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 September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-40465

Marqeta, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-4306690**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
180 Grand Avenue, 6th Floor, Oakland, California	**94612**
(Address of principal executive offices)	(Zip Code)

(877) 962-7738

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0001 par value per share	**MQ**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

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

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

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

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

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

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

As of November 6, 2023, there were 467,456,540 shares of the registrant's Class A common stock, par value $0.0001 per share, outstanding and 54,394,645 shares of the registrant's Class B common stock, par value $0.0001 per share, outstanding.

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Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which are statements that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "shall," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- *uncertainties related to U.S. and global economies and the effect on our business, results of operations, financial condition, demand for our platform, sales cycles and customer retention;*
- *our future financial performance, including our net revenue, costs of revenue, gross profit, and operating expenses and our ability to achieve future profitability;*
- *the anticipated accounting treatment of our customer agreements and the risk that such accounting treatment may be subject to further changes or developments;*
- *our ability to effectively manage or sustain our growth and expand our operations;*
- *our ability to enhance our platform and services and develop and expand our capabilities;*
- *our ability to further attract, retain, diversify, and expand our customer base;*
- *our ability to maintain our relationships with our Issuing Banks and Card Networks;*
- *our strategies, plans, objectives, and goals;*
- *our plans to expand internationally;*
- *our ability to compete in existing and new markets and offerings;*
- *our estimated market opportunity;*
- *economic and industry trends, projected growth, or trend analysis;*
- *the impact of increasing geopolitical uncertainty, ongoing instability in the financial services and banking sectors, rising inflation, and increased labor market competition;*
- *our ability to develop and protect our brand;*
- *our ability to comply with laws and regulations;*
- *our ability to successfully defend litigation brought against us;*
- *our ability to attract and retain qualified employees and key personnel;*
- *our ability to recognize efficiencies from the restructuring plan executed during the second quarter of 2023;*
- *our ability to repurchase shares under our share repurchase program and receive expected financial benefits;*
- *our ability to maintain effective disclosure controls and internal controls over financial reporting, including our ability to remediate our material weakness in our internal control over financial reporting; and*
- *the increased expenses associated with being a public company.*

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, results of operations, financial condition, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements. The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. Unless otherwise indicated or unless the context requires otherwise, all references in this document to "Marqeta", the "Company", the "Registrant," "we", "us", "our", or similar references are to Marqeta, Inc. Capitalized terms used and not defined above are defined elsewhere within this Quarterly Report on Form 10-Q.

PART I - Financial Information

Item 1. Financial Statements

Marqeta, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 947,749	$ 1,183,846
Restricted cash	7,800	7,800
Short-term investments	349,395	440,858
Accounts receivable, net	15,656	15,569
Settlements receivable, net	19,505	18,028
Network incentives receivable	34,575	42,661
Prepaid expenses and other current assets	32,535	38,007
Total current assets	1,407,215	1,746,769
Property and equipment, net	17,022	7,440
Operating lease right-of-use assets, net	7,145	9,015
Goodwill	123,000	—
Other assets	48,867	7,122
Total assets	$ 1,603,249	$ 1,770,346
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,707	$ 3,798
Revenue share payable	146,483	142,194
Accrued expenses and other current liabilities	148,677	136,887
Total current liabilities	296,867	282,879
Operating lease liabilities, net of current portion	6,145	9,034
Other liabilities	5,154	5,477
Total liabilities	308,166	297,390
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 100,000,000 and 100,000,000 shares authorized, no shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Common stock, $0.0001 par value: 1,500,000,000 and 1,500,000,000 Class A shares authorized, 472,191,347 and 486,530,334 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively. 600,000,000 and 600,000,000 Class B shares authorized, 54,394,305 and 54,833,765 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	53	53
Additional paid-in capital	2,081,689	2,082,373
Accumulated other comprehensive loss	(1,838)	(7,237)
Accumulated deficit	(784,821)	(602,233)
Total stockholders' equity	1,295,083	1,472,956
Total liabilities and stockholders' equity	$ 1,603,249	$ 1,770,346

See accompanying notes to Condensed Consolidated Financial Statements.

Marqeta, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue	$ 108,891	$ 191,621	$ 557,349	$ 544,401
Costs of revenue	36,383	111,519	311,068	311,524
Gross profit	72,508	80,102	246,281	232,877
Operating expenses:				
Compensation and benefits	115,846	105,887	390,393	304,103
Technology	13,930	13,422	41,674	37,960
Professional services	4,197	6,620	14,507	17,184
Occupancy	1,074	1,125	3,285	3,388
Depreciation and amortization	3,108	934	7,582	2,834
Marketing and advertising	346	688	1,348	2,133
Other operating expenses	3,833	10,922	14,171	20,760
Total operating expenses	142,334	139,598	472,960	388,362
Loss from operations	(69,826)	(59,496)	(226,679)	(155,485)
Other income (expense), net	15,074	6,333	37,508	(3,542)
Loss before income tax expense	(54,752)	(53,163)	(189,171)	(159,027)
Income tax expense (benefit)	238	5	(6,584)	(573)
Net loss	$ (54,990)	$ (53,168)	$ (182,587)	$ (158,454)
Other comprehensive income (loss), net of taxes:				
Change in foreign currency translation adjustment	(200)	(89)	(81)	(289)
Net change in unrealized gain (loss) on short-term investments	(162)	(291)	5,480	(8,054)
Net other comprehensive (loss) income	(362)	(380)	$ 5,399	$ (8,343)
Comprehensive loss	$ (55,352)	$ (53,548)	$ (177,188)	$ (166,797)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.10)	$ (0.10)	$ (0.34)	$ (0.29)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	529,488,986	548,990,212	535,797,471	545,614,599

See accompanying notes to Condensed Consolidated Financial Statements.

Marqeta, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2022	541,364,099	$ 53	$ 2,082,373	$ (7,237)	$ (602,233)	$ 1,472,956
Issuance of common stock upon exercise of options	803,333	—	1,051	—	—	1,051
Issuance of common stock upon net settlement of restricted stock units	1,469,996	—	(3,746)	—	—	(3,746)
Vesting of common stock warrants	—	—	2,102	—	—	2,102
Share-based compensation	—	—	47,027	—	—	47,027
Repurchase and retirement of common stock, including excise tax	(3,205,808)	—	(20,993)		—	(20,993)
Change in accumulated other comprehensive income (loss)	—	—	—	4,054	—	4,054
Net loss	—	—	—	—	(68,801)	(68,801)
Balance as of March 31, 2023	540,431,620	$ 53	$ 2,107,814	$ (3,183)	$ (671,034)	$ 1,433,650
Issuance of common stock upon exercise of options	827,683	—	1,310	—	—	1,310
Issuance of common stock under employee stock purchase plan	446,228	—	1,775	—	—	1,775
Issuance of common stock upon net settlement of restricted stock units	2,679,165	—	(6,324)	—	—	(6,324)
Vesting of common stock warrants	—	—	2,372	—	—	2,372
Share-based compensation	—	—	45,419	—	—	45,419
Repurchase and retirement of common stock, including excise tax	(10,168,020)	(1)	(48,496)	—	—	(48,497)
Change in accumulated other comprehensive income (loss)	—	—	—	1,707	—	1,707
Net loss	—	—	—	—	(58,797)	(58,797)
Balance as of June 30, 2023	534,216,676	$ 52	$ 2,103,870	$ (1,476)	$ (729,831)	$ 1,372,615
Issuance of common stock upon exercise of options	1,189,094	—	1,675	—	—	1,675
Repurchase of early exercised stock options	(2,625)	—	(6)	—	—	(6)
Issuance of common stock upon net settlement of restricted stock units	2,645,082	2	(8,483)	—	—	(8,481)
Issuance of common stock upon exercise of common stock warrants	—	—	—	—	—	—
Vesting of common stock warrants	—	—	2,284	—	—	2,284
Share-based compensation	—	—	46,796	—	—	46,796
Repurchase and retirement of common stock, including excise tax	(11,462,575)	(1)	(64,447)	—	—	(64,448)
Change in accumulated other comprehensive income (loss)	—	—	—	(362)	—	(362)
Net loss	—	—	—	—	(54,990)	(54,990)
Balance as of September 30, 2023	526,585,652	$ 53	$ 2,081,689	$ (1,838)	$ (784,821)	$ 1,295,083

Marqeta, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2021	541,383,518	$ 54	$ 1,993,055	$ (2,230)	$ (417,453)	$ 1,573,426
Issuance of common stock upon exercise of options	1,604,022	—	2,285	—	—	2,285
Repurchase of early exercised stock options	(22,751)	—	—	—	—	—
Issuance of common stock upon net settlement of restricted stock units	642,827	—	(4,702)	—	—	(4,702)
Vesting of common stock warrants	—	—	2,102	—	—	2,102
Share-based compensation	—	—	37,005	—	—	37,005
Change in accumulated other comprehensive income (loss)	—	—	—	(5,886)	—	(5,886)
Net loss	—	—	—	—	(60,598)	(60,598)
Balance as of March 31, 2022	543,607,616	$ 54	$ 2,029,745	$ (8,116)	$ (478,051)	$ 1,543,632
Issuance of common stock upon exercise of options	1,314,467	—	1,543	—	—	1,543
Repurchase of early exercised stock options	(28,268)	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	368,955	—	2,775	—	—	2,775
Issuance of common stock upon net settlement of restricted stock units	670,960	—	(3,878)	—	—	(3,878)
Vesting of common stock warrants	—	—	2,102	—	—	2,102
Share-based compensation	—	—	35,148	—	—	35,148
Change in accumulated other comprehensive income (loss)	—	—	—	(2,077)	—	(2,077)
Net loss	—	—	—	—	(44,688)	(44,688)
Balance as of June 30, 2022	545,933,730	$ 54	$ 2,067,435	$ (10,193)	$ (522,739)	$ 1,534,557
Issuance of common stock upon exercise of options	3,113,941	—	2,356	—	—	2,356
Repurchase of early exercised stock options	—	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	—	—	—	—
Issuance of common stock upon net settlement of restricted stock units	772,585	—	(2,996)	—	—	(2,996)
Issuance of common stock upon exercise of common stock warrants	—	—	—	—	—	—
Vesting of common stock warrants	—	—	2,315	—	—	2,315
Share-based compensation	—	—	43,509	—	—	43,509
Repurchase and retirement of common stock	(1,958,882)	—	(13,855)	—	—	(13,855)
Change in accumulated other comprehensive income (loss)	—	—	—	(380)	—	(380)
Net loss	—	—	—	—	(53,168)	(53,168)
Balance as of September 30, 2022	547,861,374	$ 54	$ 2,098,764	$ (10,573)	$ (575,907)	$ 1,512,338

See accompanying notes to Condensed Consolidated Financial Statements.

Marqeta, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (182,587)	$ (158,454)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,582	2,834
Share-based compensation expense	135,712	115,662
Non-cash postcombination compensation expense	32,430	—
Non-cash operating leases expense	1,870	1,689
Amortization of premium (accretion of discount) on short-term investments	(5,525)	449
Impairment of other financial instruments	—	11,616
Other	1,068	445
Changes in operating assets and liabilities:		
Accounts receivable	(1,108)	271
Settlements receivable	(1,477)	916
Network incentives receivable	8,086	3,336
Prepaid expenses and other assets	7,760	(11,596)
Accounts payable	(4,350)	(891)
Revenue share payable	4,289	(5,084)
Accrued expenses and other liabilities	3,331	13,144
Operating lease liabilities	(2,499)	(2,231)
Net cash provided by (used in) operating activities	4,582	(27,894)
Cash flows from investing activities:		
Purchases of property and equipment	(722)	(1,700)
Capitalization of internal-use software	(9,488)	—
Business combination, net of cash acquired	(135,630)	—
Purchases of patents	—	(600)
Purchases of short-term investments	(972,430)	(21,660)
Sales of marketable securities	637,913	—
Maturities of short-term investments	437,034	24,900
Realized gain/loss on investments	(73)	—
Net cash (used in) provided by investing activities	(43,396)	940
Cash flows from financing activities:		
Proceeds from exercise of stock options, including early exercised stock options, net of repurchase of early exercised unvested options	4,081	5,733
Payment on acquisition-related contingent consideration	(53,067)	—
Proceeds from shares issued in connection with employee stock purchase plan	1,775	2,775
Taxes paid related to net share settlement of restricted stock units	(18,553)	(11,576)
Repurchase of common stock	(131,519)	(12,702)
Net cash used in financing activities	(197,283)	(15,770)
Net decrease in cash, cash equivalents, and restricted cash	(236,097)	(42,724)
Cash, cash equivalents, and restricted cash- Beginning of period	1,191,646	1,255,381
Cash, cash equivalents, and restricted cash - End of period	$ 955,549	$ 1,212,657

See accompanying notes to Condensed Consolidated Financial Statements.

Marqeta, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 947,749	$ 1,204,857
Restricted cash	7,800	7,800
Total cash, cash equivalents, and restricted cash	$ 955,549	$ 1,212,657
Supplemental disclosures of cash flow information:		
Cash paid for operating lease liabilities	$ 3,158	$ 3,071
Cash paid for income taxes	$ 915	$ 84
Supplemental disclosures of non-cash investing and financing activities:		
Purchase of property and equipment accrued and not yet paid	$ 77	$ 715
Share-based compensation capitalized to internal-use software	$ 3,530	$ —
Repurchase of common stock, including excise tax, accrued and not yet paid	$ 2,417	$ 1,153

See accompanying notes to Condensed Consolidated Financial Statements.

1. Business Overview and Basis of Presentation

Marqeta, Inc., (“the Company”) creates digital payment technology for innovation leaders. The Company's modern card issuing platform places control over payment transactions into the hands of its customers enabling them to develop modern, state-of-the-art product experiences.

The Company provides all of its customers with issuer processor services and for most of its customers it also acts as a card program manager. The Company primarily earns revenue from processing card transactions for its customers.

The Company was incorporated in the state of Delaware in 2010 and is headquartered in Oakland, California, with offices in the United States and United Kingdom and a legal entity in Australia, Brazil, Canada, and Singapore as of September 30, 2023.

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”) and the applicable rules and regulations of the Securities and Exchange Commission, (“SEC”), for interim reporting. Certain information and note disclosures included in the Company’s annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of December 31, 2022 has been derived from the Company’s audited consolidated financial statements, which are included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 28, 2023. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto included in the Annual Report on Form 10-K.

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying Condensed Consolidated Financial Statements reflect all adjustments of a normal, recurring nature considered necessary for a fair presentation of the Company's consolidated financial position, results of operations, comprehensive loss, and cash flows for the interim periods presented. The interim results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or for any other future annual or interim period.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions relating to reported amounts of assets and liabilities, disclosure of contingent liabilities, and reported amounts of revenue and expenses. Significant estimates and assumptions include, but are not limited to, the fair value and useful lives of assets acquired and liabilities assumed through business combinations, the estimation of contingent liabilities, the estimation of variable consideration in contracts with customers, and the reserve for contract contingencies and processing errors. Actual results could differ materially from these estimates.

Business Risks and Uncertainties

The Company has incurred net losses since its inception. For the three and nine months ended September 30, 2023, the Company incurred net losses of $55.0 million and $182.6 million, respectively, and had an accumulated deficit of $784.8 million as of September 30, 2023. The Company expects to incur net losses from operations for the foreseeable future as it incurs costs and expenses related to creating new products for customers, acquiring new customers, developing its brand, expanding into new geographies and developing the existing platform infrastructure. The Company believes that its Cash and cash equivalents of $947.7 million and Short-term investments of $349.4 million as of September 30, 2023 are sufficient to fund its operations through at least the next twelve months from the issuance of these financial statements.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in "Consolidated Financial Statements—Note 2. Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. There have been no significant changes to these policies during the three and nine months ended September 30, 2023, except for the addition of new policies relating to business combinations, goodwill and intangible assets, restructuring, and certain revenue arrangements requiring updates to the revenue recognition policy as described below.

Segment Information

The Company operates as a single operating segment. The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, allocating resources, and evaluating the Company's financial performance.

For the three and nine months ended September 30, 2023 and 2022, revenue outside of the United States, based on the billing address of the customer, was not material. As of September 30, 2023 and December 31, 2022, long-lived assets located outside of the United States were not material.

Restricted Cash

Restricted cash consists of deposits with financial institutions that issue payment cards (credit, debit, or prepaid) either on their own behalf or on behalf of businesses that issue customized card products to their end users ("Issuing Banks") to provide the Issuing Bank collateral in the event that customers' funds are not deposited at the Issuing Banks in time to settle customers' transactions with the networks that provide the infrastructure for settlement and card payment information flows ("Card Networks"). Restricted cash also includes cash used to secure a letter of credit for the Company's lease of its office headquarters in Oakland, California.

Capitalized Internal-use Software Development Costs

The Company capitalizes certain costs incurred in developing internal-use software when capitalization requirements have been met. Internal and external costs incurred in the preliminary project stage of internal-use software development are expensed as incurred. Once the software development process reaches the application development stage, qualifying internal costs including compensation and benefits costs of employees who are directly associated with and devote time to the software project as well as external direct costs are capitalized. Capitalization of costs ends when the developed software is substantially complete and ready for its intended internal use, which is typically upon completion of all substantial testing. Capitalized internal-use software development costs are included in property and equipment, net, and then amortized on a straight-line basis over the estimated useful life of the software. The amortization of these costs is recorded within Depreciation and amortization expense on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Business Combinations

The Company allocates the purchase consideration for acquired companies to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. These estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Condensed Consolidated Statements of Operations and Comprehensive Loss. Acquisition-related expenses and postcombination integration and employee compensation costs are recognized separately from the business combination and are expensed as incurred.

Goodwill and Intangible Assets

The excess purchase price over the fair value of assets acquired is recorded as goodwill. Goodwill amounts are not amortized. Intangible assets with finite lives are amortized over their estimated useful lives on a straight-line basis. Goodwill and intangible assets are tested for impairment at least annually, and more frequently whenever events or changes in circumstances indicate its carrying value may not be recoverable.

Deferred Contract Costs

Deferred contract costs mainly consist of sales commissions and related fringe benefits that are incremental costs of obtaining contracts with customers. The Company amortizes the costs incurred on initial contracts on a straight-line basis over an estimated period of benefit determined to be approximately four years. The period of benefit is determined based on a review of customer contract terms and churn rates. The Company utilizes the practical expedient to expense commissions on arrangements in which the amortization period is expected to be one year or less. Deferred contract costs that will be recognized during the succeeding 12-month period are recorded as Prepaid expenses and other current assets, and the remaining portion is recorded as Other assets on the Condensed Consolidated Balance Sheets. The amortization of these costs is recorded within Compensation and benefits expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

The Company's contracts with customers include certain service level agreements which could require the Company to make payments to customers if service levels are not met. Any service level payment is recorded as a reduction to Net Revenue in the Condensed Consolidated Statements of Operations and Comprehensive Loss. Historically, the Company did not capitalize material costs to acquire contracts.

Restructuring

Restructuring costs stem from employee related severance charges and include both cash and non-cash compensation. The Company generally recognizes restructuring costs upon communication of the plan to the identified employees or when payments are probable and amounts are estimable, depending on the region an employee works. Restructuring liabilities are classified in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company’s contracts with customers typically include two performance obligations: 1) providing access to the Company's payment processing platform and 2) providing card fulfillment services. Certain customer contracts require the Company to allocate the transaction price of the contract based on the relative stand-alone selling price of the performance obligations, which are estimated using an analysis of the Company’s historical contract pricing and costs incurred to fulfill its services.

The Company generates revenue from providing platform services and other services as described below.

Platform Services

The Company delivers an integrated payment processing platform to its customers. The Company’s primary performance obligation is to provide customers continuous access to the Company’s platform used to process all customers’ transactions as needed. This obligation includes authorizing, settling, clearing, and reconciling all transactions under Managed By Marqeta (“MxM”) and Powered By Marqeta (“PxM”) arrangements. Additionally, for MxM arrangements, the performance obligation also includes managing the interactions with the Issuing Banks and certain Card Networks on behalf of its customers. All these services are collectively considered a single performance obligation.

The Company’s platform services revenue is primarily derived from Interchange Fees generated by customer card transactions and other transaction fees collected from customers. The Company accounts for these Interchange Fees as revenue earned from its customers because the Company controls the services before delivery to the customer.

The Company's platform services revenue consists of a stand-ready service of distinct transaction processing services that are substantially the same, with the same pattern of transfer to customers. As such, the stand-ready obligation is accounted for as a single performance obligation that is a series of distinct services whereby the variability of the transaction value is satisfied daily as the performance obligation is satisfied. The Company satisfies its performance obligation to provide platform services over time as customers have continuous access to the Company's platform and the Company stands-ready to process customer transactions throughout their term of access.

The Company recognizes revenue when the underlying transactions are complete, and its performance obligation is satisfied. Transactions are considered complete when the Company has authorized the transaction, validated that the transaction has no errors, and accepted and posted the data to its records.

The Company allocates variable consideration to the distinct month in which the platform services are delivered. When pricing terms are not consistent throughout the entire term of the contract, the Company estimates variable consideration in its customer contracts primarily using the expected value method. The standard term of the customer contracts ranges from three to five years, with automatic renewal for successive one-year periods thereafter unless either party provides written notice of its intent not to renew. The Company develops estimates of variable consideration on the basis of both historical information and current trends and does not expect or anticipate significant reversal of revenue in the future periods.

In arrangements where the Company is both the Issuer Processor and Program Manager , the Company is the principal in providing the services under its contracts with customers. To deliver the services required by its customers, the Company contracts with Card Networks for transaction routing, reporting, and settlement services and with Issuing Banks for card issuing, Card Network sponsorship, and regulatory compliance approval services. The Company controls these integrated services before delivery to its customers; it is primarily responsible for the delivery of the services to customers, and it has discretion in vendor selection. As such, the Company records fees paid to the Issuing Banks and Card Networks as Costs of Revenue within the Condensed Consolidated Statements of Operations and Comprehensive Loss. In certain customer arrangements, the customer is directly responsible for defining and managing the Card Network relationship for their card program. In these instances, the Company is considered an agent in providing services to the customer thus fees owed to Issuing Banks and Card Networks related to these programs are recorded within Net Revenue such that Net Revenue in the Condensed Consolidated Statements of Operations and Comprehensive Loss reflects the net amount of consideration that the Company retains. In arrangements where the Company acts solely as the Issuer Processor, the Company does not integrate the services of Issuing Banks or Card Networks.

3. Revenue

Disaggregation of Revenue

The following table provides information about disaggregated revenue from customers:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Platform services revenue, net	$ 104,332	$ 185,837	$ 540,862	$ 527,940
Other services revenue	4,559	5,784	16,487	16,461
Total net revenue	$ 108,891	$ 191,621	$ 557,349	$ 544,401

Contract Balances

The following table provides information about contract assets and deferred revenue:

Contract balance	Balance sheet line reference	September 30, 2023	December 31, 2022
Contract assets - current	Prepaid expenses and other current assets	$ 1,771	$ 621
Contract assets - non-current	Other assets	6,416	1,323
Total contract assets		$ 8,187	$ 1,944
Deferred revenue - current	Accrued expenses and other current liabilities	$ 12,180	$ 17,048
Deferred revenue - non-current	Other liabilities	4,501	4,202
Total deferred revenue		$ 16,681	$ 21,250

Net revenue recognized during the three months ended September 30, 2023 and 2022 that was included in the deferred revenue balances at the beginning of the respective periods was $3.8 million and $3.3 million, respectively. Net revenue recognized during the nine months ended September 30, 2023 and 2022 that was included in the deferred revenue balances at the beginning of the respective periods was $10.6 million and $11.9 million, respectively.

Remaining Performance Obligations

The Company has performance obligations associated with commitments in customer contracts for future stand-ready obligations to process transactions throughout the contractual term.

4. Short-term Investments

During the second quarter of 2023, the Company renamed the Marketable securities financial statement line item to Short-term investments in the Condensed Consolidated Balances Sheets to more accurately align with the Company’s current investment portfolio. The Company's short-term investments are accounted for as securities available-for-sale and are classified within current assets in the Condensed Consolidated Balance Sheets as the Company may sell these securities at any time for use in its operations, even prior to maturity.

The amortized cost, unrealized gain (loss), and estimated fair value of the Company's short-term investments consisted of the following:

	September 30, 2023			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Short-term Investments				
U.S. treasury securities	$ 258,048	$ —	$ (1,345)	$ 256,703
U.S. agency securities	53,947	2	(37)	53,912
Commercial paper	5,482	—	—	5,482
Asset-backed securities	10,437	—	(104)	10,333
Corporate debt securities	2,972	—	(21)	2,951
Certificate of deposits	20,000	14	—	20,014
Total short-term investments	$ 350,886	$ 16	$ (1,507)	$ 349,395

	December 31, 2022			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Short-term investments				
U.S. treasury securities	$ 384,951	$ —	$ (6,949)	$ 378,002
U.S. agency securities	29,012	47	—	29,059
Commercial paper	28,815	—	—	28,815
Corporate debt securities	5,049	—	(67)	4,982
Total short-term investments	$ 447,827	$ 47	$ (7,016)	$ 440,858

The Company had thirty-one and thirteen separate short-term investments in unrealized loss positions as of September 30, 2023 and December 31, 2022, respectively. The Company does not intend to sell any short-term investments that have unrealized losses as of September 30, 2023, and it is not more likely than not that the Company will be required to sell such securities before any anticipated recovery of the entire amortized cost basis.

There were an immaterial amount of realized gains or losses from short-term investments that were reclassified out of accumulated other comprehensive loss for the three and nine months ended September 30, 2023. There were no realized gains or losses from short-term investments that were reclassified out of accumulated other comprehensive loss for the three and nine months ended September 30, 2022. For short-term investments that have unrealized losses, the Company evaluated whether (i) the Company has the intention to sell any of these investments, (ii) it is not more likely than not that the Company will be required to sell any of these available-for-sale debt securities before recovery of the entire amortized cost basis and (iii) the decline in the fair value of the investment is due to credit or non-credit related factors. Based on this evaluation, the Company determined that for its short-term investments, there were no material credit or non-credit related impairments as of September 30, 2023.

The following table summarizes the stated maturities of the Company's short-term investments:

	September 30, 2023		December 31, 2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year	$ 137,506	$ 137,389	$ 447,827	$ 440,858
Due after one year through two years	213,380	212,006	—	—
Total	$ 350,886	$ 349,395	$ 447,827	$ 440,858

5. Fair Value Measurements

The following tables present the fair value hierarchy for assets and liabilities measured at fair value:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents				
Money market funds	$ 780,712	$ —	$ —	$ 780,712
U.S. Treasury bills	31,811	—	—	31,811
Short-term investments				
U.S. government securities	256,703	—	—	256,703
U.S. agency securities	—	53,912		53,912
Commercial paper	—	5,482	—	5,482
Asset-backed securities	—	10,333	—	10,333
Corporate debt securities	—	2,951	—	2,951
Certificate of deposit	—	20,014	—	20,014
Total assets	$ 1,069,226	$ 92,692	$ —	$ 1,161,918

	December 31, 2022			
	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents				
Money market funds	$ 462,459	$ —	$ —	$ 462,459
Short-term investments				
U.S. government securities	378,002	—	—	378,002
U.S. agency securities	—	29,059	—	29,059
Commercial paper	—	28,815	—	28,815
Corporate debt securities	—	4,982	—	4,982
Total assets	$ 840,461	$ 62,856	$ —	$ 903,317

The Company classifies money market funds, U.S. Treasury bills, commercial paper, U.S. government securities, U.S. agency securities, asset-backed securities, corporate debt securities, and certificate of deposits within Level 1 or Level 2 of the fair value hierarchy because the Company values these investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

There were no transfers of financial instruments between the fair value hierarchy levels during the three and nine months ended September 30, 2023 and the year ended December 31, 2022.

6. Certain Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	September 30, 2023	December 31, 2022
Prepaid expenses	$ 8,352	$ 9,082
Inventory	4,672	5,150
Prepaid hosting and data costs	2,562	6,443
Accrued interest receivable	6,354	3,983
Prepaid insurance	3,053	3,729
Card program deposits	128	2,128
Contract assets, current	1,771	621
Other current assets	5,643	6,871
Prepaid expenses and other current assets	$ 32,535	$ 38,007

Property and Equipment, net

Property and equipment consisted of the following:

	September 30, 2023	December 31, 2022
Leasehold improvements	$ 8,110	$ 8,110
Computer equipment	8,832	9,115
Furniture and fixtures	2,519	2,542
Internally developed and purchased software	16,095	3,082
	35,556	22,849
Accumulated depreciation and amortization	(18,534)	(15,409)
Property and equipment, net	$ 17,022	$ 7,440

Depreciation and amortization expense related to property and equipment was $1.6 million and $0.9 million for the three months ended September 30, 2023 and 2022, respectively, and $3.7 million and $2.8 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company capitalized $4.3 million and $13.0 million as internal-use software development costs during the three and nine months ended September 30, 2023, respectively. Internal-use software development costs during the three and nine months ended September 30, 2022 were not material during the respective periods.

Other Assets

Other assets consisted of the following:

	September 30, 2023	December 31, 2022
Contract assets, noncurrent	$ 6,416	$ 1,323
Deferred tax assets	336	1,240
Other noncurrent assets	5,020	4,559
Developed technology intangible assets, net	37,095	—
Other assets	$ 48,867	$ 7,122

The amortization period for developed technology intangible assets is 7 years. Amortization expense for developed technology was $1.5 million and $3.9 million for three and nine months ended September 30, 2023, respectively.

Expected future amortization expense for developed technology was as follows as of September 30, 2023:

Remainder of 2023	$	1,464
2024		5,857
2025		5,857
2026		5,857
2027		5,857
Thereafter		12,202
Total expected future amortization expense for developed technology	$	37,095

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022
Accrued costs of revenue	$ 68,623	$ 57,191
Accrued compensation and benefits	34,701	41,268
Due to issuing banks	8,529	—
Deferred revenue	12,180	17,048
Accrued tax liabilities	4,699	4,978
Accrued professional services	4,066	4,784
Operating lease liabilities, current portion	3,784	3,394
Reserve for contract contingencies and processing errors	3,409	2,494
Other accrued liabilities	8,686	5,730
Accrued expenses and other current liabilities	$ 148,677	$ 136,887

Other Liabilities

Other liabilities consisted of the following:

	September 30, 2023	December 31, 2022
Deferred revenue, net of current portion	$ 4,501	$ 4,202
Other long-term liabilities	653	1,275
Other liabilities	$ 5,154	$ 5,477

7. Commitments and Contingencies

Operating Leases

The Company has a lease agreement for its corporate headquarters in Oakland, California for a total of 63,000 square feet. The non-cancellable operating lease expires in February 2026 and includes options to extend the lease term, generally at the then-market rates. The Company excludes extension options that are not reasonably certain to be exercised from its lease terms. The Company’s lease payments consist primarily of fixed rental payments for the right to use the underlying leased assets over the lease terms. The Company is responsible for operating expenses that exceed the amount of base operating expenses as defined in the original lease agreement.

The Company's operating lease costs are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	$ 843	$ 843	$ 2,529	$ 2,529
Variable lease cost	131	121	359	319
Short-term lease cost	48	99	195	318
Total lease cost	$ 1,022	$ 1,063	$ 3,083	$ 3,166

The Company does not have any sublease income and the Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

The weighted average remaining operating lease term and the weighted average discount rate used in the calculation of the Company's lease assets and lease liabilities were as follows:

	September 30, 2023	December 31, 2022
Weighted average remaining operating lease term (in years)	2.3	3.1
Weighted average discount rate	7.7%	7.7%

Maturities of the Company's operating lease liabilities by year are as follows as of September 30, 2023:

Remainder of 2023	$ 1,081
2024	4,472
2025	4,599
2026	781
Total lease payments	10,933
Less imputed interest	(1,004)
Total operating lease liabilities	$ 9,929

Letters of Credit

In connection with the lease for its corporate headquarters office space, the Company is required to provide the landlord a letter of credit in the amount of $1.5 million. The Company has secured this letter of credit by depositing $1.5 million with the issuing financial institution, which deposit is classified as Restricted cash in the Condensed Consolidated Balance Sheets.

Purchase Obligations

As of September 30, 2023, the Company had non-cancellable purchase commitments with certain service providers and Issuing Banks of $198.9 million, payable over the next 5 years. These purchase obligations include $185.5 million related to minimum commitments as part of a cloud-computing service agreement. The remaining obligations are related to various service providers and Issuing Banks processing fees over the fixed, non-cancellable respective contract terms.

Defined Contribution Plans

The Company maintains defined contribution plans for eligible employees, including a 401(k) plan that covers substantially all of its U.S. based employees and to which the Company provides a matching contribution of 50% of the first 6% of eligible compensation that an employee contributes. During the three months ended September 30, 2023 and 2022, the Company contributed a total of $1.4 million and $1.2 million to its defined contribution plans, respectively. During the nine months ended September 30, 2023 and 2022, the Company contributed a total of $5.1 million and $4.6 million to its defined contribution plans, respectively.

Legal Contingencies

From time to time in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings. As of September 30, 2023 and December 31, 2022, there were no legal contingency matters, either individually or in aggregate, that would have a material adverse effect on the Company's financial position, results of operations, or cash flows. Given the unpredictable nature of legal proceedings, the Company bases its assessment on the information available at the time. As additional information becomes available, the Company reassesses the potential liability and may revise the estimate.

Settlement of Payment Transactions

Customers deposit a certain amount of pre-funding into accounts maintained at Issuing Banks to settle their payment transactions. Such pre-funding amounts may only be used to settle customers' payment transactions and are not considered assets of the Company. As such, the funds held in customers' accounts at Issuing Banks are not reflected on the Company's Condensed Consolidated Balance Sheets. If a customer fails to deposit sufficient funds to settle a transaction, the Company is liable to the Issuing Bank to settle the transaction and would therefore incur losses if such amounts cannot be subsequently recovered from the customer.

Indemnifications

In the ordinary course of business, the Company enters into agreements of varying scope and terms pursuant to which it agrees to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. With respect to Issuing Banks, the Company has received requests for indemnification from time to time and may indemnify the Issuing Bank for losses the Issuing Bank may incur for non-compliance with applicable law and regulation, if those losses resulted from the Company's failure to perform under its program agreement with the Issuing Bank.

In addition, the Company has entered into indemnification agreements with its directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon the Company to provide indemnification under such agreements and there are no claims that the Company is aware of that could have a material effect on its Condensed Consolidated Financial Statements.

The Company also includes service level commitments to its customers, warranting certain levels of performance and permitting those customers to receive credits in the event the Company fails to meet the levels specified.

8. Stock Incentive Plans

The Company has granted share-based awards to employees, non-employee directors, and other service providers of the Company under the Amended and Restated 2011 Equity Incentive Plan ("2011 Plan") and the 2021 Stock Option and Incentive Plan ("2021 Plan", collectively, the "Plans"). The 2011 Plan was terminated in June 2021 in connection with the Company's initial public offering ("IPO") but continues to govern the terms of outstanding awards that were granted prior to the IPO. Additionally, the Company offers an employee stock purchase plan ("ESPP"), which allows employees to purchase shares of common stock at 85% of the fair value of the Company's Class A common stock on the first or last day of the offering period, whichever is lower. The offering periods are six months long and start in May and November of each year.

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The following table presents the share-based compensation expense recognized in the Condensed Consolidated Statements of Operations and Comprehensive Loss:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Restricted stock units	$ 25,021	$ 22,246	$ 74,991	$ 52,669
Stock options	6,858	7,318	19,651	21,136
Executive Chairman Long-Term Performance Award	13,413	13,413	39,801	39,801
Employee Stock Purchase Plan	256	532	1,269	2,056
Total	$ 45,548	$ 43,509	$ 135,712	$ 115,662

Restricted Stock Units

Restricted stock units (“RSUs”) granted under the Company’s Plans generally vest over three or four years.

A summary of the Company's RSU activity under the Plans is as follows:

	Number of Restricted Stock Units	Weighted-average grant date fair value per share
Balance as of December 31, 2022	34,146,546	$ 9.74
Granted	29,140,902	4.54
Vested	(10,305,399)	8.81
Canceled and forfeited	(10,636,399)	8.23
Balance as of September 30, 2023	42,345,650	$ 6.62

As of September 30, 2023, unrecognized compensation costs related to unvested RSUs was $261.5 million. These costs are expected to be recognized over a weighted-average period of 2.7 years.

Stock Options

Under the Plans, the exercise price of a stock option shall not be less than the fair market value per share of the Company’s common stock on the date of grant (and not less than 110% of the fair market value per share of common stock for grants to stockholders owning more than 10% of the total combined voting power of all classes of stock of the Company, or a 10% stockholder). Options are exercisable over periods not to exceed ten years from the date of grant (five years for incentive stock options granted to 10% stockholders).

A summary of the Company's stock option activity under the Plans is as follows:

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value[1]
Balance as of December 31, 2022	36,156,445	$ 16.37	7.67 years	$ 29,101
Granted	6,080,148	5.35		
Exercised	(2,820,110)	1.40		
Canceled and forfeited	(2,197,285)	13.33		
Balance as of September 30, 2023	37,219,198	$ 15.97	7.76 years	$ 18,522
Exercisable as of September 30, 2023[2]	10,257,006	$ 11.69	7.66 years	$ 14,507
Vested as of September 30, 2023	7,688,183	$ 9.99	7.18 years	$ 13,141

[1] Intrinsic value is calculated based on the difference between the exercise price of in-the-money-stock options and the fair value of the common stock as of the respective balance sheet dates.

[2] The 2011 Plan allows for early exercise of stock options. Accordingly, options granted under this plan are included as exercisable stock options regardless of vesting status.

As of September 30, 2023, aggregate unrecognized compensation costs related to unvested outstanding stock options, excluding the Executive Chairman Long-Term Performance Award, was $49.9 million. These costs are expected to be recognized over a weighted-average period of 2.3 years.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model and the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 [1]	2022	2023	2022
Dividend yield	—%	0.0%	0.0%	0.0%
Expected volatility	—%	67.05%	70.78%	61.52%
Expected term (in years)	—	6.08	6.04	6.08
Risk-free interest rate	—%	2.70%	3.78%	2.32%

[1] The Company did not grant any stock options during the three months ended September 30, 2023.

The fair value of the Company’s common stock is determined by the closing price, on the date of grant, of its Class A common stock, which is traded on the Nasdaq Global Select Market.

Executive Chairman Long-Term Performance Award

In April and May 2021, the Company’s board of directors granted the Company’s Executive Chairman and then-Chief Executive Officer equity incentive awards in the form of performance-based stock options covering 19,740,923 and 47,267 shares of the Company’s Class B common stock with an exercise price of $21.49 and $23.40 per share, respectively (collectively, the “Executive Chairman Long-Term Performance Award,” formerly known as the CEO Long-Term Performance Award). The Executive Chairman Long-Term Performance Award vests upon the satisfaction of a service condition and the achievement of certain stock price hurdles over a seven-year performance period following the expiration of the lock-up period associated with the Company’s IPO in 2021. The stock price hurdle will be achieved if the average closing price of a share of the Company’s Class A common stock during any 90 consecutive trading day period during the performance period equals or exceeds the Company stock price hurdle set forth in the table below.

The Executive Chairman Long-Term Performance Award is divided into seven equal tranches which vest upon the achievement of the following Company stock price hurdles:

Tranche	Company Stock Price Hurdle	Number of Options Eligible to Vest
1	$67.50	2,826,884
2	$78.98	2,826,884
3	$92.40	2,826,884
4	$108.11	2,826,884
5	$126.49	2,826,884
6	$147.99	2,826,884
7	$173.15	2,826,884
Total		19,788,188

The grant date fair value of the Executive Chairman Long-Term Performance Award was estimated using a Monte Carlo simulation model that incorporated multiple stock price paths and probabilities that the Company stock price hurdles are met. The weighted-average grant date fair value of the seven tranches of the Executive Chairman Long-Term Performance Award was estimated to be $10.53 per option share.

As of September 30, 2023, the aggregate unrecognized compensation cost of the Executive Chairman Long-Term Performance Award was $77.2 million, which is expected to be recognized over the remaining derived service period of 2.3 years.

9. Stockholders' Equity Transactions

Warrants to Purchase Common Stock

In 2021 and 2020, the Company issued warrants to customers to purchase up to 1,150,000 and 750,000 shares of the Company's common stock, respectively. These warrants vest based on certain performance conditions that include issuing a specific percentage of new cards on the Company's platform over a defined measurement period and reaching certain annual transaction count thresholds over the contract term, respectively. All warrants have an exercise price of $0.01 per share. These warrants are classified as equity instruments and are treated as consideration payable to a customer. The grant date fair values of these warrants are recorded as a reduction to net revenue over the term of the respective customer contract based on the expected pattern of processing volume generated by the customer and the probability of vesting conditions being met. The aggregate fair values of the warrants issued in 2021 and 2020 were $26.4 million and $5.7 million, respectively.

As of September 30, 2023, 1,002,096 warrants were vested. The Company recorded $0.5 million and $5.0 million as a reduction of revenue during the three and nine months ended September 30, 2023, respectively. The Company recorded $1.7 million and $5.2 million as a reduction of revenue during the three and nine months ended September 30, 2022, respectively. Upon vesting, the fair values of the vested warrants are recorded into the Company's Additional paid-in capital. Timing differences caused by the pattern of processing volume generated by the customer over the term of the contract and the vesting schedules of the warrants can cause differences in the amount of grant date fair value that is credited to additional paid in capital upon vesting and the amount recorded as a reduction in net revenue during any particular reporting period.

Share Repurchase Programs

On September 14, 2022, the Company's board of directors authorized a share repurchase program of up to $100 million of the Company's Class A common stock beginning September 15, 2022 ("2022 Share Repurchase Program"). Under the 2022 Share Repurchase Program, the Company was authorized to repurchase shares through open market purchases, in privately negotiated transactions or by other means, in accordance with applicable federal securities laws, including through trading plans under Rule 10b5-1 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). The number of shares repurchased and the timing of purchases are based on general business and market conditions, and other factors, including legal requirements. The 2022 Share Repurchase Program has no set expiration date; however, repurchases under the program were complete as of March 31, 2023.

During the nine months ended September 30, 2023, the Company repurchased and subsequently retired 3.2 million shares for $21.0 million under the 2022 Share Repurchase Program, for an average price of $6.46. The total price of the shares repurchased and related transaction costs and excise taxes are reflected as a reduction to Common stock and additional paid-in capital on the Company's Condensed Consolidated Balance Sheets.

On May 8, 2023, the Company's board of directors authorized a share repurchase program of up to $200 million of the Company's Class A common stock ("2023 Share Repurchase Program"). Under the 2023 Share Repurchase Program, the Company is authorized to repurchase shares through open market purchases, in privately negotiated transactions or by other means, in accordance with applicable federal securities laws, including through trading plans under Rule 10b5-1 of the Exchange Act. The number of shares repurchased and the timing of purchases are based on general business and market conditions, and other factors, including legal requirements. The 2023 Share Repurchase Program has no set expiration date.

During the three and nine months ended September 30, 2023, the Company repurchased and subsequently retired 11.5 million and 21.6 million shares for $64.4 million and $112.9 million under the 2023 Share Repurchase Program, for an average price of $5.62 and $5.22, respectively. The total price of the shares repurchased and related transaction costs and excise taxes are reflected as a reduction to Common stock and additional paid-in capital on the Company's Condensed Consolidated Balance Sheets.

As of September 30, 2023, $88.1 million remained available for future share repurchases under the 2023 Share Repurchase Program.

10. Net Loss Per Share Attributable to Common Stockholders

The Company calculated basic and diluted net loss per share attributable to common stockholders as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator				
Net loss attributable to Class A and Class B common stockholders	$ (54,990)	$ (53,168)	$ (182,587)	$ (158,454)
Denominator				
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders, basic and diluted	529,488,986	548,990,212	535,797,471	545,614,599
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	$ (0.10)	$ (0.10)	$ (0.34)	$ (0.29)

Basic net loss per share is the same as diluted net loss per share because the Company reported a net loss for the three and nine months ended September 30, 2023 and 2022.

The rights, including the liquidation and dividend rights, of the holders of Class A common stock and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical for Class A common stock and Class B common stock, the undistributed earnings are allocated on a proportionate basis and the resulting loss per share will, therefore, be the same for both Class A common stock and Class B common stock on an individual or combined basis.

The Company considered its proportionate share of the potentially dilutive shares issued by its former equity method investee in its dilutive net loss per share calculation for prior periods. All potentially dilutive shares of its equity method investee were excluded from the computation as they would have an anti-dilutive effect.

Potentially dilutive securities that were excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect were as follows:

	As of September 30,	
	2023	2022
Warrants to purchase Class B common stock	1,900,000	1,900,000
Stock options outstanding, including early exercise of options	37,219,198	38,286,051
Unvested RSUs outstanding	42,345,650	25,391,779
Shares committed under the ESPP	221,637	282,154
Stock options and RSUs available for future grants	69,079,058	70,404,426
Total	150,765,543	136,264,410

11. Income Tax

The Company calculates its year-to-date provision for income taxes by applying the estimated annual effective tax rate to year-to-date pretax income or loss and adjusts the provision for discrete tax items recorded in the period. The Company recorded an income tax expense of $0.2 million and an immaterial amount for three months ended September 30, 2023 and 2022, respectively. The Company recorded an income tax benefit of $6.6 million and $0.6 million for the nine months ended September 30, 2023 and 2022, respectively. The income tax benefit for the nine months ended September 30, 2023 was primarily attributable to a $7.2 million partial valuation allowance release due to the acquisition of Power Finance Inc. (see Note 13 "Business Combination" for additional information), offset by $0.6 million of income tax expenses resulting from profitable foreign operations. The income tax benefit for the nine months ended September 30, 2022 was primarily attributable to stock-based compensation deductions for certain foreign jurisdictions.

On August 16, 2022, the Inflation Reduction Act of 2022 (Inflation Reduction Act) was enacted in the United States. The Inflation Reduction Act imposes a 1% excise tax on the fair market value of stock repurchases made by covered corporations after December 31, 2022. The total taxable value of shares repurchased is reduced by the fair market value of any newly issued shares during the taxable year. The amount of excise tax accrued for repurchases made by the Company during the three and nine months ended September 30, 2023, were $0.4 million and $0.8 million, respectively. The remaining corporate tax changes included in the Inflation Reduction Act are not expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

12. Concentration Risks and Significant Customers

Financial instruments that potentially expose the Company to concentration of credit risk consist of cash and cash equivalents, short-term investments, and accounts receivable. Cash on deposit with financial institutions may exceed federally insured limits. Cash and cash equivalents as of September 30, 2023 and December 31, 2022 include $812.5 million and $462.5 million, respectively, of investments managed by four financial institutions, which invest primarily in securities issued by the U.S. Government or U.S. Government agencies.

As of September 30, 2023, short-term investments were $349.4 million, and there was no concentration of securities of the same issuer with an aggregate fair value greater than 5% of the total balance, except for U.S. Treasuries and U.S. agency securities, which amounted to $310.6 million, or 89% of the short-term investments, and certificate of deposits which amount to $20.0 million, or 6% of the short-term investments. As of September 30, 2023, all debt securities within the Company's portfolio are investment grade.

As of December 31, 2022, short-term investments were $440.9 million, and there was no concentration of securities of the same issuer with an aggregate fair value greater than 5% of the total balance, except for U.S. Treasuries and U.S. agency securities, which amounted to $407.1 million, or 92% of the short-term investments. As of December 31, 2022, all debt securities within the Company's portfolio are investment grade.

A significant portion of the Company's payment transactions are settled through one Issuing Bank, Sutton Bank. For the three months ended September 30, 2023 and 2022, 75% and 81% of Total Processing Volume, which is the total dollar amount of payments processed through the Company’s platform, net of returns and chargebacks, was settled through Sutton Bank, respectively. For the nine months ended September 30, 2023 and 2022, 77% and 83% of Total Processing Volume was settled through Sutton Bank, respectively.

A significant portion of the Company's revenue is derived from one customer. For the three months ended September 30, 2023 and 2022, this customer accounted for 50% and 73% of the Company’s net revenue, respectively. For the nine months ended September 30, 2023 and 2022, this customer accounted for 72% and 69% of the Company’s net revenue, respectively. As of September 30, 2023, another customer accounted for 14% of the Company’s accounts receivable balance.

13. Business Combination

On February 3, 2023, the Company acquired all outstanding stock of Power Finance Inc. (“Power Finance”) for a base cash purchase price of $221.9 million. The purchase price does not include a $53.1 million contingent consideration tied to performance-based goals which were expected to be achieved within 12 months from the date of acquisition. The Company determined the acquisition-date fair value of the contingent consideration liability, based on the likelihood of payment related to the contingent earn-out clauses, as part of the consideration transferred.

The following table summarizes the components of the preliminary purchase consideration transferred (in thousands):

Base purchase price less contingent consideration	$	221,933
Less: postcombination cash, non-cash expense and other purchase adjustments		118,447
Plus: cash acquired on acquisition date		7,089
Total purchase consideration, excluding contingent consideration		110,575
Contingent consideration		53,067
Purchase consideration	$	163,642

Of the $117.6 million postcombination compensation excluded from purchase consideration, approximately $32.4 million was recognized as non-cash postcombination compensation cost at closing as a result of the vesting provisions of the employee replacement awards on the acquisition date. The remaining $85.1 million is subject to continuous employment and will be recognized as postcombination cash compensation cost over a weighted-average period of 2.2 years. Postcombination expense recognized was $15.9 million and $26.1 million for the three and nine months ended September 30, 2023, respectively, and are included within Compensation and benefits in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Power Finance’s cloud-based platform offers credit card program management services for companies creating new credit card programs. The acquisition of Power Finance is expected to accelerate the capabilities offered in the Company’s credit product and allow the Company’s customers to launch a wide range of credit products and constructs.

The assets acquired and liabilities assumed were recorded at fair value as of the acquisition date. The preliminary $163.6 million purchase consideration was attributed to $41.0 million of developed technology intangible assets (to be amortized over an estimated useful life of 7.0 years), $7.4 million of deferred tax liabilities, and $7.0 million of net assets acquired, with the $123.0 million excess of purchase consideration over the fair value of assets acquired and liabilities assumed recorded as goodwill. The fair value of the developed technology intangible assets was estimated using the multi-period excess earnings method (“MPEEM”), a form of the income approach. The principle behind this method is that the value of the intangible asset is equal to the present value of the after-tax cash flows attributable to the intangible asset. The Company applied judgment which involved the use of certain assumptions with respect of the revenue and EBITDA forecasts, obsolescence rate, research and development for future technology, and discount rate. The goodwill recognized was primarily attributable to the expected synergies from integrating Power Finance's technology into the Company's platform. Goodwill is not expected to be deductible for tax purposes. The fair values of assets acquired and liabilities assumed may change over the measurement period as additional information is received. The measurement period will end no later than one year from the acquisition date.

The financial results of Power Finance are included in the Company's Condensed Consolidated Financial Statements from the date of acquisition. Separate operating results and pro forma results of operations for Power Finance have not been presented as the effect of this acquisition was not material to the Company's financial results. Acquisition-related third-party transaction costs were $1.3 million and $3.2 million for the three and nine months ended September 30, 2023, respectively, and are included in Professional services in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

During the third quarter of 2023, the Company paid out $53.1 million as the performance-based goals tied to the contingent consideration were achieved during the second quarter of 2023.

14. Restructuring

During the second quarter of 2023, the Company approved a restructuring plan (the "Restructuring Plan") intended to reduce operating expenses and improve profitability by reducing the Company's workforce. The net restructuring charges incurred in connection with the Restructuring Plan was approximately $8.7 million, which was substantially completed as of September 30, 2023.

The Company recorded $0.3 million and $8.7 million in restructuring charges during the three and nine months ended September 30, 2023, respectively, which consisted of $14.6 million primarily related to one-time severance and benefit payments, as well as a net reduction of stock-based compensation of $2.9 million related to the vesting of certain equity awards and the forfeiture of certain equity awards which are accounted for as occurred. Additionally, the Company reduced previously accrued bonuses for impacted employees of $2.9 million due to the terms of the Restructuring Plan. These costs were included in Compensation and benefits in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

The following table summarizes the Company's restructuring liability that is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheet:

Balance as of December 31, 2022	$	—
Restructuring charges		14,588
Cash payments		(14,341)
Balance as of September 30, 2023	$	247

15. Subsequent Event

On November 3, 2023, the Company and Block, Inc. (formerly Square, Inc., or "Block") executed a contract amendment (the "November 2023 Amendment") to their Master Services Agreement (together the "Amended Agreement"). Pursuant to the terms of the Amended Agreement, the Cash App and Square Debit Card program terms will expire on June 30, 2028 and shall automatically renew thereafter for successive one-year periods, unless terminated earlier by either party. The November 2023 Amendment provides for reduced pricing for the Square Debit Card program and also names the Company as the default provider of issuing processing and related services in current or future markets outside of the U.S. where Block intends to operate and the Company is able to provide issuing and processing services, subject to certain exceptions.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our Condensed Consolidated Financial Statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. As discussed in the section titled "Note About Forward Looking Statements", our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under the section titled "Risk Factors" under Part II, Item 1A.

Overview

Marqeta's modern card issuing platform empowers our customers to create customized and innovative payment cards, giving them the ability to build more configurable and flexible payment experiences. We serve customers in multiple industry verticals including on-demand services, lending (including buy now, pay later ("BNPL") financing), expense management, disbursements, online marketplaces, and digital banking. Before the rise of modern card issuing, issuing cards was slow, complex, and subject to mistakes. Marqeta helps solve these problems. Our platform, powered by open Application Programming Interfaces ("APIs"), enables businesses to develop modern, frictionless payment card experiences for consumer and commercial use cases.

Our modern architecture allows for flexibility, a high degree of configurability, and accelerated product development, democratizing access to card issuing technology. It also enables us to rapidly expand our platform's functionality, creating added value for our customers. Depending on a customer's desired level of control and responsibility, Marqeta can work with companies in a range of different configurations:

- Managed By Marqeta: With MxM, Marqeta provides an Issuing Bank partner to act as the Bank Identification Number sponsor (the "BIN sponsor"), for the customer's card program, manages the customer's card program on behalf of the Issuing Bank, and provides a full-range of services including configuring many of the critical resources required by a customer's production environment. In addition to providing customer access to the Marqeta dashboard via our APIs and payment processing, Marqeta also manages a number of the primary tasks related to launching a card program, such as defining and managing the program, operating the program and managing certain profitability components, and managing compliance with applicable regulations, Issuing Bank and Card Network rules. Also available to our MxM customers are a variety of managed services, including dispute management, fraud scoring, card fulfillment, and cardholder support services.
- Powered By Marqeta: With PxM, Marqeta also provides customers access to the Marqeta dashboard via our APIs, provides payment processing, and assists with certain configuration elements that enable the customer to use the platform independently. Unlike under our Managed By Marqeta card programs, our PxM customers are responsible for other elements of the card program, including defining and managing the program with the Card Networks and Issuing Bank as well as managing compliance with applicable regulations, Issuing Bank and Card Network rules.
- In certain circumstances, Marqeta may offer a combination of specific MxM and PxM services. For example, we may provide a variety of managed services in addition to payment processing while the customer has responsibility for defining and managing the Card Network relationship for their card program.

Impact of Macroeconomic Factors

We are unable to predict the impact macroeconomic factors, including various geopolitical conflicts, ongoing supply chain shortages, higher inflation and interest rates, and uncertainty in global economic conditions will have on our processing volumes, and on our future results of operations. A deterioration in macroeconomic conditions could increase the risk of lower consumer spending, consumer and merchant bankruptcy, insolvency, business failure, higher credit losses, foreign currency fluctuations, or other business interruption, which may adversely impact our business. We continue to monitor these situations and may take actions that alter our operations and business practices as may be required by federal, state, or local authorities or that we determine are in the best interests of our customers, vendors, and employees. See the section titled "Risk Factors" under Part II, Item 1A of this Quarterly Report on Form 10-Q for further discussion of the possible impact of these macroeconomic factors on our business.

Recent Developments

Block Contract Renewals

We executed contract amendments on August 4, 2023 (the “August 2023 Amendment”) and November 3, 2023 (the “November 2023 Amendment,” and, together with the August 2023 Amendment, the “Block Amendments”) to the Master Services Agreement with Block. Pursuant to the terms of the Block Amendments, the term of the Cash App and the Square Debit Card program will expire on June 30, 2028 and automatically renew thereafter for successive one-year periods, unless terminated earlier by either party.

The Block Amendments provide for reduced pricing for the Cash App and Square Debit Card programs, and, in addition, the August 2023 Amendment provides that the Company will continue to provide various services to Block, though Block will be responsible for defining and managing the Cash App program with respect to the primary Card Network going forward, including being responsible for managing the financial relationship between the Cash App program and the primary Card Network, choosing the card brand, determining the product type, and meeting program parameters. The August 2023 Amendment also includes a continuation of services for the Cash App program for a period of time in the event of a change of control of the Company. The November 2023 Amendment provides that the Company will be the default provider of issuing processing and related services in current or future markets outside of the U.S. where Block intends to operate and the Company is able to provide issuing and processing services, subject to certain exceptions.

The reduction in pricing paired with the change to our revenue presentation for the Cash App program occurring as a result of the August 2023 Amendment, reduces reported net revenue. While there is no change to the revenue presentation for the Square Debit Card program, we expect the reduced pricing occurring as a result of the November 2023 Amendment will also reduce reported net revenue. In addition, on an overall basis, the revised relationship decreases gross profit and increases our gross margin percentage.

Key Operating Metric and Non-GAAP Financial Measures

We review a number of operating and financial metrics, including the key operating metric set forth below, to help us evaluate our business and growth trends, establish budgets, evaluate the effectiveness of our investments, and assess operational efficiencies. In addition to the results determined in accordance with GAAP, the following table sets forth a key operating metric and non-GAAP financial measures that we consider useful in evaluating our operating performance.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total Processing Volume (TPV) (in millions)	$ 56,650	$ 42,473	$ 160,285	$ 119,556
Net revenue (in thousands)	$ 108,891	$ 191,621	$ 557,349	$ 544,401
Gross profit (in thousands)	$ 72,508	$ 80,102	$ 246,281	$ 232,877
Gross margin	67 %	42 %	44 %	43 %
Net loss (in thousands)	$ (54,990)	$ (53,168)	$ (182,587)	$ (158,454)
Net loss margin	(51)%	(28)%	(33)%	(29)%
Total operating expenses (in thousands)	$ 142,334	$ 139,598	$ 472,960	$ 388,362
Non-GAAP Measures:				
Adjusted EBITDA (in thousands)	$ (2,062)	$ (13,630)	$ (5,586)	$ (34,308)
Adjusted EBITDA margin	(1.9)%	(7)%	(1)%	(6)%
Non-GAAP operating expenses (in thousands)	$ 74,570	$ 93,733	$ 251,867	$ 267,185

***Total Processing Volume (TPV)* -** TPV represents the total dollar amount of payments processed through our platform, net of returns and chargebacks. We believe that TPV is a key operating metric and a principal indicator of the market adoption of our platform, growth of our brand, growth of our customers' businesses and scale of our business.

***Adjusted EBITDA* -** Adjusted EBITDA is a non-GAAP financial measure that is calculated as net income (loss) adjusted to exclude depreciation and amortization; share-based compensation expense; payroll tax related to share-based compensation; restructuring charges; acquisition-related expenses which consist of due diligence costs, transaction costs and integration costs related to potential or successful acquisitions and cash and non-cash postcombination compensation expenses; income tax expense (benefit); and other income (expense) net, which consists of interest income from our short-term investments, realized foreign currency gains and losses, our share of equity method investments' profit or loss, impairment of equity method investments or other financial instruments, and gain from sale of equity method investments. We believe that Adjusted EBITDA is an important measure of operating performance because it allows management and our board of directors to evaluate and compare our core operating results, including our operating efficiencies, from period to period. Additionally, we utilize Adjusted EBITDA as an input into our calculation of our annual employee bonus plans. See the section below titled "Use of Non-GAAP Financial Measures" for a discussion of the use of non-GAAP measures and a reconciliation of net loss to Adjusted EBITDA.

***Adjusted EBITDA Margin* -** Adjusted EBITDA Margin is a non-GAAP financial measure that is calculated as Adjusted EBITDA divided by net revenue. This measure is used by management and our board of directors to evaluate our operating efficiency. See the section below titled "Use of Non-GAAP Financial Measures" for a discussion of the use of non-GAAP measures and a reconciliation of net loss to Adjusted EBITDA Margin.

***Non-GAAP operating expenses* -** Non-GAAP operating expenses is a non-GAAP financial measure that is calculated as total operating expenses adjusted to exclude depreciation and amortization; share-based compensation expense; payroll tax related to share-based compensation; restructuring charges; and acquisition-related expenses which consists of due diligence costs, transaction costs and integration costs related to potential or successful acquisitions, and cash and non-cash postcombination compensation expenses. We believe that non-GAAP operating expenses is an important measure of operating performance because it allows management and our board of directors to evaluate and compare our core operating results, including our operating efficiencies, from period to period. See the section below titled

“Use of Non-GAAP Financial Measures” for a discussion of the use of non-GAAP measures and a reconciliation of total operation expenses to non-GAAP operating expenses.

Components of Results of Operations

Net Revenue

We have two components of net revenue: platform services revenue, net and other services revenue.

Platform services revenue, net. Platform services revenue includes Interchange Fees, net of Revenue Share and other service-level payments to customers and Card Network and Issuing Bank costs for certain customer arrangements where the Company is an agent in the delivery of services to the customer. Platform services revenue also includes processing and other fees. Interchange Fees are earned on card transactions we process for our MxM customers and are based on a percentage of the transaction amount plus a fixed amount per transaction. Interchange Fees are recognized when the associated transactions are settled.

Revenue Share payments are incentives to our MxM customers to increase processing volumes on our platform. Revenue Share is generally computed as a percentage of the Interchange Fees earned or processing volume and is paid to our MxM customers monthly. Revenue Share payments are recorded as a reduction to revenue. Generally, as MxM customers' processing volumes increase, the rates at which we share revenue increase.

Processing and other fees are priced as either a percentage of processing volume or on a fee per transaction basis and are earned when payment cards are used at automated teller machines or to make cross-border purchases, and under our PxM agreements. Minimum processing fees, where customers' processing volumes fall below certain thresholds, are also included in processing and other fees.

Platform services revenue is recognized as Marqeta satisfies our performance obligations which typically aligns with the period when volumes and transactions are processed.

Other services revenue. Other services revenue primarily consists of revenue earned for card fulfillment services. Card fulfillment fees are generally billed to customers upon ordering card inventory and recognized as revenue when the cards are shipped to the customers.

Costs of Revenue

Costs of revenue consist of Card Network fees, Issuing Bank fees, and card fulfillment costs for revenue arrangements where the Company is the principal in providing services to the customer. Card Network fees are equal to a specified percentage of processing volume or a fixed amount per transaction routed through the respective Card Network. Issuing Bank fees compensate our Issuing Banks for issuing cards to our customers and sponsoring our card programs with the Card Networks and are typically equal to a specified percentage of processing volume or a fixed amount per transaction. Card fulfillment costs include physical cards, packaging, and other fulfillment costs.

We have separate marketing and incentive arrangements with Card Networks that provide us with monetary incentives for establishing customer card programs with, and routing volume through, the respective Card Network. The amount of the incentives is generally determined based on a percentage of the processing volume or the number of transactions routed over the Card Network. We record these incentives as a reduction of Card Network fees. Generally, as processing volumes increase, we earn a higher rate of monetary incentives from these arrangements, subject to attaining certain volume thresholds during an annual measurement period. For certain incentive arrangements with an annual measurement period, the one-year period may not align with our fiscal year. Additionally, unusual fluctuations in Card Network fees can occur in the quarter in which volume thresholds are attained as higher incentive rates are applied to volumes over the entire measurement periods, which can span six or twelve months.

Operating Expenses

Compensation and Benefits. Compensation and benefits consist primarily of salaries, employee benefits, severance and other termination benefits, incentive compensation, contractors’ cost, and share-based compensation.

Technology. Technology consists primarily of third-party hosting fees, software licenses, and hardware purchases below our capitalization threshold, and support and maintenance costs.

Professional Services. Professional services consist primarily of consulting, legal, audit, and recruiting fees.

Occupancy. Occupancy consists primarily of rent expense, repairs, maintenance, and other building related costs.

Depreciation and Amortization. Depreciation and amortization consist primarily of depreciation of our fixed assets and amortization of developed technology intangible assets.

Marketing and Advertising. Marketing and advertising consist primarily of costs of general marketing and promotional activities.

Other Operating Expenses. Other operating expenses consist primarily of insurance costs, indemnification costs, employee travel-related expenses, employee training costs, indirect state and local taxes, and other general office expenses.

Other Income (Expense), net

Other income (expense), net consists primarily of interest income from our short-term investments and cash deposits, gain from sale of equity method investments, impairment of equity method investments or other financial instruments, equity method investment share of loss, and realized foreign currency gains and losses.

Income Tax Expense

Income tax expense consists of U.S. federal and state income taxes, and U.K., Australia, and Canada income taxes. We maintain a full valuation allowance against our U.S. federal and state net deferred tax assets as we have concluded that it is not more likely than not that we will realize our net deferred tax assets.

Results of Operations

The following table sets forth our results of operations for the periods presented:

(dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net revenue	$ 108,891	$ 191,621	$ 557,349	$ 544,401
Costs of revenue	36,383	111,519	311,068	311,524
Gross profit	72,508	80,102	246,281	232,877
Operating expenses:				
Compensation and benefits	115,846	105,887	390,393	304,103
Technology	13,930	13,422	41,674	37,960
Professional services	4,197	6,620	14,507	17,184
Occupancy	1,074	1,125	3,285	3,388
Depreciation and amortization	3,108	934	7,582	2,834
Marketing and advertising	346	688	1,348	2,133
Other operating expenses	3,833	10,922	14,171	20,760
Total operating expenses	142,334	139,598	472,960	388,362
Loss from operations	(69,826)	(59,496)	(226,679)	(155,485)
Other income (expense), net	15,074	6,333	37,508	(3,542)
Loss before income tax expense	(54,752)	(53,163)	(189,171)	(159,027)
Income tax expense (benefit)	238	5	(6,584)	(573)
Net loss	$ (54,990)	$ (53,168)	$ (182,587)	$ (158,454)

Comparison of the Three Months Ended September 30, 2023 and 2022

Net Revenue

(dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ Change	% Change
Net revenue:				
Total platform services, net	$ 104,332	$ 185,837	$ (81,505)	(44)%
Other services	4,559	5,784	(1,225)	(21)%
Total net revenue	$ 108,891	$ 191,621	$ (82,730)	(43)%
Total Processing Volume (TPV) (in millions)	$ 56,650	$ 42,473	$ 14,177	33 %

Total net revenue decreased by $82.7 million, or 43%, for the three months ended September 30, 2023 compared to the same period in 2022, of which a decrease of $84.4 million was attributable to our largest customer, Block. The decrease in net revenue was primarily driven by the August 2023 Amendment discussed in the Recent Developments section which impacted the revenue presentation for the Cash App Program as fees owed to Issuing Banks and Card Networks related to the Cash App primary Card Network volume are recorded as a reduction to the revenue earned from the Cash App program within Net revenue effective as of July 1, 2023. In prior periods, these costs were included within Costs of revenue. The impact of these fees for the three months ended September 30, 2023 was a $114 million reduction to Net revenue, negatively impacting the growth rate by 60 ppts. These decreases in net revenue were partially offset by increased TPV from Block's programs. Revenue from other customers increased $2.4 million, primarily driven by a 33% increase in TPV partially offset by the impact of contract renewals and unfavorable changes in the mix of our card programs, particularly the growth of our PxM offering.

Other services revenue decreased $1.2 million, or 21%, in the three months ended September 30, 2023 compared to the same period in 2022 due primarily to a decrease in card fulfillment revenue.

The increase in TPV was mainly driven by growth across all our major verticals, particularly financial services, and PxM customers. The growth in TPV for our top five customers, as determined by their individual processing volume in each respective period, was 32% in the three months ended September 30, 2023 compared to the same period in 2022, while TPV from all other customers, as a group, grew by 42% in the three months ended September 30, 2023 compared to the same period in 2022. Note that the top five customers may differ between the two periods.

Costs of Revenue and Gross Margin

(dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ Change	% Change
Costs of revenue:				
Card Network fees, net	$ 29,799	$ 98,570	$ (68,771)	(70)%
Issuing Bank fees	2,912	8,065	(5,153)	(64)%
Other	3,672	4,884	(1,212)	(25)%
Total costs of revenue	$ 36,383	$ 111,519	$ (75,136)	(67)%
Gross profit	$ 72,508	$ 80,102	$ (7,594)	(9)%
Gross margin	67 %	42 %		

Costs of revenue decreased by $75.1 million, or 67%, for the three months ended September 30, 2023 compared to the same period in 2022, of which a decrease of $72.9 million was attributable to Block, primarily due to the revenue presentation change for our fees owed to Issuing Banks and Card Networks related to the Cash App primary Card Network volume which are now reflected within Net revenue as a result of the August 2023 Amendment discussed in the Recent Developments section. Such decreases were partially offset by increased costs resulting from the 33% increase in TPV.

As a result of the decreases in net revenue and costs of revenue discussed above, our gross profit decreased by $7.6 million, or 9%, in the three months ended September 30, 2023 compared to the same period in 2022, and our gross margin increased by 25 percentage points in the three months ended September 30, 2023 compared to the same period in 2022.

Operating Expenses

	Three Months Ended September 30,			
(dollars in thousands)	2023	2022	$ Change	% Change
Operating expenses:				
Salaries, bonus, benefits and payroll taxes	70,298	62,378	$ 7,920	13 %
Share-based compensation	45,548	43,509	$ 2,039	5 %
Total compensation and benefits	115,846	105,887	$ 9,959	9 %
Percentage of net revenue	*106 %*	*55 %*		
Technology	13,930	13,422	508	4 %
Percentage of net revenue	*13 %*	*7 %*		
Professional services	4,197	6,620	(2,423)	(37)%
Percentage of net revenue	*4 %*	*3 %*		
Occupancy	1,074	1,125	(51)	(5)%
Percentage of net revenue	*1 %*	*1 %*		
Depreciation and amortization	3,108	934	2,174	233 %
Percentage of net revenue	*3 %*	*— %*		
Marketing and advertising	346	688	$ (342)	(50)%
Percentage of net revenue	*— %*	*— %*		
Other operating expenses	3,833	10,922	(7,089)	(65)%
Percentage of net revenue	*4 %*	*6 %*		
Total operating expenses	$ 142,334	$ 139,598	$ 2,736	
Percentage of net revenue	*131%*	*73%*		

Salaries, bonus, benefits, and payroll taxes increased by $7.9 million primarily due to a $10.6 million, or 22%, increase in employee salaries, partially offset by a $1.3 million, or 38%, decrease in contractor expense. The increase in employee salaries was driven by $15.9 million in postcombination compensation costs to former employees of Power Finance, partially offset by an increase of $3.0 million in capitalized labor costs and $2.3 million in lower salary costs primarily attributed to the restructuring that occurred in the second quarter of 2023.

Share-based compensation increased by $2.0 million in the three months ended September 30, 2023 compared to the same period in 2022 mainly due to the increase in the number of RSU awards granted to employees as further detailed in the table below:

	Three Months Ended September 30,			
(dollars in thousands)	2023	2022	$ Change	% Change
Share-based compensation				
Restricted stock units	$ 25,021	$ 22,246	$ 2,775	12 %
Stock options	6,858	7,318	(460)	(6)%
Executive Chairman Long-Term Performance Award	13,413	13,413	—	— %
Employee Stock Purchase Plan	256	532	(276)	(52)%
Total share-based compensation	$ 45,548	$ 43,509	$ 2,039	5 %

Technology expenses increased by $0.5 million, or 4% for the three months ended September 30, 2023 compared to the same period in 2022. The increase was primarily due to increased software licensing costs as we implement internal systems and tools.

Professional services expenses decreased by $2.4 million, or 37%, for the three months ended September 30, 2023 compared to the same period in 2022. The decrease was primarily due to reduced consulting and recruiting fees.

Occupancy expense remained relatively flat for the three months ended September 30, 2023 compared to the same period in 2022.

Depreciation and amortization expense increased by $2.2 million, or 233%, for the three months ended September 30, 2023 compared to the same period in 2022. The increase was primarily due to the amortization of developed technology intangible assets originating from the Power Finance acquisition.

Marketing and advertising expenses decreased by $0.3 million, or 50%, for the three months ended September 30, 2023 compared to the same period in 2022 due to decreased conference and trade show costs incurred in the current year.

Other operating expenses decreased by $7.1 million, or 65% for the three months ended September 30, 2023 compared to the same period in 2022. The decrease was primarily due to cost optimization initiatives and an indemnification cost of $5.9 million that was recognized during the three months ended September 30, 2023.

Other Income (Expense), net

	Three Months Ended September 30,			
(dollars in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Other income (expense), net	$ 15,074	$ 6,333	$ 8,741	138 %
Percentage of net revenue	14 %	3 %		

Other income (expense), net increased by $8.7 million, or 138%, for the three months ended September 30, 2023 compared to the same period in 2022. The increase was primarily due to an increase in interest income earned on our short-term investments portfolio and cash deposits in the third quarter of 2023.

Customer Concentration

We generated 50% and 73% of our net revenue from our largest customer, Block, during the three months ended September 30, 2023 and 2022, respectively.

Comparison of the Nine Months Ended September 30, 2023 and 2022

Net Revenue

(dollars in thousands)	Nine Months Ended September 30, 2023	2022	$ Change	% Change
Net revenue:				
Total platform services, net	$ 540,862	$ 527,940	12,922	2 %
Other services	16,487	16,461	26	— %
Total net revenue	$ 557,349	$ 544,401	$ 12,948	2 %
Total Processing Volume (TPV) (in millions)	$ 160,285	$ 119,556	$ 40,729	34 %

Total net revenue increased by $12.9 million, or 2%, for the nine months ended September 30, 2023 compared to the same period in 2022, of which $21.8 million of this increase was attributable to Block. The increase was primarily driven by increased TPV from Block's programs, partially offset by the change in revenue presentation resulting from the August 2023 Amendment further discussed in the Recent Developments section as fees owed to Issuing Banks and Card Networks related to the Cash App primary Card Network volume are recorded as a reduction to the revenue earned from the Cash App program within Net revenue effective as of July 1, 2023. For other customers, revenue decreased $7.4 million due to one customer migrating a portion of one of their programs to a competitor starting in Q3 2022 as well as unfavorable changes in the mix of our card programs, particularly the growth of our PxM offering, partially offset by a 27% increase in TPV.

Other services revenue remained relatively flat for the nine months ended September 30, 2023 compared to the same period in 2022.

The 34% increase in TPV was mainly driven by growth across all our major verticals, particularly financial services and PxM customers. The growth in TPV for our top five customers, as determined by their individual processing volume in each respective period, was 35% in the nine months ended September 30, 2023 compared to the same period in 2022, while TPV from all other customers, as a group, grew by 27% in the nine months ended September 30, 2023 compared to the same period in 2022. Note that the top five customers may differ between the two periods.

Costs of Revenue and Gross Margin

(dollars in thousands)	Nine Months Ended September 30, 2023	2022	$ Change	% Change
Costs of revenue:				
Card Network fees, net	281,436	274,564	$ 6,872	3 %
Issuing Bank fees	17,964	23,088	(5,124)	(22)%
Other	11,668	13,872	(2,204)	(16)%
Total costs of revenue	$ 311,068	$ 311,524	$ (456)	— %
Gross profit	$ 246,281	$ 232,877	$ 13,404	6 %
Gross margin	44 %	43 %		

Costs of revenue decreased by $0.5 million for the nine months ended September 30, 2023 compared to the same period in 2022. The decrease was primarily due to the revenue presentation change for our fees owed to Issuing Banks and Card Networks related to the Cash App primary Card Network volume. Effective as of July 1, 2023, these fees are recorded within Net revenue as a result of the August 2023 Amendment discussed in the Recent Developments section. In addition, the Company realized improved economics with Issuing Bank partners. These decreases were partially offset by increases in Issuing Bank and Network fees driven by the 34% increase in TPV.

As a result of the increases in net revenue and costs of revenue discussed above, our gross profit increased by $13.4 million, or 6%, for the nine months ended September 30, 2023 compared to the same period in 2022. Our gross margin remained relatively flat during the nine months ended September 30, 2023 compared to the same period in 2022.

Operating Expenses

	Nine Months Ended September 30,			
(dollars in thousands)	2023	2022	$ Change	% Change
Operating expenses:				
Salaries, bonus, benefits and payroll taxes	254,681	188,441	$ 66,240	35 %
Share-based compensation	135,712	115,662	$ 20,050	17 %
Total compensation and benefits	390,393	304,103	$ 86,290	28 %
Percentage of net revenue	*70 %*	*56 %*		
Technology	41,674	37,960	3,714	10 %
Percentage of net revenue	*7 %*	*7 %*		
Professional services	14,507	17,184	(2,677)	(16)%
Percentage of net revenue	*3 %*	*3 %*		
Occupancy	3,285	3,388	(103)	(3)%
Percentage of net revenue	*1 %*	*1 %*		
Depreciation and amortization	7,582	2,834	4,748	168 %
Percentage of net revenue	*1 %*	*1 %*		
Marketing and advertising	1,348	2,133	$ (785)	(37)%
Percentage of net revenue	*— %*	*— %*		
Other operating expenses	14,171	20,760	(6,589)	(32)%
Percentage of net revenue	*3 %*	*4 %*		
Total operating expenses	$ 472,960	$ 388,362	$ 84,598	
Percentage of net revenue	85%	71%		

Salaries, bonus, benefits, and payroll taxes increased by $66.2 million primarily due to a $72.9 million, or 49%, increase in salaries, partially offset by a $3.6 million decrease in bonus expense and a $3.1 million decrease in contractor costs. The increase in employee salaries was primarily due to $58.5 million in post combination compensation costs due to former employees of Power Finance, $11.6 million in costs related to the restructuring announced in the second quarter of 2023, increased average headcount period over period paired with an overall increase in compensation rates, partially offset by higher capitalized labor costs.

Share-based compensation increased by $20.1 million in the nine months ended September 30, 2023 compared to the same period in 2022 mainly due to the increase in the number of RSU awards granted to employees as further detailed in the table below:

	Nine Months Ended September 30,			
(dollars in thousands)	2023	2022	$ Change	% Change
Share-based compensation				
Restricted stock units	$ 74,991	$ 52,669	$ 22,322	42 %
Stock options	19,651	21,136	(1,485)	(7)%
Executive Chairman Long-Term Performance Award	39,801	39,801	—	— %
Employee Stock Purchase Plan	1,269	2,056	(787)	(38)%
Total share-based compensation	$ 135,712	$ 115,662	$ 20,050	17 %

Technology expenses increased by $3.7 million, or 10%, for the nine months ended September 30, 2023 compared to the same period in 2022. The increase was due to a $0.8 million increase in third-party hosting costs to support our continued growth, and a $2.9 million increase in software licensing costs as we implement internal systems and tools.

Professional services expenses decreased by $2.7 million, or 16%, for the nine months ended September 30, 2023 compared to the same period in 2022. The decrease was primarily due to decreased consulting and recruiting fees.

Occupancy expense remained relatively flat for the nine months ended September 30, 2023 compared to the same period in 2022.

Depreciation and amortization increased by $4.7 million, or 168%, for the nine months ended September 30, 2023 compared to the same period in 2022. The increase was primarily due to the amortization of developed technology intangible assets originating from the Power Finance acquisition.

Marketing and advertising expenses decreased by $0.8 million, or 37%, for the nine months ended September 30, 2023 compared to the same period in 2022 due to decreased conference and trade show costs incurred in the current year.

Other operating expenses decreased by $6.6 million, or 32%, for the nine months ended September 30, 2023 compared to the same period in 2022. The decrease was primarily due to cost optimization initiatives and an indemnification cost of $5.9 million that was recognized during the nine months ended September 30, 2022.

Other Income (Expense), net

	Nine Months Ended September 30,			
(dollars in thousands)	2023	2022	$ Change	% Change
Other income (expense), net	$ 37,508	$ (3,542)	$ 41,050	(1159)%
Percentage of net revenue	7 %	(1)%		

Other income (expense), net increased by $41.1 million, or 1159%, for the nine months ended September 30, 2023 compared to the same period in 2022. The increase was mostly due to a $28.5 million increase in interest income earned on our short-term investments portfolio and cash deposits in the nine months ended September 30, 2023 and the impairment of an option to purchase the remaining equity interests in an equity method investee that was incurred during the prior year comparable period.

Customer Concentration

We generated 72% and 69% of our net revenue from our largest customer, Block, during the nine months ended September 30, 2023 and 2022, respectively.

Use of Non-GAAP Financial Measures

Our non-GAAP measures have limitations as analytical tools and you should not consider them in isolation. These non-GAAP measures should not be viewed as a substitute for, or superior to, measures prepared in accordance with GAAP. In evaluating these non-GAAP measures, you should be aware that in the future we will incur expenses similar to the adjustments in the presentation of our non-GAAP measures set forth under “Key Operating Metric and Non-GAAP Financial Measures”. There are a number of limitations related to the use of these non-GAAP measures versus their most directly comparable GAAP measures, including the following:

- other companies, including companies in our industry, may calculate adjusted EBITDA and non-GAAP operating expenses differently than how we calculate this measure or not at all; this reduces its usefulness as a comparative measure;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures; and
- adjusted EBITDA does not reflect the effect of income taxes that may represent a reduction in cash available to us.

We encourage investors to review the related GAAP financial measures and the reconciliation of the non-GAAP financial measures to their most directly comparable GAAP financial measures.

A reconciliation of net loss to adjusted EBITDA and GAAP operating expenses to non-GAAP operating expenses for the periods presented is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2023	2022	2023	2022
Net revenue	$ 108,891	$ 191,621	$ 557,349	$ 544,401
Net loss	$ (54,990)	$ (53,168)	$ (182,587)	$ (158,454)
Net loss margin	(51)%	(28)%	(33)%	(29)%
Total operating expenses	$ 142,334	$ 139,598	$ 472,960	$ 388,362
Net loss	$ (54,990)	$ (53,168)	$ (182,587)	$ (158,454)
Depreciation and amortization expense	3,108	934	7,582	2,834
Share-based compensation expense	45,548	43,509	138,603	115,662
Payroll tax expense related to share-based compensation	541	509	1,818	1,768
Acquisition-related expenses (1)	18,270	913	64,420	913
Restructuring	297	—	8,670	—
Other (income) expense, net	(15,074)	(6,333)	(37,508)	3,542
Income tax expense (benefit)	238	5	(6,584)	(573)
Adjusted EBITDA	$ (2,062)	$ (13,631)	$ (5,586)	$ (34,308)
Adjusted EBITDA Margin	(2)%	(7)%	(1)%	(6)%
Total operating expenses	$ 142,334	$ 139,598	$ 472,960	$ 388,362
Depreciation and amortization expense	(3,108)	(934)	(7,582)	(2,834)
Share-based compensation expense	(45,548)	(43,509)	(138,603)	(115,662)
Payroll tax expense related to share-based compensation	(541)	(509)	(1,818)	(1,768)
Restructuring	(297)	—	(8,670)	—
Acquisition-related expenses (1)	(18,270)	(913)	(64,420)	(913)
Non-GAAP operating expenses	$ 74,570	$ 93,733	$ 251,867	$ 267,185

(1) Acquisition-related expenses, which include transaction costs, integration costs and cash and non-cash postcombination compensation expense, have been excluded from adjusted EBITDA as such expenses are not reflective of our ongoing core operations and are not representative of the ongoing costs necessary to operate our business; instead, these are costs specifically associated with a discrete transaction.

Liquidity and Capital Resources

As of September 30, 2023, our principal sources of liquidity included cash, cash equivalents, and short-term investments totaling $1.3 billion, with such amounts held for working capital purposes. Our cash equivalents and short-term investments were comprised primarily of bank deposits, money market funds, U.S. treasury bills, U.S. government securities, commercial paper, asset-backed securities, certificates of deposit, and corporate debt securities. We have generated significant operating losses as reflected in our accumulated deficit. We expect to continue to incur operating losses for the foreseeable future.

On September 14, 2022, our board of directors authorized a share repurchase program (the “2022 Share Repurchase Program”) of up to $100 million of our Class A common stock beginning September 15, 2022. Under the 2022 Share Repurchase Program, we were authorized to repurchase shares through open market purchases, in privately negotiated transactions or by other means, in accordance with applicable federal securities laws, including through trading plans under Rule 10b5-1 of the Exchange Act. The 2022 Share Repurchase Program had no set expiration date; however, the 2022 Share Repurchase Program was exhausted during the first quarter of 2023.

On May 8, 2023, our board of directors authorized a share repurchase program (the “2023 Share Repurchase Program”) of up to $200 million of our Class A common stock. Under the 2023 Share Repurchase Program, we are authorized to repurchase shares through open market purchases, in privately negotiated transactions or by other means, in accordance with applicable federal securities laws, including through trading plans under Rule 10b5-1 of the Exchange Act. The 2023 Share Repurchase Program has no set expiration date. As of September 30, 2023, $88.1 million remained available for future share repurchases under this repurchase program.

On February 3, 2023, we acquired all outstanding stock of Power Finance Inc. (“Power Finance”). Upon the closure of the acquisition, we paid $134.7 million to the shareholders of Power Finance Inc, net of cash acquired. As part of the terms of the acquisition, we paid additional cash of $53.1 million for contingent consideration tied to performance-based goals that were achieved. We also entered into postcombination cash compensation arrangements with certain key acquired employees whereby we shall pay them $85.1 million of cash over a weighted average 2.2 year service period following the acquisition date (subject to forfeiture upon termination). As of September 30, 2023, $64.3 million of the postcombination cash compensation arrangements remained outstanding.

During the second quarter of 2023, we announced a restructuring plan intended to reduce operating expenses and improve profitability by reducing the Company’s workforce. In connection with the restructuring plan, we have paid approximately $14.3 million to impacted employees primarily related to one-time severance and benefit payments as of September 30, 2023.

We believe our existing cash and cash equivalents, and our short-term investments will be sufficient to meet our working capital and capital expenditure needs for more than the next 12 months. As of the date of filing this Quarterly Report on Form 10-Q, we have access to and control over all our cash, cash equivalents and short-term investments, except amounts held as restricted cash. Our future capital requirements will depend on many factors, including our planned continuing investment in product development, platform infrastructure, share repurchases, and global expansion. We will use our cash for a variety of needs, including for ongoing investments in our business, potential strategic acquisitions, capital expenditures and investment in our infrastructure, including our non-cancellable purchase commitments with cloud-computing service providers and certain Issuing Banks.

As of September 30, 2023, we had $7.8 million in restricted cash which included a deposit held at an Issuing Bank to provide the Issuing Bank collateral in the event that our customers' funds are not deposited at the Issuing Bank in time to settle our customers' transactions with the Card Networks. Restricted cash also includes cash held at a bank to secure our payments under a lease agreement for our office space.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by (used in) operating activities	$ 4,582	$ (27,894)
Net cash (used in) provided by investing activities	(43,396)	940
Net cash used in financing activities	(197,283)	(15,770)
Net decrease in cash, cash equivalents, and restricted cash	$ (236,097)	$ (42,724)

Operating Activities

Our largest source of cash provided by our operating activities is our net revenue. Our primary uses of cash in our operating activities are for Card Network and Issuing Bank fees, and employee-related compensation. The timing of settlement of certain operating liabilities, including Revenue Share payments, bonus payments and prepayments made to cloud-computing service providers, can affect the amounts reported as Net cash provided by and used in operating activities on the Condensed Consolidated Statement of Cash Flows.

Net cash provided by operating activities was $4.6 million in the nine months ended September 30, 2023 compared to a net cash used in the same period in 2022 of $27.9 million. The increase in net cash used in operating activities is due mainly to the timing of payments for costs of our services and operating expenses, partially offset by the increase in net revenue.

Investing Activities

Net cash provided by investing activities consists primarily of maturities and sales of our investments in short-term investments. Net cash used in investing activities consists primarily of purchases of short-term investments, purchases of property and equipment, capitalization of internal-use software and cash consideration for business combinations.

Net cash used in investing activities in the nine months ended September 30, 2023 was $43.4 million compared to a net cash provided the same period in 2022 of $0.9 million. The increase in net cash used in investing activities is primarily due to the Power Finance acquisition, the increase in purchases of short-term investments, and capitalization of internal-use software, partially offset by the increase in maturities and sales of short-term investments.

Financing Activities

Net cash provided by financing activities consists primarily of proceeds from the issuance of our equity securities. Net cash used in financing activities consists primarily of net payments related to share-based compensation activities and the share repurchase programs.

Net cash used in financing activities in the nine months ended September 30, 2023 was $197.3 million compared to net cash used in the same period in 2022 of $15.8 million. The increase in net cash used in financing activities is primarily due to payments to repurchase shares under the share repurchase programs and the payment of the contingent consideration from our Power Finance acquisition.

Obligations and Other Commitments

There were no material changes in our obligations and other commitments from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

As of September 30, 2023, we had non-cancellable purchase commitments with certain Issuing Banks and service providers of $198.9 million, payable over the next 5 years. These purchase obligations include $185.5 million related to minimum commitments as part of a cloud-computing service agreement. The remaining obligations are related to various service providers and Issuing Banks processing fees over the fixed, non-cancellable respective contract terms.

For additional information about our contractual obligations and other commitments, see Note 7 “Commitments and Contingencies” to our condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements are prepared in accordance with GAAP. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies discussed in “Consolidated Financial Statements—Note 2. Summary of Significant Accounting Policies” in our Annual Report on Form 10-K, and in Part I, Item 1 of this Quarterly Report on Form 10-Q, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our Condensed Consolidated Financial Condition and Results of Operations.

Revenue Recognition

We generate revenue from providing platform services to our customers, which includes revenues derived from Interchange Fees generated by customer card transactions and other transaction fees collected from customers or from providing other services, which includes card fulfillment revenue, to our customers.

Our contracts with customers typically include two performance obligations: (i) providing access to our payment processing platform and (ii) providing card fulfillment services. Certain customer contracts require us to allocate the transaction price of the contract based on the relative stand-alone selling price of the performance obligations which are estimated using an analysis of our historical contract pricing and costs incurred to fulfill services.

We satisfy our performance obligation to provide platform services over time as customers have continuous access to our platform, and we stand ready to process customer transactions throughout their term of access. We allocate variable consideration to the distinct month in which our platform services are delivered. When pricing terms are not consistent throughout the entire term of the contract, we estimate variable consideration in customers' contracts primarily using the expected value method. We develop estimates of variable consideration on the basis of both historical information and current trends and do not expect or anticipate significant reversal of revenue in the future periods.

In arrangements where the Company is both the Issuer Processor and Program Manager, we are the principal in providing services under our contracts with customers. To deliver the services required by our customers, we contract with Card Networks for transaction routing, reporting, and settlement services and with Issuing Banks for card issuing, Card Network sponsorship, and regulatory compliance approval services. We control these integrated services before delivery to our customers, we are primarily responsible for the delivery of the services to customers, and we have discretion in vendor selection. As such, we record fees paid to the Issuing Banks and Card Networks as Costs of Revenue within the Condensed Consolidated Statements of Operations and Comprehensive Loss. In certain customer arrangements, the customer is directly responsible for defining and managing the Card Network relationship for their card program. In these instances, the Company is considered an agent in providing services to the customer thus fees owed to Issuing Banks and Card Networks related to these programs are recorded within Net Revenue in the Condensed Consolidated Statements of Operations and Comprehensive Loss. In arrangements where the Company acts solely as the Issuer Processor, we do not integrate the services of Issuing Banks or Card Networks.

For certain revenue contracts, we estimate variable consideration and material rights to record each period. This requires that we estimate the expected processing volume over the term of the contract, including any additional extension of the term associated with a material right. These estimates are predominantly derived by analysis of historical trends and are updated on a quarterly basis. Changes made to these assumptions during the three and nine months ended September 30, 2023 did not have a material impact to the net revenue recorded during the three and nine months ended September 30, 2023.

Business Combinations

When we acquire a business, the purchase price is allocated to the acquired assets, including separately identifiable intangible assets, and assumed liabilities at their respective estimated fair values. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates can include, but are not limited to:

- future expected cash flows from acquired developed technologies;
- obsolescence curves and other useful life assumptions, such as the period of time and intended use of acquired intangible assets in our product offerings;
- discount rates;
- uncertain tax positions and tax-related valuation allowances; and
- fair value of assumed equity awards.

These estimates are inherently uncertain and unpredictable, and unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. During the measurement period, which may be up to one year from the acquisition date, adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill. We continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to our preliminary estimates to goodwill provided that we are within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have operations within the United States, the United Kingdom, Australia, Brazil, Canada, and Singapore, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Risk

We had cash, cash equivalents, and short-term investments totaling $1.3 billion as of September 30, 2023. Such amounts included cash deposits, money market funds, U.S. treasury bills, U.S. government securities, U.S, agency securities, commercial paper, certificate of deposits, and corporate debt securities. The fair value of our cash, cash equivalents, and short-term investments would not be significantly affected by either an increase or decrease in interest rates due to the short-term maturities of the majority of these instruments. Because we classify our short-term investments as “available-for-sale”, no gains or losses are recognized in the Condensed Consolidated Statement of Operations and Comprehensive Loss due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are due to credit losses. We have the ability to hold all short-term investments until their maturities. A hypothetical 100 basis point increase or decrease in interest rates would not have a material effect on our financial results or financial condition.

Foreign Currency Exchange Risk

Most of our sales and operating expenses are denominated in U.S. dollars, and therefore our results of operations are not currently subject to significant foreign currency risk. As of September 30, 2023, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of September 30, 2023 due to the material weakness in our internal control over financial reporting described below. In light of this fact, our management performed additional analyses, reconciliations, and other post-closing procedures related to the accounting for our acquisition of Power Finance, and concluded that, notwithstanding the material weakness in our internal control over financial reporting, the Condensed Consolidated Financial Statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with GAAP.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. For the period ending March 31, 2023, management identified a material weakness related to the accounting for our acquisition of Power Finance, including a lack of sufficient precision in the performance of reviews supporting the purchase price allocation accounting, and a lack of timely oversight over third-party specialists and the reports they produced to support the accounting for the Power Finance acquisition. The material weakness resulted in an error related to the allocation of merger consideration between purchase consideration and post-combination expense that was not detected on a timely basis. The error was corrected by management in the Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2023. This error did not result in any material misstatements in our previously issued financial statements, nor in the financial statements included in this Quarterly Report on Form 10-Q.

Our management is committed to maintaining a strong internal control environment. To remediate the material weakness, we have designed additional business combination controls and continue to enhance their design with the level of precision required to operate them in an effective manner, and to satisfy and support the accounting and financial reporting for the Power Finance acquisition. We plan to enhance our management review control activities, including the review of inputs, assumptions and reports produced by third-party specialists supporting the purchase price allocation accounting and the application of technical accounting principles related to the acquisition of Power Finance.

Although we intend to complete the remediation process as promptly as possible, we will not be able to fully remediate this material weakness until these steps have been completed and the controls are operating effectively.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of fiscal year 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During the second quarter of fiscal year 2023, we began the remediation of the business combination control efforts discussed above.

Limitations on Effectiveness of Controls and Procedures

The effectiveness of any internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, no matter how well designed and operated, can only provide reasonable, not absolute assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II - Other Information

Item 1. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business. We are currently involved in the following matter:

On August 24, 2023, a putative class action and shareholder derivative lawsuit was filed in the case captioned Stephanie Smith v. Jason Gardner, et al. (Case No. 2023-0872-MTZ) in the Court of Chancery for the State of Delaware against each of the members of our board of directors and naming Marqeta as a nominal defendant. The complaint alleges that the individual defendants breached fiduciary duties in approving the 2023 Share Repurchase Program by failing to implement measures to prevent Marqeta founder Jason Gardner from acquiring control of the Company or ensure that unaffiliated stockholders receive a control premium. The plaintiff seeks damages and injunctive relief in the case, among other relief.

The plaintiff also filed a motion to expedite proceedings to obtain expedited discovery to support a contemplated preliminary injunction motion to enjoin purchases under the 2023 Share Repurchase Program. The Company and the individual defendants opposed the motion and the motion was heard and denied on September 15, 2023. The Company and the individual defendants have filed motions to dismiss the plaintiff’s complaint, but the parties have not yet agreed on a briefing schedule for those motions and no hearing on the motions has been set. The Company is prepared to vigorously defend this litigation.

Item 1A. Risk Factors

Risk Factors

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q and our Condensed Consolidated Financial Statements and the related notes and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before making a decision to invest in our Class A common stock. Our business, results of operations, financial condition and prospects could also be harmed by risks and uncertainties not currently known to us or that we do not currently believe to be material. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment.

Risk Factors Summary

Our business is subject to numerous risks and uncertainties that you should consider before investing in our company. The following is a summary of some of these risks and uncertainties. This summary should be read together with the more detailed description of each risk factor below.

- We have experienced rapid net revenue growth in recent periods and our recent net revenue growth rates may not be indicative of our future net revenue growth.
- If we fail to manage our growth effectively, we may be unable to execute our business plan or maintain high levels of customer service and satisfaction, and our business, results of operations, and financial condition could be adversely affected.
- Future net revenue growth depends on our ability to retain existing customers, drive increased TPV on our platform, and attract new customers in a cost-effective manner.
- We participate in markets that are competitive and continuously evolving, and if we do not compete successfully with established companies and new market entrants, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.
- We currently generate significant net revenue from a small number of customers, including our largest customer, Block, and the loss of any of these significant relationships or decline in net revenue from these customers, including as a result of renewals on less favorable terms, could adversely affect our business, results of operations, financial condition, and future prospects.

- Our recent growth, ongoing changes in our industry, and our transaction mix make it difficult to forecast our net revenue and evaluate our business and future prospects.
- We have a history of net losses, we anticipate increasing operating expenses in the future, and we may not be able to achieve or sustain profitability.
- We may experience significant annual or quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.
- Our business relies on our relationships with Issuing Banks and Card Networks, and if we are unable to maintain these relationships, our business may be adversely affected. Further, any changes to the rules or practices set by Card Networks, including changes in Card Network fees or Interchange Fees, or our handling of such fees, could adversely affect our business.
- Litigation, regulatory or legal actions, and compliance issues could subject us to fines, penalties, judgments, and remediation costs, resulting in increased expenses and reputational harm.
- The trading price of our Class A common stock has been and is likely to continue to be volatile, which could cause the value of your investment to decline.
- If we fail to maintain an effective system of disclosure controls and procedures or internal control over financial reporting, or remediate our existing material weakness, our ability to report timely and accurate financial results or comply with applicable regulations could be impaired, and our business, operating results, and the market price of our Class A common stock may be adversely affected.
- We may not realize the anticipated long-term stockholder value of our share repurchase program.
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our directors, executive officers, and their affiliates. As a result of the dual class structure of our common stock, the trading price of our Class A common stock may be depressed.

Risks Relating to Our Business and Industry

We have experienced rapid net revenue growth in recent periods and our recent net revenue growth rates may not be indicative of our future net revenue growth.

Our total net revenue was $748.2 million, $517.2 million and $290.3 million for the years ended December 31, 2022, 2021, and 2020, respectively, an increase of 45% and 78% from the prior years, respectively. Our total net revenue was $108.9 million and $191.6 million in the three months ended September 30, 2023 and 2022, respectively, a decrease of 43%, and $557.3 million and $544.4 million in the nine months ended September 30, 2023 and 2022, respectively, an increase of 2%. Our TPV was $166.3 billion, $111.1 billion, and $60.1 billion for the years ended December 31, 2022, 2021, and 2020, respectively, an increase of 50% and 85% from the prior years, respectively. Our TPV was $56.6 billion and $42.5 billion for the three months ended September 30, 2023 and 2022, respectively, an increase of 33%, and $160.3 billion and $119.6 billion for the nine months ended September 30, 2023 and 2022, respectively, an increase of 34%. In future periods, we may not be able to sustain our net revenue and TPV growth rates, or the growth rate of related key operating metrics. We believe our net revenue growth depends on several factors, including, but not limited to, our ability to:

- acquire new customers and retain existing customers on favorable terms;
- achieve widespread acceptance and use of our platform and the products and services we offer, including in markets outside of the United States;
- increase the use of our platform and our offerings, TPV, and the number of transactions on our platform;
- effectively scale our operations, including successfully integrating acquired businesses and technology;
- expand our product and service offerings;
- diversify our customer base;

- maintain and grow our network of vendors and partners, including Issuing Banks and Card Networks;
- hire and retain talented employees at all levels of our business;
- maintain the security and reliability of our platform;
- adapt to changes in laws and regulations applicable to our business;
- adapt to changing macroeconomic conditions and evolving conditions in the payments industry; and
- successfully compete against established companies and new market entrants.

Net revenue, TPV, or key operating metrics for any prior quarterly or annual period should not be relied on as an indication of our future performance. For example, we renewed our agreement with Block in August and November 2023, and the renewals have, and are expected to continue to, reduce reported net revenue and decrease gross profit. If our net revenue and TPV growth rates decline, we may not achieve profitability as expected, and our business, financial condition, results of operations, and the price of our Class A common stock would be adversely affected.

If we fail to manage our growth effectively, we may be unable to execute our business plan or maintain high levels of customer service and satisfaction, and our business, results of operations, and financial condition could be adversely affected.

We have experienced, and expect to continue to experience, rapid growth, which has placed, and may continue to place, significant demands on our management and our operational and financial resources. We have offices in the United States, United Kingdom ("U.K."), and legal entities in Australia, Brazil, Canada, and Singapore, and we plan to continue to expand our international footprint and operations into other countries in the future. We have also historically experienced significant growth in the number of customers using our platform, the number of card programs and solutions we manage for our customers, and TPV on our platform.

To manage operations and personnel growth, we will need to continue to grow and improve our operational, financial, and management controls, and our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to expand our systems and infrastructure before our net revenue increases without any assurances that our net revenue will increase.

We also believe that our corporate culture has been and will continue to be a valuable component of our success. We have moved to a flexible-first approach to work, meaning our employees are able to choose whether they work at home or, depending on where they live, in one of our office locations. As we expand our business and mature as a public company, we may find it difficult to maintain our corporate culture while managing this growth as our employees and other service providers increasingly work from geographic areas across the globe. Failure to manage our anticipated growth and organizational changes in a manner that preserves the key aspects of our culture could reduce our ability to recruit and retain personnel, innovate, operate effectively, and execute on our business strategy, potentially adversely affecting our business, results of operations, and financial condition.

Further, as more of our employees are located in new jurisdictions, we will be required to invest resources and to monitor continually changing local regulations and requirements, and we may experience a resulting increase in our expenses, decrease in employee productivity, and changes in our corporate culture.

We have in the past, and may in the future, experience high attrition and turnover rates across the Company. The loss of these employees may lead to a decrease in institutional knowledge which may adversely affect our ability to expand our business.

In addition, as we expand our business, it is important that we continue to maintain a high level of customer service and satisfaction. As our customer base continues to grow, we will need to expand our account management and customer service teams and continue to scale our platform. If we are not able to continue to provide high levels of customer service, our reputation, as well as our business, results of operations, and financial condition, could be adversely affected.

Future net revenue growth depends on our ability to retain existing customers, drive increased TPV on our platform, and attract new customers in a cost-effective manner.

If we are unable to attract new customers, retain existing customers on favorable terms, and grow and develop our relationships with new and existing customers, our business, results of operations, financial condition, and future prospects would be materially and adversely affected, as could the market price of our Class A common stock. Our net revenue growth substantially depends on our ability to maintain and grow our relationships with existing customers and increase the volume of transactions processed on our platform.

To grow our business and extend our market position, we intend to focus on educating potential customers about the benefits of our platform, expanding the capabilities of our platform and our product offerings, and bringing new products and services to market to increase market acceptance and use of our platform. If our prospective customers do not recognize, or our existing customers do not continue to recognize, the need for and benefits of our platform and our products, they may decide to adopt alternative products and services to satisfy their business needs. Some of our customer contracts provide for a termination clause that allows our customers to terminate their contract at any time following a limited notice period.

In addition, our customers generally are not subject to any minimum volume commitments under their contracts and have no obligation to continue using our platform, products, or services. Accordingly, these customers may have, or may enter into in the future, similar agreements with our competitors, which could adversely affect our ability to drive the level of processing volume and revenue growth that we seek to achieve. Customers may terminate or reduce their use of our platform for any number of reasons, including their level of satisfaction with our products and services, the effectiveness of our support services, our pricing and the pricing and quality of competing products or services, or the effects of global economic conditions.

The loss of customers or reductions in their processing volumes, particularly any loss of or reductions by Block, may adversely affect our business, results of operations, and financial condition. Our growth may decline in the future if customers are not satisfied with our platform or our ability to meet our customers’ needs and expectations. The complexity and costs associated with switching processing volume to our competitors may not ultimately prevent a customer from switching to another provider. To achieve continued growth, we must not only maintain our relationships with our existing customers, but also encourage them to increase adoption and usage of our products. For example, customers can have multiple card programs on our platform across different use cases and geographies. If customers do not renew their contracts or broaden their use of our services, or do not renew on favorable terms, our growth may slow or stop and our business, results of operations, and financial condition may be materially and adversely affected. We cannot assure you that customers will continue to use our platform or that we will be able to continue processing transactions on our platform at the same rate as we have in the past.

In addition to capitalizing on the potential net revenue embedded within our existing customer base, we must continue to attract new customers to promote growth. Our growth depends on developing new use cases and industry verticals across new geographies, in addition to introducing new capabilities. We acquired Power Finance in the first quarter of 2023 and released our credit card issuing platform publicly in October 2023. Net revenue growth attributed to our credit card issuing platform is dependent on increasing the number of existing customers or new customers who use our credit card issuing capabilities. We have limited experience administering our credit card issuing platform, and failure to scale the platform due to our limited experience or a competitive market could adversely affect our business and financial results. We may face additional challenges that are unique to the markets we target and we may not be able to acquire new customers in a cost-effective manner. To reach new customers, we may need to spend significantly more on sales and marketing to generate awareness of our platform and educate potential customers on the value of our platform. We may also need to adapt our existing technology and offerings or develop new or innovative capabilities to meet the particular needs of customers in these new use cases or new markets, and there can be no assurance that we will be successful in these efforts. We may not have adequate financial or technological resources to develop effective and secure products and services that will satisfy the demands of customers in these new markets. When a new customer launches with us, if we are slow to onboard them onto our platform or are slow to expand their use cases, our net revenue from the customer may be limited. If we fail to attract new customers, including customers in new use cases, industry verticals, and geographies, and to expand our platform in a way that serves the needs of these new customers, and to onboard them quickly, then we may not be able to continue to grow our net revenue.

We participate in markets that are competitive and continuously evolving, and if we do not compete successfully with established companies and new market entrants, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.

We operate in a highly competitive and dynamic industry. We were founded in 2010, and we provide a single, global, cloud-based, open-API platform for modern card issuing and payment processing. We face competition along several dimensions, including providers with legacy technology platforms, such as Fidelity National Information Services (FIS), Fiserv, and Global Payments (TSYS); legacy API-based providers, such as Galileo, i2c, and Visa DPS; and emerging providers, such as Adyen and Stripe. We believe the principal competitive factors in our market include industry expertise, platform and product features and functionality, ability to build new technology and keep pace with innovation, scalability, extensibility, product pricing, security and reliability, brand recognition and reputation, agility, and speed to market. We expect competition to increase in the future as established and emerging companies continue to enter the markets we serve or attempt to address the problems that our platform addresses. Moreover, as we expand the scope of our platform, we may face additional competition.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as greater brand name recognition, longer operating histories, larger sales and marketing budgets and resources, more established relationships with vendors or customers, greater customer support resources, greater resources to make acquisitions and investments, lower labor and development costs, larger and more mature intellectual property portfolios, and substantially greater financial, technical, and other resources. Such competitors with greater financial and operating resources may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, customer requirements, or regulatory developments.

We currently generate significant net revenue from a small number of customers, including our largest customer, Block, and the loss of any of these significant relationships or decline in net revenue from these customers, including as a result of renewals on less favorable terms, could adversely affect our business, results of operations, financial condition, and future prospects.

A small number of customers account for a large percentage of our net revenue. For the years ended December 31, 2022, 2021 and 2020, Block accounted for 71%, 69% and 70% of our net revenue, respectively, and for the three months ended September 30, 2023 and 2022, Block accounted for 50% and 73% of our net revenue, respectively.

Although we expect the net revenue from our largest customer will decrease over time as a percentage of our total net revenue as we generate more net revenue from other customers, we expect that net revenue from a relatively small group of customers will continue to account for a significant portion of our net revenue in the near term. Additionally, consolidation within our customers' industries has accelerated in recent years, which has in turn increased the concentration of our customers, and these trends may continue. Furthermore, in the event that any of our largest customers stop using our platform or use our platform in a reduced capacity, our business, results of operations, and financial condition would be adversely affected. In addition, any publicity associated with the loss of any of these customers may adversely affect our reputation and could make it more difficult to attract and retain other customers.

Our customer contracts generally do not contain long-term commitments from our customers, and our customers may be able to terminate their agreements with us prior to expiration of the contract term. We renewed our agreement with Block in August and November 2023, and the current term for both the Cash App and Square Debit Card programs expires in June 2028. The agreement automatically renews thereafter for successive one-year periods. In addition to reduced pricing for both programs, the renewal provides that Block is responsible for defining and managing the Cash App program with respect to the primary Card Network going forward. The renewals have, and are expected to continue to, reduce reported net revenue and decrease gross profit.

Furthermore, while certain of our customer contracts have minimum volume commitments, others do not. There can be no assurance that we will be able to continue our relationships with our customers on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. In addition, the processing volume from our customers has in the past fluctuated from period to period and may fluctuate or decline in future periods. Our net revenue and results of operations could suffer if, among other things, Block or any of our other largest customers do not continue to use our products, use fewer of our products, reduce their processing volume with us, or renegotiate, terminate or fail to renew, or, as Block did in August and November 2023, to renew on different terms, their agreements with us.

Our recent growth, ongoing changes in our industry, and our transaction mix make it difficult to forecast our net revenue and evaluate our business and future prospects.

We launched our platform publicly in 2014, and much of our growth has occurred in recent periods. This recent growth makes it difficult to effectively assess or forecast our future prospects, particularly in an evolving industry. Our modern card issuing platform represents a substantial departure from the traditional card issuing methods and the payment processing solutions offered by traditional providers. While our business has grown rapidly, the market for our platform, products, and services may not develop as we expect or in a manner that is favorable to our business. As a result of ongoing changes in our evolving industry, our ability to forecast our future results of operations and plan for and model future growth is limited and subject to a number of uncertainties.

In particular, forecasting our future results of operations can be challenging because our net revenue depends in part on our customers' end users, and our transaction mix adds further complexity. Our transaction mix refers to the proportion of signature debit versus PIN debit transactions and consumer versus commercial transactions that make up our TPV. In general, transactions that require a signature of the cardholder generate higher percentage-based Interchange Fees, while transactions that require a PIN generate lower percentage-based Interchange Fees. Accordingly, we may be unable to prepare accurate internal financial forecasts, and our results of operations in future reporting periods may differ materially from our estimates and forecasts or the expectations of investors or analysts, causing our business to suffer and our Class A common stock trading price to decline.

We have a history of net losses, we anticipate increasing operating expenses in the future, and we may not be able to achieve or sustain profitability.

We have incurred significant net losses since our inception, including net losses of $184.8 million, $163.9 million and $47.7 million for the twelve months ended December 31, 2022, 2021 and 2020, respectively, and $55.0 million and $53.2 million for the three months ended September 30, 2023 and 2022, respectively, and $182.6 million and $158.5 million for the nine months ended September 30, 2023, respectively. We expect to continue to incur net losses for the foreseeable future and we may not achieve profitability. We anticipate our operating expenses to continue to increase in the foreseeable future as we hire additional personnel, adjust compensation packages to hire new or retain existing employees, expand our operations and infrastructure, continue to enhance our platform and develop and expand its capabilities, expand our products and services, and expand and improve our APIs. These initiatives may be more costly than we expect and may not result in increased net revenue. Further as we expand our offerings to additional markets, our offerings in these markets may be less profitable than the markets in which we currently operate.

In addition, as a public company, we have incurred, and we will continue to incur, additional significant legal, insurance, accounting, and other expenses that we did not incur as a private company.

From time to time, we may make decisions that may reduce our short-term operating results if we believe those decisions will improve the experiences of our customers, end users, and other users of our products and services, which we believe will improve our operating results over the long term. These decisions may not be consistent with investors' expectations and may not produce the long-term benefits that we expect, and this may materially and adversely affect our business.

We may experience significant annual or quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.

Our annual or quarterly results of operations for a given period may not fully reflect the underlying performance of our business and may fluctuate as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to the risk factors included in this section as well as:

- demand for our platform, products, and services by our customers;
- our success in engaging and retaining existing customers and attracting new customers;
- changes in transaction mix or volume processed on the different Card Networks used and the resultant mix of interchange and transaction fees earned;
- our success in increasing our customers' processing volumes;
- demand for our customers' products by their customers;
- the timing and success of new capabilities by us or by our competitors or any other change in the competitive landscape of our market;
- changes to the terms of and performance under our customer contracts, including concessions, or payments to customers resulting from our failure to meet certain service level commitments, which are generally based on our platform uptime, API response time, and/or transaction success rate;
- reductions in pricing as a result of renegotiations with our larger customers;
- the amount and timing of operating expenses and capital expenditures, as well as entry into operating leases, that we may incur to maintain and expand our business and operations and remain competitive;
- the timing and extent of amendments or new contracts related to our volume incentive arrangements with Card Networks, which could result in incentive payments that are recorded in a current period and based on volume processed in a prior period;
- changes in customers' processing volumes resulting from seasonal fluctuations;
- security breaches, and technical difficulties involving our platform or interruptions or disruptions of our platform;
- adverse litigation judgments, other dispute-related settlement payments, or other litigation-related costs;

- regulatory fines;
- changes in, and continuing uncertainty in relation to, the legislative or regulatory environment;
- the timing and extent of changes in interchange rates set by Card Networks;
- legal and regulatory compliance costs in new and existing markets;
- the amount of compensation for and timing of hiring new employees, and the impact of the increased labor market competition in the United States;
- the rate of expansion and productivity of our sales force;
- the timing and extent of increases of grants or vesting of equity awards to employees, directors, or consultants and the recognition of associated share-based compensation expenses and related payroll tax;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates;
- increased inflation;
- costs and timing of expenses related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- the impact of tax charges as a result of non-compliance with, or changes to, federal, state, local, or other tax regulations;
- changes to GAAP in the United States;
- health pandemics, such as the COVID-19 pandemic, influenza, and other highly communicable diseases or viruses;
- adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions, including the 2023 bank closures and failures; and
- general economic conditions in either domestic or international markets, including conditions resulting from geopolitical uncertainty and instability or war.

Any one or more of the factors above may result in significant fluctuations in our results of operations. You should not rely on our past results as an indicator of our future performance. If our results of operations or other operating metrics fall short of the expectations of our investors and financial analysts, the trading price of our Class A common stock could be adversely affected.

Systems failures and interruptions in the availability of our platform may adversely affect our business, results of operations, and financial condition.

Our continued growth depends on the efficient operation of our platform without interruption or degradation of performance. Our business involves processing large numbers of transactions, enabling the movement of large sums of money on an aggregate basis, and the management of large amounts of data. System outages or data loss could have a material adverse effect on our business, results of operations, and financial condition. We may experience service interruptions, data loss, outages, and other performance problems due to a variety of factors, including infrastructure changes or failures, introductions of new functionality, human or software errors, capacity constraints, denial-of-service attacks, phishing attacks, ransomware attacks, or other security-related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems immediately or in short order, and we may face difficulties remediating and otherwise responding to any such issues, including resuming operations in a timely manner for our customers and preventing data loss.

Further, our customer contracts typically provide for service level commitments. If we suffer extended periods of downtime of our platform or are otherwise unable to meet these commitments, we are contractually obligated to provide service credits, which may be based on a percentage of the processing volume on the day of an incident or the revenue we earned from our customer on the day of an incident, or based on our overall monthly transaction success rate and the incentive payments or fees from that month. We have experienced incidents requiring us to pay service level credits and other customer service concessions in the past. In addition, the performance and availability of the cloud-based solutions that provide cloud infrastructures for our platform is outside of our control and, therefore, we are not in full control of whether we meet our service level commitments. As a result, we have experienced, and expect to continue to periodically experience, unpredictable outages of the services provided by these cloud infrastructure providers. Our business, results of operations, and financial condition has in the past been affected and could in the future be adversely affected if we suffer unscheduled downtime that exceeds the service level commitments we have made to our customers. Any extended service outages could adversely affect our business and reputation and erode customer trust.

Any of the above circumstances or events may harm our reputation, cause customers to terminate their agreements with us, impair our ability to renew contracts with customers and grow our customer base, subject us to financial penalties and liabilities, and otherwise adversely affect our business, results of operations, and financial condition.

We may not be able to maintain the level of service uptime and performance needed by our customers, especially as TPV increases. If we are unable to maintain sufficient processing capacity, customers could face longer processing times or even downtime. Furthermore, any efforts to further scale our platform or increase its complexity to handle a larger number or more complicated transactions could result in performance issues, including downtime. If our platform is unavailable or if customers are unable to access our platform within a reasonable amount of time, or at all, our business would be adversely affected. Our customers rely on the full-time availability of our platform to process payment transactions, and an outage on our platform could impair the ability of our customers to operate their business and generate revenue. Therefore, any system failure, outage, performance problem, or interruption in the availability of our platform would negatively impact our brand, reputation, and customer satisfaction, and could subject us to financial penalties and liabilities.

Our business relies on our relationships with Issuing Banks and Card Networks, and if we are unable to maintain these relationships, our business may be adversely affected. Further, any changes to the rules or practices set by Card Networks, including changes in Card Network fees or Interchange Fees, could adversely affect our business.

We rely on our relationships with financial institutions, including Issuing Banks and Card Networks, that provide certain services that are an important part of our product offering. We have in the past and may in the future pay certain amounts in association with these relationships, regardless of whether we were compelled to under law or contract. In addition, we have in the past and may in the future have disagreements with these financial institutions. If we are unable to maintain the quality of these relationships or fail to comply with our contractual requirements with these financial institutions, our business would be adversely affected.

We partner with Issuing Banks, who issue payment cards to our customers and settle payment transactions on such cards. A significant portion of our payment transactions are settled through one Issuing Bank, Sutton Bank. For the three months ended September 30, 2023 and 2022, 75% and 81%, respectively, of TPV was settled through Sutton Bank. For the nine months ended September 30, 2023 and 2022, 77% and 83%, respectively, of TPV was settled through Sutton Bank. If Sutton Bank terminates our agreement with them or is unable or unwilling to settle our transactions for any reason, we may be required to switch some or all of our processing volume to one or more other Issuing Banks, including to any of the four other U.S. Issuing Banks that we currently contract with. Switching a significant portion or all of our processing volume to another Issuing Bank, including contracting with additional Issuing Banks, would take time and could result in additional costs, including increased operating expenses, and termination fees under our agreement with Sutton Bank if unilaterally terminated by us without Sutton Bank’s consent. We could also lose customers if we do not have another Issuing Bank who is willing to support such customers. Diversifying our contractual relationships and operations with Issuing Banks may increase the complexity of our operations and may also lead to increased costs.

We also have agreements directly with Card Networks that, among other things, provide us certain monetary incentives based on the processing volume of our customers' transactions routed through the respective Card Network. For certain incentive arrangements with an annual measurement period, the one-year period may not align with our fiscal year. We currently include Card Network fees in the pricing arrangements with the majority of our MxM customers. If our customers were to manage the relationship with the Card Networks, our reported revenue may decrease. For example, we renewed our agreement with Block for their Cash App program in August 2023 which provides that Block will be responsible for defining and managing the Cash App program with respect to the primary Card Network going forward. The renewal reduces reported net revenue and decreases gross profit.

Unusual fluctuations in Card Network fees can occur in the quarter in which volume thresholds are achieved as higher incentive rates are applied to volumes over the entire measurement periods, which can span 6 or 12 months, which can affect our financial results for a given quarter or fiscal year. If we were to lose our certification with a Card Network, we could lose customers if they needed to switch to a different Card Network, for which we did not have a certification. The Issuing Banks and Card Networks we work with may fail to process transactions, breach their agreements with us, or refuse to renew or renegotiate our agreements with them on terms that are favorable, commercially reasonable, or at all. They might also take actions that could degrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services. If we are unsuccessful in establishing, renegotiating, or maintaining relationships with Issuing Banks and Card Networks, our business may be adversely affected.

Our agreements with Issuing Banks and Card Networks require us to comply with Card Network rules. The Card Networks set these rules and have discretion to interpret the rules and change them at any time. For additional information about regulations relating to Card Network rules, see the section titled "Risk Factors—Risks Relating to Regulation—Our business is subject to extensive regulation and oversight in a variety of areas, directly and indirectly through our relationships with Issuing Banks and Card Networks, which regulations are subject to change and to uncertain interpretation. Changing international, federal, state, and local laws, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects." The termination of the card association registrations held by us or any of the Issuing Banks or any changes to these Card Network rules or how they are interpreted could have a significant impact on our business and financial condition. Any changes to or interpretations of the Card Network rules that are inconsistent with the way we or our Issuing Banks currently operate may require us to make changes to our business that could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with the Card Networks, the Card Networks could charge us additional fees or prohibit us from processing transactions. We have been charged such additional fees in the past, and expect to continue to be charged such fees in the future. These additional fees are considered costs of revenue. While changes in the Card Network rules usually relate to pricing, other types of changes could require us to take certain steps to comply or adapt.

Unfavorable conditions in our industry or the global economy could adversely affect our business, results of operations, and financial condition.

Our revenue is impacted, to a significant extent, by general economic conditions, their impact on levels of spending by businesses and their customers, and the financial performance of our customers. Our business, the industry, and our customers' businesses are sensitive to macroeconomic conditions. Our net revenue is dependent on the usage of our platform, which in turn is influenced by the volume of business our customers conduct. Supply chain disruption, a global labor shortage, increased inflation, and higher interest rates have adversely affected our business, results of operations and business outlook and may continue to create uncertainty as to our and our customers', partners', and vendors' financial results, operations and business outlook. Weak economic conditions or a significant deterioration in economic conditions, including the current inflationary environment and the possibility of a recession could result in a reduced volume of business for our customers and prospective customers, and demand for, and use of, our platform, products, and services may decline. If spending by their customers declines, our customers could process fewer payments with us or, if our customers cease to operate, they could stop using our platform and our products and services altogether. Moreover, if the financial condition of a customer deteriorates significantly or a customer becomes subject to a bankruptcy proceeding, we may not be able to recover amounts due to us from the customer.

Furthermore, weak economic conditions may make it more difficult to collect on outstanding accounts receivable. The global credit and financial markets are currently, and have from time to time experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, rising interest and inflation rates, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. The bank closures and failures in the first quarter of 2023 created bank-specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs, and create additional market and economic uncertainty. There can be no assurance that future credit and financial market instability and a deterioration in confidence in economic conditions will not occur. If, as a result of a weak economy, our customers reduce their use of our platform, or prospective customers delay adoption or elect not to adopt our platform, our business, results of operations, and financial condition could be adversely affected. We are unable to predict the impact of other macroeconomic factors, including various geopolitical conflicts, supply chain shortages, higher inflation rates, higher interest rates, and other global economic conditions, will have on our processing volumes, and on our future results of operations. A deterioration in macroeconomic conditions could increase the risk of lower consumer spending, consumer and merchant bankruptcy, insolvency, business failure, higher credit losses, foreign currency fluctuations, or other business interruption, which may adversely impact our business. We continue to monitor the situation and may take actions that alter our operations and business practices as may be required by federal, state, or local authorities or that we determine are in the best interests of our customers, vendors, employees, and us.

Performance issues in our platform or our platform's transaction processing could diminish demand for our platform or products, adversely affect our business and results of operations, and subject us to liabilities.

Any significant disruption in, or errors in, service on our platform, including events beyond our control, could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. Our platform is designed to process a high number of transactions and deliver reports and other information related to those transactions at high processing speeds. Our customers use our platform for important aspects of their businesses. Our Issuing Banks use reports and information from our platform in part to settle card transactions with the Card Networks. Any performance issues, including errors, defects, or disruptions in our platform or our platform's transaction processing, could damage our customers' businesses and, in turn, hurt our brand and reputation and erode customer trust. In addition, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. The risk of performance issues has increased in recent periods due to the significant increase in our TPV. This risk of performance issues further increases with new product launches and geographical expansion. We release regular updates to our platform, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities, and bugs. Additionally, we have in the past and may in the future experience errors, inaccuracies, or omissions in our processing, reconciling or reporting of transactions. For instance, in the third quarter of 2022, we incurred losses related to the processing of a limited number of international transactions in excess of customer authorized amounts. Further, we may be unable to replenish the supply of payment cards issued to our customers before it is depleted, such that our customers could run out of cards for a short period of time. Real or perceived errors, failures, or bugs in our platform or our platform's transaction processing could result in negative publicity, loss of or delay in market acceptance of our platform or our products, loss of competitive position, lower customer retention, claims by customers, Card Networks, Issuing Banks, or other partners or vendors for losses sustained by them, or other claims, regulatory fines, or proceedings. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources to help correct the problem. As a result, our reputation and our brand could be harmed, and our business, results of operations, and financial condition may be adversely affected.

We, our customers, our vendors, and others who use or interact with our platform obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could expose us to liability and damage our reputation.

Our operations depend on receiving, storing, processing, and transmitting sensitive information pertaining to our business, employees, customers, and end users. The confidentiality, security, and integrity of such sensitive business information residing on or otherwise processed using our systems is important to our business. Any unauthorized access, intrusion, infiltration, network disruption, denial of service, infection by ransomware, viruses, or other malicious code, or similar incident could disrupt the integrity, continuity, security, and trust of our systems or data, or the systems or data of our customers or vendors. These incidents are often difficult to detect and the threats are constantly evolving, and we or our customers or vendors may face difficulties or delays in identifying or otherwise responding to any incident.

Unauthorized parties have attempted and may continue to attempt to gain access to our platform, systems, or facilities, and those of our customers, partners, and vendors, through various means and with increasing sophistication. These events could create costly claims and litigation, significant financial liability, regulatory investigations or proceedings, increased regulatory scrutiny, financial sanctions, a loss of confidence in our ability to serve customers and cause current or potential customers to choose another service provider, all of which could have a material adverse impact on our business. We expect to continue to invest significant resources to maintain and enhance our information security and controls and to investigate and remediate security vulnerabilities in compliance with industry standards.

Although we believe that we maintain a robust data security program, including a responsible disclosure program, and that none of the incidents that we have encountered to date have materially impacted us, we cannot be certain that the security measures and procedures we have in place to detect security incidents and protect sensitive data, including protection against unauthorized access and use by our employees or vendors, will be successful or sufficient to counter all current and emerging risks and threats facing us and our customers and vendors. The impact of a material event involving our systems or data, or those of our customers or vendors, could have a material adverse effect on our business, results of operations, and financial condition.

Under Card Network rules and our contracts with our Issuing Banks, if there is a breach of payment card information that we store, process, or transmit or that is stored, processed, or transmitted by our customers or other third parties that we do business with, we could be liable to the Issuing Banks for certain of their costs and expenses. Additionally, if our own confidential business information were improperly acquired or otherwise disclosed or processed, our business could be materially and adversely affected. The reliability and security of our platform is a core component of our business. Any perceived or actual breach of security or security vulnerability, regardless of how it occurs or the extent of the breach or vulnerability, could significantly disrupt our operations, result in unauthorized or unlawful access to, misuse, disclosure, loss, acquisition, corruption, unavailability, alteration, modification or destruction of our and our customers' data, including sensitive and proprietary information, and personal data, have a significant impact on our reputation as a trusted brand, cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by the breach or vulnerability and to implement measures to prevent further breaches and vulnerabilities, and expose us to legal risk and potential liability, including those resulting from governmental or regulatory investigations, claims, demands, investigations, and litigation initiated by private parties, including class action litigation, and costs associated with remediation, such as fraud monitoring, card reissuance, and forensics. Our vendors face similar security risks, and any actual or perceived security breach or vulnerability at a vendor providing services to us or our customers could have similar effects.

While we maintain cybersecurity insurance, subject to applicable deductibles and policy limitations, our insurance may be insufficient to cover all liabilities incurred by a cybersecurity attack. We cannot be certain that our insurance coverage will be adequate for privacy, information security, and data protection liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, premiums, or deductibles could have a material adverse effect on our business, results of operations, and financial condition.

Our business depends on a strong and trusted brand, and any failure to maintain, protect, enhance, and market our brand would hurt our business.

Negative publicity about us or our industry could adversely affect our business, results of operations, financial condition, and future prospects. We have developed a strong and trusted brand that has contributed significantly to the success of our business. We believe that maintaining and promoting our brand in a cost-effective manner is important to achieving widespread acceptance of our platform and the products and services we offer, expanding our base of customers and end users, and increasing our TPV.

Harm to our brand can arise from many sources, including failure by us or our partners and vendors to satisfy expectations of service and quality, inadequate protection or misuse of sensitive information, compliance failures and claims, litigation and other claims, and misconduct by our vendors or other counterparties. We may also be the target of incomplete, inaccurate, and misleading or false statements about our company and our business that could damage our brand and deter customers from adopting our services. As a result, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

If we fail to offer high-quality customer support, our business and reputation will suffer.

Many of our customers depend on our customer support team to assist them in launching and deploying our card programs effectively, help them resolve issues quickly, and provide ongoing support. Our direct, ongoing interactions with our customers help us tailor offerings to them at scale and in the context of their usage. Our customer support team also helps increase awareness and usage of our platform while helping customers address inquiries and issues. If we do not devote sufficient resources or are otherwise unsuccessful in assisting our customers effectively, it could adversely affect our ability to retain existing customers and could prevent prospective customers from adopting our platform. We may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. Increased demand for customer support, without corresponding net revenue, could increase costs and adversely affect our business, results of operations, and financial condition. Our sales are highly dependent on our business reputation and on positive recommendations from customers. Any failure to maintain high quality customer support, or a market perception that we do not maintain high quality customer support, could erode customer trust and adversely affect our reputation, business, results of operations, and financial condition.

In addition, as we continue to grow our operations and reach a larger and increasingly global customer base, we need to be able to provide efficient customer support that meets the needs of customers on our platform globally and at scale. The number of customers and end users using our platform, TPV, the products and services we offer, and usage of our platform by customers have all grown significantly and this has put additional pressure on our support organization. If we are unable to provide efficient customer support globally and at scale, our ability to grow our operations may be adversely affected and we may need to hire additional support personnel, potentially adversely affecting our results of operations.

If we fail to adapt to rapid technological changes and develop enhancements and new capabilities for our platform, our ability to remain competitive could be impaired.

We compete in an industry that is characterized by rapid technological changes, frequent introductions of new products and services, and evolving industry standards and regulatory requirements. Our ability to attract new customers and increase net revenue from customers will depend in significant part on our ability to adapt to industry standards, anticipate trends, and continue to enhance our platform and introduce new products and capabilities on a timely and secure basis to keep pace with technological developments and customer expectations.

Our efforts to develop new capabilities for our platform may not be successful. We acquired Power Finance in the first quarter of 2023 and released our credit card issuing platform publicly in October 2023. We have limited experience administering our credit card issuing platform, and failure to scale the platform due to our limited experience or a competitive market could adversely affect our business and financial results.

It is also important for us to implement tools to support the operational efficiency of our platform. If we are unable to provide enhancements and new products on our platform, develop new capabilities that achieve market acceptance, innovate quickly enough to keep pace with rapid technological developments, or experience unintended consequences with enhancements we provide, our business could be adversely affected. For example, our customers may not adopt enhancements and new products or may not use them as intended. We must also keep pace with changing legal and regulatory regimes that affect our platform, products, services, and business practices. We may not be successful in developing modifications, enhancements, and improvements, in bringing them to market quickly or cost-effectively in response to market demands, or at modifying our platform to remain compliant with applicable legal and regulatory requirements.

In addition, because our platform is designed to operate directly with the Card Networks, Issuing Banks, and general payments ecosystem, we need to continuously modify and enhance our platform to keep pace with changes in technologies, while maintaining compatibility and legal and regulatory compliance. Any failure of our platform to continue to operate effectively with third-party infrastructures and technologies could reduce the demand for our platform, products, or services, result in the dissatisfaction of our customers, and materially and adversely affect our business.

Our future success depends in part on our ability to expand internationally and drive the adoption of our platform and products by international customers. Expanding our business internationally, however, could subject us to new challenges and risks.

Further expansion of our operations internationally is important to the success of our business and will subject us to new challenges and risks. During the three and nine months ended September 30, 2023, we derived 3% of our net revenue from customers located outside the United States. It is unclear whether and to what extent various geopolitical conflicts will have any broader implications that may impact our business and results of operations. Managing our new and existing international operations requires us to comply with new regulatory frameworks, additional regulatory hurdles, and implement additional resources and controls. Furthermore, our business model may not be successful or have the same traction outside the United States. International expansion subjects our business to additional risks, including:

- difficulty in attracting a sufficient number of customers in a given international market;
- failure to anticipate competitive conditions and competition with market-players that have greater experience in the local markets than we do or that have pre-existing relationships with potential customers and investors in those markets;
- conformity of our platform with applicable business customs, including translation into foreign languages and associated expenses;
- increased costs and difficulty in protecting intellectual property and sensitive data;
- increased costs from local Card Networks, BIN sponsors, vendors, and other local providers;
- potential changes to our established business and pricing models;
- the ability to support and integrate with local BIN sponsors and other service providers;
- difficulties in staffing and managing foreign operations in an environment of diverse culture, laws, and customers;
- increased travel, infrastructure, and legal and compliance costs associated with international operations;
- difficulties in recruiting and retaining qualified employees and maintaining our company culture;
- difficulties in gaining acceptance from industry self-regulatory bodies;
- compliance with multiple, potentially conflicting, and changing governmental laws and regulations, including banking, anti-money laundering (“AML”), securities, employment, tax, privacy, and data protection laws and regulations, such as the EU’s General Data Protection Regulation (the “GDPR”);
- compliance with U.S. and foreign anti-bribery laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, (the “FCPA”);
- exchange rate risk and Interchange Fee regulation in foreign countries;
- limited experience selling our platform, products, and services outside of the United States;
- potential restrictions on repatriation of earnings;

- expanded compliance with potentially conflicting and changing laws of taxing jurisdictions in which we conduct business and applicable U.S. tax laws as they relate to international operations, the complexity of such tax laws, and potentially adverse tax consequences due to changes in such tax laws or the interpretation or administration thereof; and
- regional economic and political conditions.

As a result of these risks, we may not be successful in managing our existing international operations or expanding our international operations.

We may incur losses relating to the settlement of payment transactions and the fraudulent use of payment cards issued through our platform.

Our resources, technologies, and fraud prevention tools may be insufficient to accurately detect and prevent fraud. We are and will continue to be subject to the risk of losses relating to the day-to-day settlement of payment transactions that is inherent in our business model, including with respect to pre-funding and chargeback requests. Customers deposit a certain amount of pre-funding into bank accounts at our Issuing Banks. However, depending on the model of the card program and the timing of funding and transactions, some transactions that exceed the amount of pre-funding in the customer’s account are still authorized.

Customers are ultimately responsible for fulfilling their obligations to fund transactions. However, when a customer does not have sufficient funds to settle a transaction, we may be liable to the Issuing Bank to settle the transaction, including a fraudulent or disputed transaction, and may incur losses as a result of claims from the Issuing Bank. We would seek to recover such losses from the customer, but we may not fully recover them if the customer is unwilling or unable to pay due to their financial condition. Additionally, when a chargeback request is approved, the purchase price of the transaction is refunded to the customer’s end user’s account through our platform. If we do not properly process the chargeback, the customer may request that we fund the refunded amount to their end user. We have in the past, and may in the future, incur costs relating to the improper processing of chargeback requests.

Additionally, criminals are using increasingly sophisticated methods to engage in illegal activities which they may use to target us, including “skimming,” counterfeit payment cards, and identity theft. A single, significant incident or a series of incidents of fraud or theft involving cards issued through our platform could result in reputational damage to us, potentially reducing the use and acceptance of our platform or leading to greater regulatory scrutiny that would increase our compliance costs. Fraudulent activity on our platform or as a result of actions by our employees or contractors could also result in the imposition of regulatory sanctions, including significant monetary fines, or other operating losses. The foregoing could have a material adverse effect on our business, results of operations, and financial condition. We are also potentially susceptible to risk from fraudulent acts of employees or contractors.

We depend on our executive officers and other key employees, and the loss of one or more of these employees could adversely affect our business.

Our success depends largely upon the continued services of our executive officers and other key employees. There have been changes in the past, and there may be changes in the future, to our executive management team resulting from the hiring or departure of executives, which could disrupt our business.

The loss of one or more of our executive officers or other key employees could adversely affect our business. Changes in our executive management team may also cause disruptions in, and adverse impacts to, our business. We also may not be able to successfully navigate the leadership changes while maintaining key aspects of our culture, which could have a significant negative effect on our existing business and our ability to pursue future plans.

The volatility in or lack of appreciation of the trading price of our Class A common stock may affect our ability to attract and retain executive officers or other key employees. Many of our key employees have become, or will become, vested in a substantial amount of RSUs or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options or RSUs have significantly appreciated in value relative to the original purchase price of the shares or the exercise price of the options, or conversely, if the exercise prices of the options that they hold are significantly above the market price of our Class A common stock.

Any employment agreements we have with our executive officers or other key personnel do not require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. We have in the past, and may in the future, experience high attrition and turnover rates across the Company, including key employees. The loss of these employees may lead to a decrease in institutional knowledge which may adversely affect our business. Additionally, we do not maintain any key person insurance policies.

Our business depends on our ability to attract and retain highly skilled employees.

Our future success depends on our ability to identify, hire, develop, motivate, and retain highly qualified personnel for all areas of our organization, in particular highly experienced product and technology personnel. Competition for these types of highly skilled employees is intense. Trained and experienced personnel are in high demand and may be in short supply. We have from time to time experienced, are currently experiencing, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, at a speed that is consistent with our business needs, and at an appropriate cost. Any changes to U.S. immigration policies that restrain the flow of technical and professional talent may also inhibit our ability to recruit and retain highly qualified employees.

Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop, and maintain the skilled workforce necessary to operate our business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel.

In addition, in 2022, we transitioned our Company to a flexible-first work environment. Over time such remote operations may decrease the cohesiveness of our teams and our ability to maintain our culture, both of which are critical to our success. Additionally, a remote working environment may impede our ability to undertake new business projects, foster a creative environment, hire new team members, and retain existing team members. Such effects may adversely affect the productivity of our team members and overall operations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the value of our equity awards declines, it may impair our ability to recruit and retain highly skilled employees. If we are not able to add and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected, and our business and growth prospects will be adversely affected.

Our restructuring plan may not adequately lower our operating expense growth rate, may adversely affect our ability to recruit and retain personnel, and may divert attention from operations.

We have and may in the future undertake restructuring plans to adjust our investment priorities and manage our operating expenses. For example, in May 2023, we announced a restructuring plan (the “Plan”) to lower our year-over-year operating expense growth rate and prioritize projects that we believe will have the highest return on investment, which we expect to result in a workforce reduction. We have and we expect to continue to incur material costs and charges in connection with the Plan, and there can be no assurance that the Plan will be successful. The Plan may adversely affect our ability to recruit and retain skilled and motivated personnel, may result in a loss of accumulated knowledge, and may be distracting to employees, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of the Plan, our business, operating results, and financial condition could be adversely affected.

The Plan may also adversely impact our internal controls over financial reporting, which may lead to material weaknesses in our controls or we may be unable to remediate the existing material weakness in our control. For additional information about internal controls over financial reporting, see the section titled “Risk Factors—Risks Relating to Regulation—“If we fail to maintain an effective system of disclosure controls and procedures or internal control over financial reporting, or remediate the existing material weakness, our ability to report timely and accurate financial results or comply with applicable regulations could be impaired, and our business, operating results, and the market price of our Class A common stock may be adversely affected.”

We may face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, results of operations, and financial condition.

As we continue to expand our global operations, we become more exposed to the effects of fluctuations in currency exchange rates. Our customer contracts are denominated primarily in U.S. dollars, and therefore the majority of our net revenue is not subject to foreign currency risk. We expect, however, to significantly expand the number of transactions with customers that are denominated in foreign currencies in the future as we continue to expand our business internationally. We also incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency for such locations. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses and, as a result, adversely affect our business, results of operations, and financial condition.

We may require additional capital to support our business, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business and may require additional funds. In particular, we may seek additional funds to develop new products and enhance our platform and existing products, expand our operations, including our sales and marketing organizations and our presence outside of the United States, improve our infrastructure or acquire complementary businesses, technologies, services, products, and other assets. In addition, we are using a portion of our cash to satisfy tax withholding and remittance obligations related to the vesting of RSUs. Accordingly, we may need to engage in equity or debt financings to secure additional funds.

If we raise additional funds through future issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock and Class B common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, potentially making it more difficult for us to obtain additional capital and to pursue business opportunities. We may not be able to obtain additional financing on terms favorable to us, if at all. Disruptions in the credit markets or other factors, such as the current inflationary environment and rising interest rates, could adversely affect the availability, diversity, cost, and terms of funding arrangements. In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. The U.S. Federal Deposit Insurance Corporation (“FDIC”) only insures up to $250,000 per depositor per insured bank, and we currently have cash deposited in certain financial institutions in excess of FDIC insured levels. If any of the banking institutions in which we have deposited funds ultimately fails, we may lose our deposits over $250,000. The loss of our deposits may have a material adverse effect on our business, financial condition, and liquidity. The ultimate outcome of these events cannot be predicted, but these events could have a material adverse effect on our business.

If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth, scale our infrastructure, develop product enhancements, and respond to business challenges could be significantly impaired, and our business, results of operations, and financial condition may be adversely affected.

Any acquisition, strategic investment, partnership, alliance, and other transaction could be difficult to identify, fail to achieve strategic objectives, divert the attention of key management personnel, disrupt our ongoing operations, dilute stockholder value, or result in operating difficulties, liabilities and expenses, harm our business, and negatively impact our results of operations. We may be unable to successfully integrate acquired businesses and technology.

We have in the past and may in the future seek to acquire or invest in businesses, products, or technologies that we believe could complement our platform, products, and services or expand the breadth of our platform, enhance our products and capabilities, expand our geographic reach or customer base, or otherwise offer growth opportunities. For example, we acquired Power Finance Inc. on February 3, 2023. The identification, pursuit, evaluation and negotiation of potential strategic investment transactions or acquisitions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately consummated. Any acquisition, investment, or business relationship may result in unforeseen operating difficulties and expenditures or require us to make adjustments to our or the acquired company's business models. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable transaction opportunities or successfully integrating the acquired personnel, operations, and technologies, or effectively scaling, expanding, and managing the combined business following the acquisition.

Specifically, we may not successfully evaluate or utilize the acquired technology or personnel from an acquired business and we may be unable to retain key personnel after a transaction, including personnel who are critical to the success of the ongoing business. We may not accurately forecast the financial impact of an acquisition transaction, including accounting charges. Moreover, the anticipated benefits, opportunities, growth, synergies, or business model improvements of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. We may be required to issue equity or debt securities to acquire businesses which could dilute our shareholders or adversely affect our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations, and financial condition may suffer.

We have made, and may in the future seek to make, strategic investments in early stage companies developing products or technologies that we believe could complement our platform or expand its breadth, enhance our technical capabilities, or otherwise offer growth opportunities. These investments may be in early stage private companies for restricted stock. Such investments are generally illiquid and may never generate value. Further, we may invest in companies that do not succeed, and our investments may lose all or some of their value, which could result in us recording impairment charges reflected in our results of operations.

Litigation, regulatory or legal actions, and compliance issues could subject us to fines, penalties, judgments, and remediation costs, resulting in increased expenses and reputational harm.

In the ordinary course of business, we have been, are currently, and in the future may be, involved in and subject to litigation for a variety of claims or disputes. We have also received and may in the future receive, inquiries, warrants, subpoenas, and other requests for information in connection with government investigations. These claims, lawsuits, and proceedings could include employment, wage and hour, commercial, antitrust, alleged securities law violations or other investor claims, financial regulations, and other matters. The number and significance of these potential claims and disputes may increase as our business expands. Our contracts with customers and partners have in the past and may also in the future subject us to indemnification obligations for claims, lawsuits, and proceedings such customers and partners face.

Further, our liability insurance may not cover all potential claims made against us or be sufficient to indemnify us for all liability that may be imposed. The costs associated with litigation and regulatory or legal investigations can be unpredictable depending on the complexity and length of time devoted to such litigation or investigation. Litigation, investigations or government proceedings may also divert management’s attention and operational resources, and could harm our reputation regardless of the outcome of the lawsuit or investigation. We cannot assure you that any potential claims, investigations, or proceedings will not have a material adverse effect on our business, results of operations, and financial condition.

The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational, compliance, and legal costs and may prevent us from providing certain products and services. Some of the laws and regulations affecting our business have been enacted relatively recently. Many laws and regulations affecting our business are evolving, unclear, and inconsistent across jurisdictions, and ensuring compliance with them is difficult and costly. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have an adverse effect on our business.

Additionally, while we have developed policies and procedures designed to assist in compliance with laws and regulations, no assurance can be given that our compliance policies and procedures will be effective or that our customers and vendors have robust compliance programs. Failure to comply with laws and with regulatory requirements could subject us to damages, revocation of licenses, lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business.

Our vendor relationships subject us to a variety of risks, and the failure of third parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business, results of operations, financial condition, and future prospects.

We depend on services from various third-party vendors to provide our products and services and maintain our infrastructure, including data center facilities and Amazon Web Services, Inc. as our computing and storage platform. We also rely on Card Networks to complete, settle, and reconcile transactions processed on our platform. Any disruptions in these services, including as a result of actions outside of our control, would significantly impact the continued performance of our platform.

We conduct vendor due diligence; however, if a service provider fails to develop and maintain sufficient internal control processes, fails to maintain adequate data privacy controls and security systems, fails to properly safeguard our intellectual property, or fails to provide sufficient capacity to support our platform or otherwise experiences service outages, such failure could adversely affect our business or the business of our customers using our platform or their perception of our platform’s reliability. Further, if any service provider fails to meet contractual requirements (including compliance with applicable laws and regulations), suffers a cyber-attack or other security breach, experiences damage to its systems or facilities, or terminates its contract with us, such failure or event could subject us to regulatory enforcement actions, claims from third parties, including our customers, and we could suffer economic and reputational harm that could have an adverse effect on our business.

If any service provider fails, we may also be unable to effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, as well as to increase efficiency. In some cases, vendors are the sole source, or one of a limited number of sources, of the services they provide to us. In the future, these services may not be available to us on commercially reasonable terms, or at all. Any loss of any of these services could result in decreased functionality of our platform until equivalent technology is either developed by us or, if available from another provider, is identified, obtained, and integrated into our infrastructure. We may incur significant costs to resolve any disruptions in service, which could adversely affect our business.

Additionally, if our vendors, or other service providers, fail to comply with the legal requirements applicable to the particular products or services being offered, or violate applicable laws or our policies, or become subject to third party claims of intellectual property infringement, misappropriation, or other violation, or malfunctions or functions in a way we did not anticipate, such violations may also put information we process at risk and could in turn adversely impact and affect our business, reputation, financial condition, or results of operations.

If our estimates or judgments relating to our accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates in part on historical experience, market observable inputs, if available, and various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of net revenue and expenses that are not readily apparent from other sources. Assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition and accounting for share-based compensation. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

Risks Relating to Regulation

Our business is subject to extensive regulation and oversight in a variety of areas, directly and indirectly through our relationships with Issuing Banks and Card Networks, which regulations are subject to change and to uncertain interpretation. Changing international, federal, state, and local laws, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects.

We, our vendors, our partners, and our customers are subject to a wide variety of laws, regulations, and industry standards, including supervision and examination with respect to the foregoing, which govern numerous areas important to our business in the United States, both at the federal and state level, and in other countries where we operate both directly and indirectly through our relationships with Issuing Banks and Card Networks. As we continue to expand our operations internationally, we may become subject to additional laws and regulations, including possible examination and supervision, by international authorities. While we currently operate our business in an effort to ensure our business itself is not subject to the same level of regulation as our Issuing Banks and Card Networks that we partner with, the Issuing Banks and Card Networks operate in a highly regulated environment, and there is a risk that those regulations could become applicable to, or impact, us.

We are directly subject to regulation in areas including privacy, data protection and information security, and anti-bribery, and our contractual relationships with customers, Issuing Banks and Card Networks may subject us to additional regulations including those relating to payments services (such as payment processing and settlement services), and those relating to payments products and services utilizing artificial intelligence, consumer protection, anti-money laundering, anti-bribery, escheatment, international sanctions regimes and export controls, privacy, data protection, information security, intellectual property, and compliance with PCI DSS, a data security standard and set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data.

The laws, rules, regulations, and standards applicable to our business are enforced by multiple authorities and governing bodies in the United States, including federal agencies, self-regulatory organizations, and numerous state agencies. Outside of the United States, we may be subject to additional laws, rules, regulations, and standards.

In addition, as our business and platform continue to develop and expand, we may become subject to additional rules, regulations, and industry standards in the United States and internationally where we do business. New laws or regulations could also require us to incur significant expenses and devote significant management attention to ensure compliance. For example, we could be regulated by international, federal, and state regulatory agencies through licensing and other supervisory or enforcement authority, which could include regular examination by international, federal, and state governmental authorities.

We may not always accurately predict the scope or applicability of certain regulations to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

In addition to laws and regulations that apply directly to us, we are contractually subject to certain laws and regulations through our relationships with Issuing Banks and Card Networks, which operate in a highly regulated industry. Additionally, as a program manager, we are responsible for ensuring compliance with Issuing Banks' requirements and Card Network rules, and we help create regulatory compliant card programs for our customers. In some cases, we have in the past and could continue to be exposed to liability or indemnification claims from our customers or partners in connection with the services we provide. Furthermore, legislative and regulatory changes could prompt our Issuing Banks to alter the extent or the terms of their dealings with us in ways that may have adverse consequences for our business.

For example, due to our relationships with certain Issuing Banks and Card Networks, we may be subject to indirect supervision and examination by the U.S. Consumer Financial Protection Bureau (the "CFPB"), which is engaged in rulemaking and regulation of the payments industry, including, among other things, the regulation of prepaid cards, buy now, pay later financing programs, and the enforcement of certain protections under applicable regulations. While reform in the payment industry, such as the formation of the CFPB, has focused on individual consumer protection, legislatures continue to consider whether to include business customers, especially smaller business customers, within the scope of these regulations and the CFPB recently indicated it has dormant authority to regulate any company whose services may have consumer impact. As a result, new or expanded regulation focusing on business customers or changes in interpretation or enforcement of regulations may have an adverse effect on our business, results of operations, and financial condition due to increased compliance costs and new restrictions affecting the terms under which we offer our platform or our products and services.

A majority of our net revenue is derived from Interchange Fees and we expect Interchange Fees to continue to represent a significant percentage of our net revenue in the near term. The amount of Interchange Fees we earn is highly dependent on the interchange rates that the Card Networks set and adjust. From time to time, Card Networks change the Interchange Fees and assessments they charge for transactions processed using their networks. Interchange Fees and assessments are also subject to change from time to time due to government regulation. Interchange Fees are the subject of intense legal and regulatory scrutiny and competitive pressures in the electronic payments industry. For example, the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which limits Interchange Fees, may restrict or otherwise impact the way we do business or limit our ability to charge certain fees to customers. Issuing Banks that are exempt from the interchange fee restrictions in the Durbin Amendment are able to access higher interchange rates. As a result, to maximize our Interchange Fees, we currently only contract with Issuing Banks that are subject to this exemption from the Durbin Amendment when we provide MxM services. Changes in regulation or additional rulemaking may adversely affect the way we conduct our business or result in additional compliance obligations and expense for our business and limitations on net revenue. On October 3, 2022, the Board of Governors of the Federal Reserve System adopted its final rule pursuant to the Electronic Fund Transfer Act to clarify the requirement that debit card issuers ensure that at least two unaffiliated payment card networks have been enabled to process all debit card transactions, including "card not present" transactions, such as online payments. Such secondary payment card networks may charge lower Interchange Fees, and to the extent merchants substantially shift their "card not present" transaction volumes to such networks, we may experience a reduction in net revenue derived from Interchange Fees. Interchange Fee regulation also exists in other countries where our customers use payment cards and such regulation could adversely affect our business in other foreign regions. Any changes in the Interchange Fees associated with our customers' card transactions could adversely affect our business, results of operations, and financial condition.

The CFPB has published recent guidance on third party risk management, which places additional vendor compliance oversight expectations for companies operating in the financial services industry. Our regular use of vendors and our other ongoing third party business relationships could be subject to increasing regulatory requirements and attention. It is possible that regulators will hold us responsible for deficiencies in our oversight and control of third party relationships and in the performance of the parties with which we have these relationships.

If we fail to comply with laws and regulations applicable to our business in a timely and appropriate manner, or if this is perceived or reported to have occurred, we may be subject to litigation or regulatory investigations or other proceedings, we may have to pay fines and penalties or become subject to additional obligations or restrictions imposed upon our business or operations, our reputation may be harmed, and our customer relationships and reputation may be adversely affected, which could have a material adverse effect on our business, results of operations, and financial condition. In some cases, regardless of fault, it may be less time-consuming or costly to settle these matters, which may require us to implement certain changes to our business practices, provide remediation to certain individuals or make a settlement payment to a given party or regulatory body.

Further, while we do not handle or interact with cryptocurrency and we only process transactions on our platform in fiat currencies, certain cryptocurrency businesses use our platform to provide card products to their customers and end users. The regulation of cryptocurrency is rapidly evolving and varies significantly among international, federal, state, and local jurisdictions and is subject to substantial uncertainty. Various legislative and executive bodies in the U.S. and other countries may adopt laws, regulations, or guidance, or take other actions, which may impact our Issuing Banks and restrain the growth of cryptocurrency businesses and in turn impact the net revenue associated with our cryptocurrency business customers.

We may not be able to respond quickly or effectively to regulatory, legislative, or other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, or criminal or civil sanctions, all of which may have an adverse effect on our reputation, business, results of operations, and financial condition.

Stringent and changing laws, regulations, and industry standards related to privacy, data protection, and information security could adversely affect our ability to effectively provide our services and could result in claims or fines, harm our results of operations, financial condition, and future prospects, or otherwise harm our business.

Governmental bodies and industry organizations in the United States and abroad have adopted, or are considering adopting, laws and regulations restricting the use of, and requiring safeguarding of, personal information. For example, the California Consumer Privacy Act (the “CCPA”) became effective on January 1, 2020 and imposed significant restrictions on the collection, processing, and disclosure of personal information, including imposing increased penalties related to data privacy incidents. Additionally, an amendment to the CCPA, the California Privacy Rights Act, became effective on January 1, 2023 and creates additional obligations relating to personal information (with certain provisions having retroactive effect to January 1, 2022). Other U.S. states have also passed or are considering omnibus privacy legislation and industry organizations regularly adopt and advocate for new standards in these areas. Many obligations under these proposed laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. We are and may become subject to contractual obligations relating to privacy, data protection, and information security.

If we fail to comply with any of these laws, standards, or other actual or asserted obligations, if we fail to protect information that we collect or otherwise process, or if any of these events is reported or perceived to have occurred, we may be subject to regulatory investigations, enforcement actions, and other proceedings, civil litigation, claims, investigations, and demands, and fines and other penalties and liabilities, all of which may generate negative publicity, harm our reputation, and have a negative impact on our business. Further, any such actual or perceived failure may result in, among other things, revocation of any required licenses or registrations, loss of any approved status, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to operate. Our efforts to comply with laws, regulations, and other obligations relating to privacy, data protection, and information security also may cause us to incur substantial operational costs or require us to change our policies and our business practices. We may not be successful in our efforts to achieve compliance either due to internal or external factors, such as resource allocation limitations or a lack of third party cooperation.

As we continue to expand our operations internationally, we will continue to become subject to various foreign policy and data protection laws and regulations, which may in some cases be more stringent than the requirements in the jurisdictions in which we currently operate. For example, the GDPR extends the scope of European Union data protection law to companies processing personal data of European Union residents, regardless of the company's location, and requires companies to meet stringent requirements regarding the handling of personal data. The U.K. has also adopted a law substantially implementing the GDPR as part of its local data protection law, referred to as the U.K. GDPR. The GDPR and other laws and regulations in Europe, the U.K., and elsewhere also impose some limitations on international transfers of personal data. The GDPR imposes substantial obligations and risk upon our business and provides for significant penalties in the event of any non-compliance. Administrative fines under the GDPR can amount up to 20 million Euros or four percent of a company group's annual global turnover, whichever is higher.

Further, it remains unclear how U.K. data protection laws and regulations will develop in the medium to longer term. We have incurred substantial expense in complying with new and evolving privacy and data protection legal frameworks and we may be required to make additional, significant changes in our business operations, all of which may adversely affect our net revenue and our business overall. Additionally, because many of these new regimes lack a substantial enforcement history, we are unable to predict how emerging standards may be applied to us.

Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States. On July 16, 2020, the Court of Justice of the European Union invalidated the EU-U.S. Privacy Shield, eliminating a mechanism we had relied on to legitimize EU-U.S. data transfers. An alternative transfer mechanism that we rely on, use of the standard contractual clauses approved by the European Union Commission, continues to be a valid mechanism for data transfers, provided additional safeguards are in place. Additionally, in July 2023, the United States and European Union launched the EU-U.S. Data Privacy Framework, which may provide another mechanism to facilitate cross border data transfers. We continue to monitor and assess regulatory guidance and other developments related to our data transfer mechanisms. It is possible that our ability to transfer personal data across borders, including from the European Union, U.K., and Switzerland to the United States (and other countries) will be impacted. We and many other companies may need to implement different or additional measures to establish or maintain legitimate means for the transfer and receipt of personal data from the European Union, U.K., Switzerland, or other jurisdictions to the United States (and other countries), and we may, in addition to other impacts, experience additional costs associated with increased compliance burdens, and we and our customers face the potential for regulators to apply new or different standards to the transfer of personal data from the European Union, U.K., Switzerland, or other jurisdictions to the United States (and other countries), and to restrict, block, or impose conditions or restrictions with respect to, certain personal data transfers. Other jurisdictions have also enacted legislation that limits our ability to transfer data across geographic borders. Any inability to transfer personal data in compliance with laws or regulations relating to privacy, data protection, or information security, or otherwise comply with requirements in this rapidly changing environment may impede our ability to attract and retain customers.

If more restrictive or burdensome laws, rules, or regulations related to privacy, data protection, or information security are adopted by authorities in the future on the federal or state level or internationally, or if new or existing laws, rules, or regulations become subject to new or differing interpretations or enforcement, or if we become bound by additional obligations in response to Issuing Bank or customer requests, contractual obligations, or otherwise, relating to privacy, data protection, or information security, including any additional compliance standards relating to non-public consumer personal information, our compliance and operational costs may increase, our opportunities for growth may be curtailed, we may find it necessary or appropriate to modify our data processing practices or policies or otherwise restrict our operations, which we may be unable to complete on a commercially reasonable basis or at all, and our potential liability in connection with breaches or incidents relating to privacy, data protection, and information security may increase, all of which could have a material adverse effect on our business, results of operations, and financial condition. Because the interpretation and application of many laws and regulations relating to privacy, data protection, and information security are uncertain, it also is possible that current or future laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the operation of our products and services. If so, in addition to the possibility of fines, lawsuits, claims, demands, regulatory investigations and other proceedings, and other claims and penalties, we could be required to change our business activities and practices or modify our products or services, any of which could have an adverse effect on our business and which we may be unable to complete on a commercially reasonable basis or at all. Any claims regarding our inability to adequately address privacy, data protection, or information security concerns, even if unfounded, or to comply with applicable laws, regulations, contractual requirements, policies, or other actual or asserted obligations, such as industry standards, could result in additional cost and liability to us, damage our reputation, result in negative publicity, and adversely affect our business. Privacy, data protection, and information security concerns, whether valid or not, may inhibit market adoption of our products and services, particularly in certain industries and jurisdictions. Additionally, if we are not able to quickly adjust to changing laws, regulations, and standards related to data privacy and information security, we could face fines, lawsuits, regulatory investigations and other claims and penalties, our business may be harmed.

We are subject to, and have an obligation to comply with, anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws and their obligations can subject us to criminal penalties or significant fines, significantly and adversely affect our business and reputation, or have other adverse consequences for us.

We can be held liable under anti-corruption, anti-bribery, AML, and similar laws for the corrupt or illegal activities of our third-party intermediaries and our employees, representatives, contractors, partners, and agents, even if we do not authorize such activities. While we have programs and controls designed to ensure compliance with all applicable AML, and anti-bribery laws and regulations, we cannot assure you that none of our third-party intermediaries and our employees, representatives, contractors, partners, and agents will take actions in violation of those controls and laws.

We may be subject to governmental export controls and economic sanctions regulations that could impair our ability to compete in international markets and could subject us to liability if we are not in compliance with applicable laws.

Certain of our products and services may be subject to export control and economic sanctions regulations, including the U.S. Export Administration Regulations, and various economic and trade sanctions regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control. Exports of our products and the provision of our services must be made in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including: the possible loss of export privileges; fines imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers.

In addition, changes in applicable export or economic sanctions regulations may create delays in the introduction and deployment of our platform, products, and services in international markets, or, in some cases, prevent the use of our platform and products or provision of our services in certain countries or with certain end users. Any change in export or economic sanctions regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations, could also result in decreased use of our platform, products, and services or in our decreased ability to provide our products and services to existing or prospective customers with international operations. Any decreased use of our platform, products, or services or limitation on our ability to provide our platform, products, or services could adversely affect our business, results of operations, and financial condition.

Further, we incorporate encryption technology into certain of our products. Various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our customers' ability to use our products in those countries if our products are subject to such laws and regulations. While we believe our encryption products meet certain exceptions that reduce the scope of export control restrictions applicable to such products, these exceptions may be determined not to apply to our encryption products and our products and underlying technology may become subject to export control restrictions.

Governmental regulation of encryption technology and regulation of exports of encryption products, or our failure to obtain required approval for our products, when applicable, could adversely affect our international sales and net revenue. If we were required to comply with regulatory requirements regarding the export of our platform and products and provision of our services, including with respect to new releases of our products and services, we may experience delays introducing our platform in international markets, our customers with international operations may experience difficulty deploying our platform and products and using our services, or, in some cases, we may be prevented from exporting our platform or products or providing our services to some countries altogether.

If we fail to maintain an effective system of disclosure controls and procedures or internal control over financial reporting, or remediate the existing material weakness, our ability to report timely and accurate financial results or comply with applicable regulations could be impaired, and our business, operating results, and the market price of our Class A common stock may be adversely affected.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting.

For the period ending March 31, 2023, we identified a material weakness in our internal control over financial reporting related to the accounting for our acquisition of Power Finance. See Part I, Item 4 “Controls and Procedures” for additional information about this material weakness and our remediation efforts. While we are undertaking efforts to remediate this material weakness, we cannot predict the success of such efforts or the outcome of our assessment of the remediation efforts at this time.

The process of designing and implementing effective internal controls and disclosure controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environment and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. To maintain and improve the effectiveness of our disclosure controls and procedures and remediate a material weakness in our internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may experience material weaknesses in our controls or we may be unable to remediate the existing material weakness in our controls. In addition, testing and maintaining internal controls may divert our management’s attention from other matters that are important to our business.

If we are unable to establish and maintain appropriate internal control over financial reporting and disclosure controls and procedures or we are unable to remediate the existing material weakness in our controls, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our operating results. Any failure to maintain effective internal control over financial reporting or disclosure controls and procedures or failure to remediate the existing material weakness in our controls could have an adverse effect on our business and operating results, and cause a decline in the price of our Class A common stock. We also could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which could have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Global Select Market (“Nasdaq”). Additionally, if our internal control over financial reporting is not effective, our independent registered public accounting firm may issue an adverse report. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our results of operations.

A change in accounting standards or practices may have a significant effect on our results of operations or financial condition and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or practices may adversely affect our reported results of operations or the way we conduct our business.

Adoption of these types of accounting standards and any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, potentially resulting in regulatory discipline and weakening investors' confidence in us.

We could be required to collect additional sales, value added or similar taxes or be subject to other tax liabilities that may increase the costs our customers would have to pay for our solutions and adversely affect our results of operations.

While we have not historically collected sales, value added or similar indirect taxes from our customers in most jurisdictions in which we have sales, we have collected sales, value added, or similar indirect taxes from our customers in 2023. One or more jurisdictions may seek to impose incremental or new sales, value added or other indirect tax collection obligations on us. A successful assertion by one or more states, or foreign jurisdictions, requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. Any requirement to collect sales, value added or similar indirect taxes by foreign, state or local governments could also create additional administrative burdens for us and decrease our future sales, which could have a material adverse effect on our business and results of operations.

Changes in tax laws or regulations could have a material adverse effect on our business, results of operations, and financial conditions.

The rules dealing with taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service, the U.S. Department of the Treasury, and state, local and non-U.S. tax authorities. For example, beginning on January 1, 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures in the current period and requires taxpayers to capitalize and amortize these expenses. As a result of this change, we expect to have taxable income in periods earlier than we would have had in the absence of this change, which could adversely impact our financial condition, operating results, and cash flows. On August 16, 2022, the Inflation Reduction Act (IRA) of 2022 was signed into law to implement new tax provisions and provide various incentives and tax credits. The IRA created a 15% corporate alternative minimum tax and an excise tax of 1% on stock repurchases from publicly traded US corporations, among other changes. Any changes in tax legislation, regulations, policies, or practices in the jurisdictions in which we operate could materially increase the amount of taxes we owe, thereby negatively impacting our results of operations as well as our cash flows from operations. Furthermore, our implementation of new practices and processes designed to comply with changing tax laws and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, potentially negatively affecting our business, results of operations, and financial condition. As we grow internationally, we may also be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax rules, including increased tax rates, new tax laws, or revised interpretations of existing tax laws and precedents, potentially adversely affecting our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest, and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could adversely affect us and our results of operations.

We may have exposure to greater-than-anticipated tax liabilities, which may materially and adversely affect our business, results of operations, and financial condition.

The determination of our worldwide provision for income taxes, value-added taxes, and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, we are subject to tax in multiple U.S. and foreign tax jurisdictions. Our determination of our tax liabilities is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have a negative effect on our business and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our results of operations and financial condition in the periods for which such determination is made. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove to be insufficient.

In addition, our future income tax provisions could be adversely affected by earnings being lower than anticipated, or by the Company incurring losses, in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates; by changes in the valuation of our deferred tax assets and liabilities, as a result of gains on our foreign exchange risk management program; or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

Various levels of government, such as U.S. federal and state legislatures, and international organizations, such as the Organization for Economic Co-operation and Development, are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue. Any such tax reform or other legislative or regulatory actions could increase our effective tax rate, which may materially and adversely affect our business, financial condition, and results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

We have incurred substantial net operating losses (“NOLs”), during our history. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, (the “Code”), a corporation that undergoes an “ownership change” (generally defined as a greater than 50-percentage-point cumulative change (by value) in the equity ownership of certain stockholders over a rolling three-year period) is subject to limitations on a company’s ability to utilize its NOLs to offset taxable income. We do not believe our existing NOLs are subject to limitation; however, if we have undergone previous ownership changes, or if we undergo an ownership change in the future, our ability to utilize NOLs could be limited by Section 382 of the Code and/or analogous provisions of applicable state tax law in states where we have incurred NOLs for state income tax purposes. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under these rules.

In addition, the amount of NOLs arising in taxable years beginning after December 31, 2017 that we are permitted to deduct in a taxable year beginning after December 31, 2017 is limited to 80% of our taxable income in each such year to which the NOLs are applied, where taxable income for such year is determined without regard to the NOL deduction itself, and such NOLs may be carried forward indefinitely. NOLs generated in taxable years beginning on or prior to December 31, 2017, however, may be carried forward for only 20 years, but are not subject to the 80% limitation. Our NOLs may also be subject to limitations under state law. There is a risk that due to legislative or regulatory changes, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities.

Risks Relating to Intellectual Property

If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate reduced net revenue, and incur costly litigation to protect our rights.

Our success depends, in part, upon protecting our proprietary information and technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws, and contractual restrictions to establish and protect our proprietary rights. The steps we take to protect our intellectual property, however, may be inadequate. We cannot assure you that any patents or trademarks will be issued with respect to our currently pending patent and trademark applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents or trademarks issued to us will not be challenged, invalidated, or circumvented. Our currently issued patents and trademarks and any patents or trademarks that may be issued in the future with respect to pending or future applications may not provide sufficiently broad protection, or they may not prove to be enforceable in actions against alleged infringers. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property.

Despite our precautions, it may be possible for unauthorized third parties to copy our platform, or certain aspects of our platform, and use information that we regard as proprietary to create products that compete with our platform. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our platform, or certain aspects of our platform, may be unenforceable under the laws of certain jurisdictions and foreign countries.

Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States, and mechanisms for enforcement of intellectual property rights in some foreign countries may be inadequate. To the extent we continue to expand our international activities, our exposure to unauthorized copying and use of our platform, or certain aspects of our platform, and proprietary information may increase. Further, competitors, foreign governments, foreign government-backed actors, criminals, or other third parties may gain unauthorized access to our proprietary information and technology. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We also rely in part on trade secrets, proprietary technology, and other confidential information to maintain our competitive position. Although we enter into confidentiality and invention assignment agreements with our employees, consultants, and contractors and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances, no assurance can be given that these agreements will be effective in controlling access to and distribution of our platform, or certain aspects of our trade secrets, proprietary technology, and other confidential information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our platform.

To protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights, and we may not be able to detect infringement by third parties. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our platform, impair the functionality of our platform, delay introductions of new capabilities, result in our substituting inferior or more costly technologies into our platform, or injure our reputation. In addition, we may be required to license additional technology from third parties to develop and market new capabilities, and we cannot assure you that we could license that technology on commercially reasonable terms or at all, and our inability to license such technology could impair our ability to compete.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

Our platform incorporates open source software, and we expect to continue to incorporate open source software in our products and platform in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products and platform. If we fail to comply with open source licenses, we may be subject to certain requirements, including requirements that we offer our products that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating, or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from generating net revenue from customers using products that contained the open source software, and required to comply with onerous conditions or restrictions on these products. In any of these events, we and our customers could be required to seek licenses from third parties to continue offering our products and operating our platform and to re-engineer our products or platform or discontinue offering our products to customers in the event re-engineering cannot be accomplished on a timely basis. Any of the foregoing could require us to devote additional research and development resources to re-engineer our products or platform, could result in customer dissatisfaction, and may adversely affect our business, results of operations, and financial condition.

We may be accused of infringing the intellectual property rights of third parties.

We may be accused of infringing intellectual property or other proprietary rights of third parties, including their copyrights, trademarks, or patents, or improperly using or disclosing their trade secrets or confidential information, or otherwise infringing or violating their proprietary rights. The costs of supporting any litigation or disputes related to such claims can be considerable, and we cannot assure you that we will achieve a favorable outcome of any such claim. If any such claim is valid, we may be compelled to cease our use of such intellectual property or other proprietary rights and pay damages, potentially adversely affecting our business. Even if such claims were not valid, defending them could be expensive and distract our management team, adversely affecting our results of operations.

Although we require our employees to not use the proprietary information or technology of others in their work for us and we are not currently subject to any claims that they have done so, we may in the future become subject to claims that these employees have divulged, or we have used, proprietary information or technology of these employees’ former employers. Litigation may be necessary to defend against these claims. If we are unable to successfully defend any such claims, we may be required to pay monetary damages and to discontinue our commercialization of certain solutions. In addition, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper our ability to develop new solutions and features for our existing solutions, which could severely weaken our business. Even if we are successful in defending against these claims, litigation efforts are costly, time-consuming and a significant distraction to management.

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify, and hold harmless our customers and other partners from damages and costs arising from the infringement or claimed infringement by our solutions of third-party patents or other intellectual property rights, which may include patents, copyrights, trademarks, or trade secrets. The scope of these indemnity obligations varies, but may, in some instances, include indemnification for damages and expenses, including attorneys’ fees. Our insurance may not cover all intellectual property infringement claims. A claim that one of our solutions infringes a third party’s intellectual property rights, even if untrue, could damage our relationships with our customers, may deter future customers from purchasing our solutions, and could expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a customer and a third party relating to infringement by our solutions, an adverse outcome in any such litigation could make it more difficult for us to defend our solutions against intellectual property infringement claims in any subsequent litigation where we are a named party. Any of these results could harm our brand and adversely affect our results of operations.

Risks Relating to Ownership of Our Class A Common Stock

The trading price of our Class A common stock has been and is likely to continue to be volatile, which could cause the value of your investment to decline.

The market price of our Class A common stock has been and may continue to be highly volatile and could be subject to wide fluctuations. This market volatility, as well as general economic, market, and political conditions, could reduce the market price of shares of our Class A common stock despite our operating performance.

In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including:

- overall performance of the economy, equity markets, and/or publicly-listed technology and fintech companies;
- actual or anticipated fluctuations in our net revenue or other operating metrics;
- our actual or anticipated operating performance and the operating performance of our competitors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, new products, services, or capabilities, acquisitions, strategic partnerships or investments, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us;
- actual or perceived privacy or data security incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- changes in our board of directors, management, or key personnel;
- adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions, including the bank closures and failures;
- other events or factors, including those resulting from various geopolitical conflicts (including any related political or economic responses and counter-responses or otherwise by various global actors or general effect on the global economy), incidents of terrorism, pandemics (including the COVID-19 pandemic), or elections, or responses to these events; and
- sales of additional shares of our Class A common stock by us or our stockholders.

Because of these fluctuations, comparing our results of operations on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. These broad market and industry factors may decrease the market share of our Class A common stock, regardless of our actual operating performance. In addition, stock markets in general, and the market for technology and fintech companies in particular, have from time to time experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. In the past, stockholders have often instituted securities class action litigation against a company following periods of overall market volatility and volatility in the market price of that company's securities. If we were to become involved in securities litigation, could result in substantial costs and divert resources and the attention of management.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our directors, executive officers, and their affiliates. As a result of the dual class structure of our common stock, the trading price of our Class A common stock may be depressed.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Our directors, executive officers, and their affiliates, beneficially own in the aggregate 52.0% of the voting power of our capital stock as of September 30, 2023. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively continue to control a majority of the combined voting power of our common stock and therefore control all matters submitted to our stockholders for approval and may continue to control such matters until the tenth anniversary of our initial public offering, when all outstanding shares of Class A common stock and Class B common stock will convert automatically into shares of a single class of common stock.

This concentrated control limits or precludes your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this concentrated control may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Class B common stock could gain significant voting control as other holders of Class B common stock sell or otherwise convert their shares into Class A common stock. Our dual class structure may also depress the trading price of our Class A common stock due to negative perceptions by market participants and other stakeholders. Certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indices. Similarly, several stockholder advisory firms have announced their opposition to the use of multiple-class structures. Any exclusion from indices or criticism of our corporate governance practices by stockholder advisory firms could result in a less active trading market for our Class A common stock.

Our issuance of additional capital stock may dilute your ownership and adversely affect the market price of our Class A common stock.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. For example, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or offering debt or other securities. We could also issue shares of our Class A common stock or securities convertible into our Class A common stock or debt or other securities in connection with acquisitions or other strategic transactions. Additionally, we expect to grant equity awards to employees, directors, and consultants under our stock incentive plan.

Any Class A common stock or securities convertible into shares of our Class A common stock that we issue from time to time, including in connection with a financing, acquisition, investment or under any equity incentive plans or that we may adopt in the future, will dilute your percentage ownership. In addition, issuing additional shares of our Class A common stock or securities convertible into our Class A common stock or debt or other securities may dilute the economic and voting rights of our existing stockholders and would likely reduce the market price of our Class A common stock both upon issuance and conversion, in the case of securities convertible into our Class A common stock.

As of September 30, 2023, unrecognized compensation costs related to unvested RSUs and unvested outstanding stock options, excluding the Executive Chairman Long-Term Performance Award (as defined below), were $261.5 million and $49.9 million, respectively. These costs are expected to be recognized over a weighted-average period of 2.7 years and 2.3 years, respectively.

In April and May 2021, our board of directors granted our Executive Chairman and then-Chief Executive Officer equity incentive awards in the form of performance-based stock options covering 19,740,923 and 47,267 shares of our Class B common stock with an exercise price of $21.49 and $23.40 per share, respectively, (collectively, the "Executive Chairman Long-Term Performance Award"). The Executive Chairman Long-Term Performance Award vests upon the satisfaction of a service condition and the achievement of certain stock price goals.

As of September 30, 2023, the aggregate unrecognized compensation cost related to the Executive Chairman Long-Term Performance Award was $77.2 million, which is expected to be recognized over the remaining derived service period of 2.3 years.

In addition, as of September 30, 2023, we had 37,219,198 option shares outstanding that, if fully vested and exercised, would result in the issuance of an equal number of shares of Class B common stock or Class A common stock, as well as 42,345,650 total shares of Class B or Class A common stock subject to RSU awards. All of the shares of Class B common stock issuable upon the exercise of stock options, and the shares reserved for future issuance under our equity incentive plans are registered for public resale under the Securities Act following conversion to shares of Class A common stock. Accordingly, these shares will be able to be freely sold in the public market upon issuance, subject to volume limitations under Rule 144 for our executive officers and directors and applicable vesting requirements. Certain holders of our Class B common stock have rights, subject to some conditions, to require us to file registration statements for the public resale of the Class A common stock issuable upon conversion of such shares or to include such shares in registration statements that we may file for us or other stockholders.

We do not intend to pay dividends on our Class A common stock in the foreseeable future and, consequently, the ability of Class A common stockholders to achieve a return on investment will depend on appreciation in the trading price of our Class A common stock.

We have never declared or paid any cash dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors, and limit the trading price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- provide that our board of directors will be classified into three classes of directors with staggered three-year terms;
- permit our board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that only the Chairperson of our board of directors, our Chief Executive Officer, or a majority of our board of directors will be authorized to call a special meeting of stockholders;
- provide for a dual class common stock structure where holders of our Class B common stock are able to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;

- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our amended and restated bylaws; and
- contain advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our amended and restated bylaws designate state or federal courts located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, potentially limiting stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware is the sole and exclusive forum for any state law claims for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders;
- any action asserting a claim arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; or
- any action asserting a claim that is governed by the internal affairs doctrine, or the Delaware Forum Provision.

The Delaware Forum Provision does not apply to any causes of action arising under the Securities Act or the Exchange Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the United States District Court for the District of Delaware shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or the Federal Forum Provision, as we are incorporated in the State of Delaware.

In addition, our amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision in our amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, or employees, potentially discouraging the filing of lawsuits against us and our directors, officers, and employees, even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware and the United States District Court for the District of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

We cannot guarantee that our share repurchase program will enhance long-term stockholder value. Share repurchases could also affect the trading price of our stock and may reduce working capital.

In May 2023, our board of directors approved a $200 million share repurchase program for shares of our Class A common stock. The actual timing, manner, number, and value of shares repurchased under the program will depend on a number of factors, including the availability of cash, the market price of our Class A common stock, general market and economic conditions, applicable requirements, and other business considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any amount of our Class A common stock under the program. The share repurchase program has no set expiration date. We intend to make all repurchases in compliance with applicable regulatory guidelines and to administer the plan in accordance with applicable laws, including Rule 10b-8 of the Securities Exchange Act of 1934, as amended. Other risks and uncertainties include, among other things, the market price of our stock prevailing from time to time, the nature of other investment opportunities presented to us, our financial performance and our cash flows from operations, and general economic conditions, which could adversely affect our results of operations and cash flows.

General Risk Factors

Our business is subject to the risks of earthquakes, fire, floods, pandemics and other natural catastrophic events, and to interruption by man-made issues such as power disruptions and strikes.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, strikes, health pandemics, such as the COVID-19 pandemic, and similar events. For example, our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity and wildfires, and a significant natural disaster in that area or any other location in which we have offices or facilities or employees working remotely, such as an earthquake, fire, or flood, could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our insurance coverage may be insufficient to compensate us for the losses that may occur. In addition, strikes, wars, terrorism, and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays, or loss of critical data. If a natural disaster, power outage, connectivity issue, or other event occurs that impacts our employees' ability to work remotely, our business and results of operations could be adversely affected. We may not have sufficient protection or recovery plans in certain circumstances, such as a significant natural disaster, and our business interruption insurance may be insufficient to compensate us for losses that may occur.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of Nasdaq and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations and comply with the Sarbanes-Oxley Act and other regulations.

As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, potentially adversely affecting our business, results of operations, and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants or contractors, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, potentially resulting in continued uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Being a public company and being subject to these new rules and regulations makes it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

The obligations of being a public company and interacting with public company investors require significant attention from our management and could divert their attention away from the day-to-day management of our business, potentially adversely affecting our business, results of operations, and financial condition.

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

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities

The following table contains information relating to the repurchases of our Class A common stock made by us in the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(1)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(1)]	
July 1 - July 31, 2023	3,728,055	$	5.17	3,728,055	$	132,630,419
August 1 - August 31, 2023	5,837,776	$	5.61	5,837,776	$	99,871,229
September 1 - September 30, 2023	1,896,744	$	6.21	1,896,744	$	88,088,743
Total	11,462,575			11,462,575		

[(1)] On May 8, 2023, our board of directors authorized a share repurchase program of up to $200 million of our Class A common stock beginning May 11, 2023. Under the repurchase program, we are authorized to repurchase shares through open market purchases, in privately negotiated transactions or by other means, in accordance with applicable federal securities laws, including through trading plans under Rule 10b5-1 of the Exchange Act. The share repurchase program has no set expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(c) During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f) of the Exchange Act, adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Item 408 of Regulation S-K.

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Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference herein:

Exhibit No.	Description	Incorporated by Reference			
		Form	File No.	Exhibit No.	Filing Date
10.1*	Amendment No. 18 to the Master Services Agreement by and between the Registrant and Square, Inc., dated September 26, 2023.				
10.2†	Amendment No. 17 to the Master Services Agreement by and between the Registrant and Square, Inc., dated August 4, 2023.	8-K/A	001-40465	10.1	August 11, 2023
31.1*	Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1**	Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2**	Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).				
†	Certain confidential information contained in this exhibit has been omitted because it is both (i) not material and (ii) is the type that the Registrant treats as private or confidential.				
*	Filed herewith.				
**	Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.				

SIGNATURES

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

	MARQETA, INC.	
Date: November 8, 2023	**By:**	/s/ Simon Khalaf
	Name:	Simon Khalaf
	Title:	Chief Executive Officer (Principal Executive Officer)
Date: November 8, 2023	**By:**	/s/ Michael (Mike) Milotich
	Name:	Michael (Mike) Milotich
	Title:	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

AMENDMENT NO. 18 TO MASTER SERVICES AGREEMENT

This Amendment No. 18 ("**Amendment**") is dated and effective on September 19, 2023 ("**Amendment Effective Date**") by and between Block, Inc. (formerly Square, Inc.), a Delaware corporation, whose principal address is 1955 Broadway, Suite 600, Oakland, CA 94612 ("**Client**") and Marqeta, Inc., a Delaware corporation, whose principal address is 180 Grand Avenue, 6th Floor, Oakland, CA 94612 ("**Marqeta**"), and amends the Master Services Agreement between Client and Marqeta dated April 19, 2016, as amended ("**Agreement**"). Capitalized terms that are not defined in this Amendment are defined in the Agreement.

CONTEXT:

A. Marqeta and Client entered into the Agreement for the provision of certain services to Client;

B. Marqeta and Client entered into Amendment No. 7 to the Agreement, dated June 6, 2019, for the provision of Direct Deposit Services by Marqeta to Client ("**Direct Deposit Services Amendment**"); and

C. The Parties desire to supplement the Agreement with the terms of this Amendment, which become a part of the Agreement, specifically including the Direct Deposit Services Amendment.

TERMS:

1. **Direct Deposit Services Roles and Responsibilities**. Section 4 (**General**) of the Direct Deposit Services Amendment is moved to become Section 5 (**General**) of the Direct Deposit Services Amendment, and the following is added as a new Section 4 (**Roles and Responsibilities**) to the Direct Deposit Services Amendment:

   "**4. Roles and Responsibilities**. For purposes of clarity, and notwithstanding the above, the Parties agree that (1) Client, not the Issuing Bank, is using the Direct Deposit Services to allow Client's Cash App Program customers to direct deposit funds into their Cash App Program account, and no such deposits are made to Cash App Program Card accounts; (2) Marqeta, not the Issuing Bank, provides the Direct Deposit Services to Client; (3) Issuing Bank is providing Marqeta receiving depository financial institution (RDFI) services related to automated clearing house (ACH) transactions ("RDFI Services") in support of Marqeta's provision of the Direct Deposit Services to Client; and (4) as a part of the RDFI Services, the Issuing Bank does not post funds to any consumer accounts, including, but not limited to any consumer Cash App accounts."

2. **Limited Addendum**. This Amendment and the Agreement, specifically the Direct Deposit Services Amendment, set forth the Parties' entire agreement regarding the subject matter of this Amendment. This Amendment incorporates by reference the terms of the Agreement, specifically including the Direct Deposit Services Amendment, and the specific terms and conditions in this Amendment govern, control, and supersede the Agreement and the Direct Deposit Services Amendment solely with respect to the subject matters covered in this Amendment. Except as modified or supplemented by this Amendment, all the provisions of the Agreement, including the Direct Deposit Services Amendment, remain in full force and effect.

3. **Counterparts**. This Amendment may be executed electronically and in counterparts.

[Signature Page Follows]

The Parties have caused this Amendment to be executed by their duly authorized representatives as of the Amendment Effective Date.

Marqeta, Inc.	**Block, Inc.**
By: /s/ Jonathan Davis	By: /s/ Lee Hatton
Print: Jonathan Davis	Print: Lee Hatton
Title: VP, Key Accounts	Title: Cash App APAC
Date: September 26, 2023	Date: September 26, 2023

Exhibit 31.1

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

I, Simon Khalaf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marqeta, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying officer 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: November 8, 2023

By: /s/ Simon Khalaf
Simon Khalaf
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Michael (Mike) Milotich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marqeta, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying officer 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: November 8, 2023

By: /s/ Michael (Mike) Milotich
Michael (Mike) Milotich
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

I, Simon Khalaf, Chief Executive Officer of Marqeta, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Marqeta, Inc. for the quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Marqeta, Inc.

Date: November 8, 2023

By: /s/ Simon Khalaf
Simon Khalaf
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Michael (Mike) Milotich, Chief Financial Officer of Marqeta, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Marqeta, Inc. for the quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Marqeta, Inc.

Date: November 8, 2023	By: /s/ Michael (Mike) Milotich
	Michael (Mike) Milotich Chief Financial Officer (Principal Financial and Accounting Officer)