for an announced acquisition. Allocated overhead and other general and administrative costs increased \$3.3 million, which includes an increase in insurance costs associated with being a public company, and an increase in travel-related costs of \$0.4 million. Stock-based compensation expense, included in personnel costs, decreased \$0.6 million overall due to reversals of stock-based compensation expense as a result of forfeited awards.

Our general and administrative headcount grew by 26 from October 31, 2020 to October 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, acquisition-related expenses, 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 acquisition-related expenses for announced acquisitions and fees and expenses related to the Antitrust Matters are indicative of the Company's ongoing operating performance and hinder comparability with prior and future performance.

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

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

(\$ in thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2021	2020	2021
<b>GAAP loss from operations</b>	\$ (8,788)	\$ (12,724)	\$ (28,752)	\$ (41,366)
<b>Adjustments</b>				
Amortization of intangible assets	803	806	2,395	2,430
Stock-based compensation expense	5,293	5,845	19,613	20,549
Acquisition-related expenses	—	902	—	902
Fees and expenses related to the Antitrust Matters	—	2,021	—	8,168
Total adjustments	6,096	9,574	22,008	32,049
<b>Non-GAAP operating loss</b>	\$ (2,692)	\$ (3,150)	\$ (6,744)	\$ (9,317)

## Liquidity and Capital Resources

As of October 31, 2021, we had \$381.1 million in cash and cash equivalents, and an accumulated deficit of \$203.3 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. We currently intend to use cash on our balance sheet to fund the cash portion of the merger with SimpleNexus.

### **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 October 31, 2021, the redeemable non-controlling interest was \$3.8 million and \$2.4 million, respectively.

### **Cash Flows**

Summary Cash Flow information for the nine months ended October 31, 2020 and 2021 are set forth below:

(\$ in thousands)	Nine Months Ended October 31,	
	2020	2021
Net cash provided by operating activities	\$ 21,147	\$ 1,823
Net cash used in investing activities	(3,755)	(3,640)
Net cash provided by financing activities	269,710	12,439

#### *Net Cash Provided by Operating Activities*

The \$1.8 million provided by operating activities in the nine months ended October 31, 2021 reflects our net loss of \$43.5 million, offset by \$33.3 million in non-cash charges and \$12.0 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 \$21.6 million decrease in accounts receivable, a \$2.7 million increase in accounts payable and accrued expenses and other liabilities. The cash generated by working capital accounts was partially offset by payments of \$5.8 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a \$3.2 million decrease in deferred revenue, a \$1.9 million decrease in operating lease liabilities, and a \$1.4 million increase in prepaid expenses and other assets.

The \$21.1 million provided by operating activities in the nine months ended October 31, 2020 reflects our net loss of \$28.8 million, offset by \$29.0 million in non-cash charges and \$20.9 million generated by changes in working capital accounts. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization, and amortization

of costs capitalized to obtain revenue contracts. Cash generated by working capital accounts was principally a function of a \$17.7 million decrease in accounts receivable and a \$11.4 million increase in our deferred revenue, as we expanded our customer base and renewed existing customers. The cash generated by working capital accounts was partially offset by payments of \$4.5 million of capitalized costs to obtain revenue contracts, which consisted primarily of sales commissions, a \$2.7 million increase in prepaid expenses and other assets, a \$0.9 million decrease in accounts payable and accrued expenses and other liabilities, and a \$0.1 million decrease in deferred rent.

#### *Net Cash Used in Investing Activities*

We used \$3.6 million and \$3.8 million in investing activities in the nine months ended October 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 \$12.4 million provided by financing activities in the nine months ended October 31, 2021 was comprised principally of \$12.6 million of proceeds from the exercise of stock options. The cash provided by financing activities was partially reduced by principal payments of \$0.2 million on financing obligations. The \$269.7 million provided by financing activities in the nine months ended October 31, 2020 was comprised principally of \$268.4 million in proceeds from the IPO in July 2020, net of underwriting discounts and commissions, and \$3.8 million of proceeds from the exercise of stock options. The cash provided by financing activities was partially reduced by payments of \$2.5 million in costs related to the IPO.

### **Contractual Obligations and Commitments**

The following table summarizes our contractual obligations and commitments as of October 31, 2021:

(\$ in thousands)	Payment due by period (in thousands)				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Operating lease obligations	775	5,762	3,824	2,671	13,032
Financing obligations - leased facility	672	5,485	5,734	35,912	47,803
Purchase commitments	1,073	9,827	4,543	1,104	16,547
Total	\$ 2,520	\$ 21,074	\$ 14,101	\$ 39,687	\$ 77,382

For additional discussion on our leases, financing obligations and other contractual commitments, see Note 11 "Leases", Note 12 "Commitments and Contingencies", and Note 15 "Subsequent Event" of the notes to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

### **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 recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

## **Emerging Growth Company Status**

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

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 October 31, 2021, we had cash, cash equivalents and restricted cash of \$381.4 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 October 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 October 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	
2.1+	<a href="#">Agreement and Plan of Merger, dated as of November 16, 2021, by and among nCino, Inc., Penny HoldCo, Inc., Dollar Merger Sub, Inc., Penny Merger Sub, LLC, Simple Nexus, LLC, Insight Venture Partners, LLC, and the other parties thereto</a>	8-K	001-39380	2.1	November 17, 2021	
3.1	<a href="#">Form of Amended and Restated Certificate of Incorporation of nCino, Inc.</a>	S-1/A	333-239335	3.1	July 6, 2020	
3.2	<a href="#">Form of Amended and Restated Bylaws of nCino, Inc.</a>	S-1/A	333-239335	3.2	July 6, 2020	
10.1+	<a href="#">Restrictive Covenant Agreement, dated as of November 16, 2021, by and among nCino, Inc. and the Insight Parties thereto</a>	8-K	001-39380	10.1	November 17, 2021	
10.2++	<a href="#">Parking Deck Rent Adjustment Notice</a>					X
31.1	<a href="#">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.</a>					X
31.2	<a href="#">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.</a>					X
32.1*	<a href="#">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.</a>					X
32.2*	<a href="#">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.</a>					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
+	Certain schedules and exhibits to this agreement have been omitted pursuant to Items 601(a)(5) of Regulation S-K, and the Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule and/or exhibit upon request.					
++	Portions of this exhibit have been redacted in accordance with Item 601(b)(10)(iv) of Regulation S-K.					
*	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: December 1, 2021

By: /s/ Pierre Naudé  
Pierre Naudé  
President and Chief Executive Officer; Director  
(Principal Executive Officer)

Date: December 1, 2021

By: /s/ David Rudow  
David Rudow  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

**\*\* Portions of this exhibit have been redacted in accordance with Item 601(b)(10) of Regulation S-K. The information is not material and would cause competitive harm to the registrant if publicly disclosed. “[\*\*\*]” indicates that information has been redacted.**

# Cloud Real Estate Holdings, LLC

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September 30, 2021

To: Pierre Naudé  
Katie Smith  
nCino, Inc.

Re: Notice of Parking Deck Completion Date and Parking Deck Rent Adjustment

The Parking Deck received its Certificate of Occupancy on September 28, 2021, and therefore September 28, 2021 is the Parking Deck Completion Date. Per the First Amendment to Office Lease, effective upon the Parking Deck Completion Date, the applicable rate of Basic Rent per rentable square foot of the premises shall be increased by the Parking Deck Rent Adjustment, which will be the result of the following formula: (Parking Deck Project Costs x 7.30%)/89,975 rentable square feet.

As previously discussed, Change Order No. G-06 shown in **Exhibit A** resulted in a project cost for the generator line item that exceeded the allocated budget. As a result, any unused budget dollars in all other line items remaining at the end of the Parking Deck Project were reallocated to the generator line item along with all remaining contingency. Any excess cost for the generator is being reallocated to the New Building Project Costs. As a result, the Parking Deck Project Costs totaled up to 100% of the approved budget at \$17,677,558.

Therefore, the Parking Deck Rent Adjustment is equal to \$14.34 per rentable square foot. Expenses for the parking deck are initially estimated to be \$2.78 per rentable square foot and will be included with the Parking Deck Rent Adjustment as Additional Rent. The Parking Deck Rent Adjustment shall take effect on September 28, 2021. **Exhibit B** shows the Schedule of Parking Deck Rent Adjustment.

Execution of this notice signifies your knowledge and understanding of the Parking Deck Completion Date and Parking Deck Rent Adjustment.

**TENANT:**

**nCino, Inc.**

a Delaware corporation

By: /s/ Pierre Naude  
Name: Pierre Naude  
Title: CEO

**LANDLORD:**

**Cloud Real Estate Holdings, LLC**

a North Carolina limited liability company

By: [\*\*\*]  
Name: [\*\*\*]  
Title: Manager

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Cloud Real Estate Holdings  
1051 Military Cutoff Rd, Suite 210, Wilmington, NC 28405  
Ph 910-799-8755 Fax 910-799-8785

# Cloud Real Estate Holdings, LLC

**Exhibit A**  
[\*\*\*]

**Exhibit B**

Schedule of Parking Deck Rent Adjustment

<b><u>Period</u></b>	<b><u>PRSF</u></b>	<b><u>MONTHLY PARKING DECK RENT ADJUSTMENT</u></b>	<b><u>TOTAL RENT ADJUSTMENT FOR PERIOD</u></b>
Sept. 28, 2021 – Dec. 31, 2021	\$14.34 <sup>i</sup>	\$107,520.13	\$333,312.39
Jan. 1, 2022 – Dec. 31, 2022	\$14.34	\$107,520.13	\$1,290,241.50
Jan. 1, 2023 – Dec. 31, 2023	\$14.66	\$109,919.46	\$1,319,033.50
Jan. 1, 2024 – Dec. 31, 2024	\$14.99	\$112,393.77	\$1,348,725.25
Jan. 1, 2025 – Dec. 31, 2025	\$15.33	\$114,943.06	\$1,379,316.75
Jan. 1, 2026 – Dec. 31, 2026	\$15.67	\$117,492.35	\$1,409,908.25
Jan. 1, 2027 – Dec. 31, 2027	\$16.02	\$120,116.63	\$1,441,399.50
Jan. 1, 2028 – Dec. 31, 2028	\$16.38	\$122,815.88	\$1,473,790.50
Jan. 1, 2029 – Dec. 31, 2029	\$16.75	\$125,590.10	\$1,507,081.25
Jan. 1, 2030 – Dec. 31, 2030	\$17.13	\$128,439.31	\$1,541,271.75
Jan. 1, 2031 – Dec. 31, 2031	\$17.52	\$131,363.50	\$1,576,362.00
Jan. 1, 2032 – Dec. 31, 2032	\$17.91	\$134,287.69	\$1,611,452.25
Jan. 1, 2033 – Dec. 31, 2033	\$18.31	\$137,286.85	\$1,647,442.25
Jan. 1, 2034 – Dec. 31, 2034	\$18.72	\$140,361.00	\$1,684,332.00
Jan. 1, 2035 – Dec. 31, 2035	\$19.14	\$143,510.13	\$1,722,121.50

# Cloud Real Estate Holdings, LLC

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If the Expiration Date under each Lease occurs after December 31, 2035, the Parking Deck Rent Adjustment (as allocated between the Existing Building and the New Building) shall continue to escalate annually (automatically and with further notice) by two and one-quarter percent (2.25%) on January 1, 2036 and on January 1 of each year thereafter during the Term.

In accordance with Section 5 of that Second Amendment to Office Lease dated April 5, 2021, between Cloud Real Estate Holdings, LLC and nCino, Inc., upon the occurrence of the Commencement Date under the New Building Lease, the Parking Deck Rent Adjustment shall not longer apply solely to the Existing Building Lease, but shall be allocated between the Existing Building Lease and the New Building Lease pro-rata based on the rentable square footage of the two buildings. The parties further will make appropriate prorations in the event the New Building Lease Commencement Date occurs on other than the first day of a month.

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<sup>i</sup> The 14.34 starting rate is based on Parking Deck Project Costs of \$17,677,558, which amount is under review. This table will need to be recalculated if the parties agree that Parking Deck Project Costs should be changed.

**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: December 1, 2021

By:

/s/ Pierre Naudé

Pierre Naudé  
President and Chief Executive Officer



**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: December 1, 2021

By:

\_\_\_\_\_  
/s/ David Rudow  
David Rudow  
Chief Financial Officer



