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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021
OR

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

FOR THE TRANSITION PERIOD FROM TO
Commission File Number 001-38297

SailPoint Technologies Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-1628077**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11120 Four Points Drive, Suite 100, Austin, TX	**78726**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: **(512) 346-2000**

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common stock, par value $0.0001 per share	SAIL	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 x 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 x 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 emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

On June 30, 2021, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock, par value $0.0001 per share, held by non-affiliates of the Registrant was approximately $4.7 billion, based upon the closing price on the New York Stock Exchange on such date.

The registrant had 93,840,221 shares of common stock outstanding as of February 22, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2022 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the Registrant's fiscal year ended December 31, 2021, are incorporated by reference in Part III of this Annual Report on Form 10-K (this "Form 10-K"). Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. All statements included in this Annual Report, other than statements of historical fact, are forward-looking statements. This includes statements regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "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.

You should not rely upon forward-looking statements as predictions of future events or place undue reliance thereon. We have based the forward-looking statements contained in this Annual Report primarily on our current expectations and projections, in light of currently available information, about future events and trends that we believe may affect our business, financial condition, results of operations 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 Annual Report. 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 Annual Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will 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 Annual Report 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 Annual Report to reflect events or circumstances after the date of this Annual Report or to reflect new information or the occurrence of unanticipated events, except as required by law. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

PART I

ITEM 1. BUSINESS

Overview

SailPoint Technologies Holdings, Inc. (“SailPoint,” the “Company,” “our” or “we”) is the leading provider of enterprise identity security solutions. SailPoint's business was built by a team of visionary industry veterans to address the complex enterprise identity security challenge. For the modern enterprise, securely connecting the right people to the right technology is incredibly complex and has moved well beyond human capacity alone. SailPoint's autonomous approach helps organizations easily discover, manage and secure all identities (both human and non-human software bots) and their access to technology resources, all done at the speed and scale their business demands.

We strive to meet our customers where they are, offering both software as a service (“SaaS”) and software platforms, which provide organizations visibility and the intelligence required to both seamlessly empower users and securely manage their access to systems, applications and data across hybrid information technology (“IT”) environments, spanning on-premises and cloud applications and file storage platforms. We help customers enable their businesses with more agile and frictionless IT, streamline and accelerate the delivery of access to their businesses, enhance their security posture and better meet compliance and regulatory requirements. Our customers include many of the world’s largest and most complex organizations, including commercial enterprises, financial institutions and governments.

Organizations globally are investing in technologies such as cloud computing, artificial intelligence (“AI”) and machine learning (“ML”) to improve employee productivity, business agility and competitiveness. Today, enterprise environments are more open and interconnected with their business partners, contractors, vendors and customers. Business users have driven a dramatic increase in the number of applications and amount of data that organizations need to manage, much of which sits beyond the traditional network perimeter. Because of these trends, the attack surface is expanding while well-funded cyber attackers, in some cases sponsored by nation-states, have significantly increased the frequency and sophistication of their attacks. As a result, IT professionals need to manage and secure increasingly complex hybrid IT environments within these extended enterprises.

Attackers frequently target the identity vector as it allows them to leverage user identities to gain access to high-value systems and data while concealing their activity and movements within an organization’s IT infrastructure. The consequences of a data breach can be extremely damaging, with organizations facing significant costs to remediate the breach and repair brand and reputational damage. In addition, governments and regulatory bodies have increased efforts to protect users and their data with a new wave of regulatory and compliance measures that are further burdening organizations and levying severe penalties for non-compliance. As a result of these trends, enterprises are struggling to efficiently manage and secure their digital identities.

We believe that our identity security platform is a critical, foundational layer of a modern enterprise security strategy, which increasingly leverages a zero-trust approach for securing access. Open architecture allows our platform to complement and build upon traditional perimeter- and endpoint-centric security solutions, which we believe on their own are increasingly insufficient to secure organizations, and their applications and data. We deliver an identity security platform that forms a holistic view of the enterprise's identities, both human and non-human, and their access to all applications, data and infrastructures. In combination with our technology partners, we create identity awareness throughout our customers’ environments by providing valuable insights into, and incorporating information from, a broad range of enterprise software and security solutions. Our identity security platform provides a system of record for digital identities across our customers’ IT environments while allowing them to remain agile and competitive. Our adaptable solutions integrate seamlessly into existing technology stacks, allowing organizations to maximize the value of their technology investments. Our professionals work closely with customers throughout the implementation lifecycle, from documentation to development to integration.

Our solutions harness the power of AI and ML to deliver the intelligence, automation and integration needed to easily manage access across the largest, most complex cloud enterprises worldwide. Our go-to-market strategy consists of both direct sales and indirect sales through resellers and system integrators. Our mature system integrator channel includes global consultants such as Accenture, Deloitte, Ernst & Young (“EY”), KPMG and PricewaterhouseCoopers (“PwC”), all of whom have dedicated SailPoint practices, with some dating back more than 10 years.

Our Growth Strategy

Key investments we are making to drive growth include:

- ***Driving new customer growth within existing geographic markets***. There is a significant opportunity to expand our footprint through both new, greenfield deployments and displacement of competitive legacy solutions in the markets that we currently serve. We plan to expand our customer base in these countries by continuing to grow our sales organization, expand and leverage our channel partnerships and enhance our marketing efforts.
- ***Further penetrating our existing customer base***. Our customer base of 2,259, as of December 31, 2021, provides a significant opportunity to drive incremental sales. Our customers have the flexibility to start with a single use case or project and expand over time. As they realize the value of their investment, new use cases and deployments are identified, allowing us to sell more products to existing customers and to expand the number and types of identities, including non-human and machine identities, and governed systems we cover within their organizations. This is especially true when it comes to our new and expanded SaaS offerings, including AI and cloud governance. We believe strong customer satisfaction is fundamental to our ability to expand our customer relationships.
- ***Continuing to invest in our platform***. Innovation is a core part of our culture. We believe we have established a reputation as a technology leader and innovator in identity security. We intend to continue investing, particularly in our SaaS offerings, to extend our position as the leader in identity security by developing or acquiring new products and technologies.
- ***Leveraging and expanding our network of partners***. Our partnerships with global system integrators, such as Accenture, Deloitte, EY, KPMG and PwC, and resellers have helped us extend our reach and serve our customers more effectively. We see a significant opportunity to offer comprehensive solutions to customers by collaborating with adjacent technology vendors. We intend to continue to invest in our partnership network as their influence on our sales is vital to the success of our business.
- ***Expanding market and product investment across existing vertical markets***. We believe there is significant opportunity to further penetrate our target vertical markets by continuing to provide vertical-specific identity solutions and focusing our marketing efforts to address the use cases of those customers. With this approach, we believe we will be better able to address opportunities in key industries, such as financial services, healthcare, and federal, state and local government.
- ***Continuing to expand our global presence***. We believe there is significant opportunity to grow our business internationally. Enterprises around the world are facing similar operational, security and compliance challenges, driving the need for identity governance. We have personnel in 18 countries and customers based in 65 countries as of December 31, 2021, and we generated 31% of our revenue outside of the United States in 2021. We plan to leverage our existing strong relationships with global system integrators and channel partners to grow our presence in Europe, Asia Pacific and other international markets.

Product, Subscription, and Support Offerings

We deliver an integrated set of solutions to address identity security challenges for the modern enterprise. This set of solutions delivers an intelligent and streamlined approach to discover, manage and secure technology access across the modern enterprise. This provides the comprehensive visibility needed to keep pace with the changing dynamics of the enterprise environment today without sacrificing security or enablement in the process.

Our solutions deliver governance across the hybrid enterprise, extending from the mainframe to the cloud. We provide over 100 out-of-the-box connectors to enterprise applications environments such as SAP, Workday and ServiceNow, which automate the collection, analysis and provisioning of identity data. We also provide governance over infrastructure components, such as mainframes, operating systems, directories, databases and data storage solutions, and over vertical solutions, such as Epic in the healthcare provider market. Our identity security solutions take advantage of AI and ML technologies, delivering actionable insights and recommendations that reduce the risk associated with technology access. These technologies also accelerate the deployment and administration of our identity security solutions for customers. Given that the complexities of managing the security of all identities across all technology access points have far exceeded human capacity alone, this type of intelligent and streamlined approach is required to properly secure the modern enterprise today.

Our solutions are built on our open identity platform, which creates a flexible deployment to address a wide range of customer use cases and enables integration to a variety of security and operational IT applications such as IT service management solutions (e.g., BMC Remedy and ServiceNow), privileged access management (“PAM”) (e.g., CyberArk and BeyondTrust), enterprise mobility management and security information and event management. Our open

identity platform extends the reach of our identity security processes and enables effective identity security controls across unique customer environments.

IdentityNow

IdentityNow is our cloud-based, multi-tenant identity security platform, which is delivered as a SaaS subscription offering. IdentityNow provides customers with a set of fully integrated services for compliance, provisioning and password management for applications and data hosted on-premises or in the cloud. IdentityNow meets the most stringent identity security requirements and provides enterprise-grade services that meet scalability, performance, availability and security demands. IdentityNow enables organizations to:

- Automate identity security processes in one unified solution delivered from the cloud;
- Accelerate deployment with built-in best practice policies, options and default settings; and
- Eliminate the need to buy, deploy and maintain hardware and software to run an identity security solution.

We package and price IdentityNow into a Cloud Platform and Governance Services with unique functionality as outlined below:

- **Cloud Platform**: IdentityNow provides foundational components for identity security in the cloud, including production and sandbox instances and the IdentityNow Cloud Gateway virtual appliance, which leverages our patented method for integrating with on-premises applications and data. IdentityNow also includes a large catalog of pre-built connectors and application profiles to on-premises and cloud applications, leveraging the intellectual property developed for IdentityIQ. It is included with all Governance Services at no additional charge.
- **User Provisioning**: This module enables business users to be productive from day one. With IdentityNow user provisioning, organizations can streamline the on-boarding and off-boarding process with best practice configurations and workflows, enabling IT to immediately grant employees access to the applications and data they need to do their jobs.
- **Access Request**: This module empowers the entire enterprise with a robust self-service solution for requesting and approving access to applications and data. Automating the access request process quickly delivers business users the access they need to do their jobs.
- **Access Certifications**: This module automates the process of reviewing user access privileges across the organization. Using IdentityNow, organizations can quickly plan, schedule and execute certification campaigns to ensure the right users have the appropriate access to corporate resources.
- **Separation-of-Duties**: This module simplifies and speeds the process of investigating access, quickly uncovering any access-related conflicts of interest for review and mitigation. It also automates the creation of policies that ensure continuous compliance with internal and external audit requirements.
- **Password Management**: This module offers business users an intuitive, self-service experience for managing and resetting passwords from any device and from anywhere. This service enforces consistent and secure password policies for all users across all systems from the cloud to the data center.

IdentityIQ

IdentityIQ is our on-premises identity security solution, which can be hosted in the public cloud or deployed in a customer's data center. It provides large, complex enterprise customers a unified and highly configurable identity security solution that consistently applies business and security policies as well as role and risk models across applications and data on-premises or hosted in the cloud. IdentityIQ enables organizations to:

- Empower users to request and gain access to enterprise applications and data;
- Enable business users to reset their passwords via self-service tools without the need for IT involvement;
- Provide on-demand visibility to IT, business and risk managers into "which identities have access to what resources" to help make business decisions, improve security and meet audit requirements;
- Improve security and eliminate common weak points associated with data breaches, including weak passwords, orphaned accounts, entitlement creep and separation-of-duties policy violations; and
- Manage compliance using automated access certifications and policy management.

We package and price IdentityIQ into Core Modules and Advanced Integration Modules. All customers leverage the IdentityIQ Governance Platform, which provides the base features of the solution, including the identity warehouse, workflow engine and governance models. The three Core Modules include:

- **Lifecycle Manager**: This module provides a business-oriented solution that delivers access securely and cost effectively. The self-service access request capabilities feature an intuitive user interface that empowers business users to take an active role in managing changes to their access while greatly reducing the burden on IT organizations. Automated provisioning manages the business processes of granting, modifying and revoking access throughout a user's lifecycle with an organization, whether that user is an employee, contractor or business partner. Changes to user access can be automatically provisioned via a large library of direct connectors for applications such as Workday and SAP or synchronized with IT service management solutions such as ServiceNow.
- **Compliance Manager**: This module enables the business to improve compliance and audit performance while lowering costs. It provides business user friendly access certifications and automated policy management controls (e.g., separation-of-duty violation reporting) that are designed to simplify and streamline audit processes across all applications and data. Built-in audit reporting and analytics give IT, business and audit teams visibility into, and management over, all compliance activities in the organization.
- **File Access Manager**: This module, a rebranded and repackaged version of the SecurityIQ product line, secures access to the growing amount of data stored in file servers, collaboration portals, mailboxes and cloud storage systems. The change was made to align the positioning and packaging of solutions with how our customers are purchasing and deploying a comprehensive identity security strategy. It helps organizations identify where sensitive data resides, which identities have access to it, and how they are using it and then puts effective controls in place to secure it. File Access Manager is designed to interoperate with the Compliance Manager and Lifecycle Manager modules to provide comprehensive visibility and governance over user access to all data. By augmenting identity data from structured systems with data from unstructured data targets, organizations can more quickly identify and mitigate risks, spot compliance issues and make the right decisions when granting or revoking access to sensitive data.

The Advanced Integration Modules provide connectivity to target application platforms such as SAP, mainframes and file storage systems.

SailPoint Identity Services

SailPoint Identity Services are delivered as multi-tenant SaaS subscription services and are designed to integrate and extend IdentityNow and IdentityIQ. We package and price SailPoint Identity Services individually. The current list of SailPoint Identity Services includes:

- **Access Insights**: collects a wealth of identity information, turns that information into actionable insights and provides business-oriented dashboards and reports to track the effectiveness of customers' identity programs;
- **Access Modeling**: uses AI and ML to suggest roles based on similar access between users and gives customers insights to confirm the correct access for each role;
- **Access Risk Management**: our cloud-based access controls solution that enables customers to manage their risk by automating access controls for business applications with complex security requirements;
- **Cloud Access Management**: uses AI and ML to automatically learn, monitor and secure access to cloud infrastructure;
- **Recommendation Engine**: uses AI and ML, peer group analysis, identity attributes and access activity to help customers decide whether access should be requested, granted or removed; and
- **SaaS Management**: our cloud-based solution that helps customers discover, manage and secure their SaaS applications.

Technology

Our comprehensive, enterprise-grade identity security platform is the result of both years of investment and the expertise of the Company's management and technical teams. Taking the lessons learned from our experiences with prior generation identity solutions, our engineers and architects designed a modern identity platform with internet scale, comprehensive hybrid environment coverage, and openness to optimize customers' existing technology investments.

Identity Cube Technology

Our Identity Cube technology establishes the 360-degree control essential to govern and secure digital identities in today's complex IT environments. Our extensive data modeling capabilities allow us to understand how each identity relates to the full IT environment, whether on-premises or in the cloud. SailPoint's account correlation and orphan account management

capabilities allow IT security professionals and business managers to track and monitor the accounts that are most frequently under attack.

Identity Cubes track all relevant information about an identity and its relationships to applications and data. They create the “identity context” which is key to an identity-aware infrastructure in which identity information is shared across the extended enterprise. With identity context, operational and security systems can make informed decisions about access and perform key remediation and change requests on our open identity platform via our standardized application program interfaces (“APIs”) and software development kits (“SDKs”).

Model-Based Governance

Our model-based governance engine sits at the center of our platform and provides a comprehensive understanding of both the current state of which identities currently have access to what as well as the desired state of who should have access to what. The governance engine is responsible for managing the ongoing process of aligning these two states.

Governance and control models are used to drive our policy-based reconciliation service and to define how reconciliation and provisioning fulfillment actions are executed. These models are designed with graphical tools, enabling IT and business users to own and define the reconciliation and fine-grained access provisioning fulfillment processes for applications and data.

Access Modeling

Our AI-based Access Modeling is designed to continually model and adapt access to evolving business needs. Leveraging AI, Access Modeling evaluates the access that users have, including collections of entitlements bundled into roles, and recommends new access models. Once approved and created, these access models can be assigned to identities. Access Modeling also continually monitors for updates to existing roles within the access model to help enforce the principle of least privileged access.

Recommendation Engine

The patented Recommendation Engine leverages AI and ML technologies to automate mundane tasks and provide our identity platform users with insights in order to make more informed decisions. Based on identity information and attributes collected, the Recommendation Engine identifies and classifies access as acceptable or risky, along with the reasons for those classifications. These recommendations are visually presented to users reviewing access, so they can quickly, and efficiently, make decisions. Recommendations can also be used to automatically approve acceptable access.

Provisioning Broker

Our provisioning broker provides separation between identity processes at the business level (e.g., requesting access to an application) and the actual fulfillment of that request on the target system. The provisioning broker is a specialized business process workflow execution engine that manages long-running provisioning tasks and provides tracking, monitoring and statistics for the end-to-end fulfillment process.

The decoupling capability of the provisioning broker maximizes our customers’ flexibility and allows for the reuse of their existing IT investments. For example, if access to an application can only be provided manually through the opening of a help desk ticket, the provisioning broker will send that request to the help desk and report back on the status of that request. Likewise, if a customer utilizes a legacy provisioning system, the provisioning broker can pass off a request to that legacy system for fulfillment. In addition, the provisioning broker provides us with a unique migration strategy for customers moving from a legacy system to our identity security solutions.

Enterprise-Grade Cloud Gateway

To manage on-premises infrastructure, applications and data from the cloud, we employ a Cloud Gateway Server (“CGS”), delivered as a virtual machine behind the customer’s firewall, which ensures that all SailPoint communications are highly secure. Our CGS technology is a high availability, secure, self-managed container that allows for controlled and automated updates of our connector infrastructure while ensuring the integrity of individual on-premises and cloud connections.

Our CGS also provides an innovative and patented approach to protecting our customer's credentials. Our "zero-knowledge encryption" technology allows us to store all of a customer's passwords and security credentials inside the CGS behind their firewall. As a result, we protect the confidentiality of our customers' system and end-user credentials, even if our cloud service provider were to be breached.

Data Ownership Assessment and Election

Verifying the business end-user who is the logical owner of information is a key challenge in managing growing volumes of unstructured data in the enterprise. Our novel, patent-supported approach determines the rightful owner of files, so they can be integrated into governance control processes, such as access certifications and access approvals. Our solution leverages profile data to determine logical owners of information based on identity attributes and usage data. Once a set of logical owners is identified, we use a crowd-sourcing approach to allow other users familiar with the data to vote on the rightful owner of the file or file storage location. This enables organizations to efficiently identify and designate specific owners for sensitive information stored in files and incorporate them into identity security processes.

Connectivity for the Hybrid IT Environment

Our extensive library of over 100 proprietary connectors provides interfaces to on-premises and cloud applications. These connectors are the means by which we provide governance over target systems. We support granular management of a wide range of systems, from mainframe security managers, including CA ACF2 and Top Secret, IBM and RACF, to traditional enterprise applications, including Oracle E-Business Suite and SAP, and pure SaaS business applications, such as Microsoft Office365, Salesforce, ServiceNow, Slack and Zoom. Generally, the same connectors are used for both our on-premises and cloud-based products. This allows both solutions to leverage fully the over 400-person years we have invested in developing these connectors.

Open and Integrated Identity Platform

Our open identity platform is the result of over a decade of investment. Recognizing identity security is at the center of critical enterprise business and IT processes, we developed a comprehensive set of services that go beyond simple APIs. In addition to our comprehensive API strategy, we deliver SDKs and plug-in frameworks which allow our partners and customers to create their own integrations and extensions to our core product capabilities. For example, we leverage our open identity platform to integrate with third-party user provisioning solutions, such as IBM Security Identity Manager and Oracle Identity Manager, and service desk solutions, such as BMC Remedy and ServiceNow, to implement account change requests. This enables SailPoint to govern access and provide identity context to downstream processes managed by these solutions. Another important open identity platform integration model is with PAM solutions. SailPoint provides a framework that enables organizations to use the same governance controls to oversee both privileged and standard account access. We also collect activity and other information from third-party solutions to improve risk analytics and identity security processes in our products.

Our APIs and SDKs are compliant with System for Cross-domain Identity Management ("SCIM") and both provide standards-based bi-directional runtime access to our identity context model. Many such integrations and extensions have already been built by partners and certified for commercialization on our open identity platform.

Our SaaS Event Trigger Service emits actionable events that allows customers to extend identity security into their own application ecosystems. Once subscribed to these events, SailPoint starts streaming identity events into their custom integrations.

Seasonality

We generally experience seasonal fluctuations in demand for our products and services. Our quarterly sales are impacted by industry buying patterns. As a result, our sales have generally been highest in the fourth quarter of a calendar year and lowest in the first quarter.

Customers

As of December 31, 2021, we have 2,259 customers based in 65 countries. In the year ended December 31, 2021, we generated 31% of our revenue outside of the United States. As of December 31, 2021, our revenue did not materially depend on any single customer.

Sales and Marketing

Sales

We sell our platform through our direct sales organization, which is comprised of field and inside sales personnel, as well as through channel partners. Our sales strategy often reflects a "land-and-expand" business model, in which our initial deployment with a new customer typically addresses a limited number of use cases within a single business unit. Such initial deployments frequently expand across departments, divisions and geographies through a need for additional users, increased usage or extended functionality. As we expand our portfolio of offerings within our platform, we execute a growing number of "solution" deals that include more than one of our products in the initial transaction.

Our sales force is structured by geography, customer size, status (customer or prospect) and industry. Our global sales organization is comprised of quota-carrying sales representatives supported by sales development representatives, sales engineers, partner managers, product and technical specialists and solution architects.

Partners constitute an essential part of our selling model. We have established a model designed to create zero conflict, and typically include our partners in all of our training and enablement efforts. As a result, our indirect sales model, executed through our global and regional system integrators, technology partners and value-added resellers, is a key factor in our overall success.

Marketing

Our marketing strategy is focused on the following core areas: driving strong global brand awareness and differentiation for SailPoint, leveraging digital marketing tools to engage and educate our buyers, and creating a strong and "tuned in" pipeline for our sales force. Our data-driven digital approach to marketing is tightly aligned to the needs of our addressable market and provides agility to leverage market opportunities in a targeted and timely fashion. Our awareness and educational efforts focus on branding and awareness campaigns, digital and content marketing, public and analyst relations, social media engagement and influencer relations, and thought leadership including blogs and bylines. Engagement programs include digital campaigns and webinars, customer-submitted peer reviews, and virtual/hybrid events such as Navigate, while pipeline maturation focuses on customer and executive advisory boards and round tables. Pipeline generation and maturation efforts focus on efficiently and effectively moving targeted accounts through their buyer's journey and through the SailPoint pipeline. While digital marketing efforts are managed centrally and regionally, engagements programs are run in our three major geographies: (i) the Americas, (ii) Europe, the Middle East and Africa ("EMEA") and (iii) Asia-Pacific ("APAC"). Audiences for such events are typically IT and security professionals, including chief information officers and chief information security officers. Our global virtual Navigate user conferences demonstrate our strong commitment to enabling our customers to succeed, while also serving as an opportunity to create pipeline for new sales to prospective customers and additional sales to existing customers.

Professional Services and Maintenance and Customer Support

Professional Services

We are primarily focused on ensuring that our professional services partners, who perform a majority of the implementations for our customers, are able to implement our solutions successfully. We provide "expert services" to partners and customers for complex implementation assistance. We also lead direct implementations when requested by a customer. We believe that our investment in professional services and in our partners will drive increased adoption of our platform.

Maintenance and Customer Support

Our customers receive one year of software maintenance and support as part of their initial purchase of our on-premises offerings and may renew their maintenance and support agreement following the initial period. Our cloud-based offerings include customer support. For our on-premises offerings, our maintenance provides customers with the right to receive major releases of their purchased solutions, maintenance releases and patches and access to our technical support services during the term of the agreement. We provide customers of our cloud-based offerings with technical support services and all aspects of infrastructure support. We maintain a customer support organization, which includes experienced, trained engineers who provide 24x7x365 support for critical issues. Customers receive contractual response times, telephonic support

and access to online support portals. Our customer support organization has global capabilities, a deep expertise in our solutions and, through select support partners, is able to deliver support in multiple languages.

Customer Success Management

Our customer success strategy centers around our investment in, and ownership of, the post-sale experience for our customers. Every customer has access to our team of Customer Success Managers ("CSMs"), whose goal is to help customers achieve their desired return on investment and business results. Through proactive and regular engagements, the CSM team endeavors to keep every customer satisfied and help them use their SailPoint products or services optimally. When necessary, the CSM coordinates cross-departmental resources to remove any barrier to success. In addition, our customer success team utilizes customer data to identify and present any cross-sell or upsell solutions aligned to a customer's business objectives, thereby contributing to revenue expansion and increased product penetration. By proactively managing customer relationships, our CSM team nurtures client advocates, who become a powerful asset in closing new business.

Partnerships and Strategic Relationships

As a core part of our strategy, we have cultivated strong relationships with partners to help us increase our reach and influence, while providing a broader distribution of our identity security services. We have developed a large partner network consisting of technology partners, system integrators, a growing network of value-added resellers and our alliance partners (Accenture, Deloitte, EY, KPMG and PwC). In 2021, approximately 76% of our new customer transactions involved our partner network. We believe that our extensive partnership network enables us to provide the most complete identity security solution to our customers.

Technology Partners

We have partnered with industry leaders across a spectrum of technologies that enable organizations to integrate their entire security, mobility, cloud, and applications infrastructure into our platform so that breaches can be better identified, mitigated and contained, and operations can be streamlined. We believe that solutions from companies such as Amazon Web Services ("AWS"), CyberArk, Microsoft, SAP, ServiceNow and Workday that are plugged into our open identity platform through APIs provide our customers value-added capabilities to build an identity-aware enterprise.

The SailPoint Technology Partner Program is a technology partnering network that leverages familiar standards and methods—like SQL, SCIM and Representational State Transfer—that make it easy to share identity context and configure identity-specific policies across disparate systems. For example, when PAM systems are integrated with our solutions, enterprises can conduct regular audits of privileged users and automatically remediate any policy violations. Program offerings include access to SailPoint SDKs and APIs, developer support, and cloud-based certification services. The Identity+ Alliance comprises over 60 technology and implementation partners and has produced over 40 certified integrations.

Value-Added Resellers

Value-added resellers bring product expertise and implementation best practices to our customers globally. They provide vertical expertise and technical advice in addition to reselling or bundling our software. Many of our reseller partners have been trained to demonstrate and promote our identity platform. Our reseller channel ranges from large companies to regional resellers in our markets and territories. Our reseller program is designed to scale growth, help generate new opportunities, optimize customer experience and increase profitability as well as sales efficiency.

System Integrators

We partner with many large and global system integrators. We have partnerships with global advisory firms such as Deloitte, EY, KPMG, and PwC, with global system integrators such as Accenture, and with many regional system integrators in all three of our geographies. The focus of our system integrators program is to deliver pipeline growth and bookings, to help partners drive self-sufficiency and to foster transparency and collaboration through shared assets and resources. We have

implemented joint business controls and metrics that provide a platform for discussion and partnership development and help us optimize our program and unified value proposition.

Research and Development

Innovation is one of our core values, and it is at the heart of how we think and do business. We believe ongoing and timely development of new products and features is imperative to maintaining our competitive position. We continue to invest in both our cloud and on-premises solutions. Additionally, we will be opportunistic in leveraging technology acquisitions. As of December 31, 2021, our research and development team had 468 employees.

Competition

We operate in a highly competitive market characterized by constant change and innovation. Our competitors include large enterprise software vendors that offer identity solutions within their product portfolios, pure play identity vendors (including new market entrants) and vendors with whom we have not traditionally competed but may either introduce new products or incorporate features into existing products that compete with our solutions.

We believe the principal competitive factors in our market include:

- Comprehensiveness of visibility to which identities have access to what across cloud and on-premises applications and data repositories;
- Reliability and effectiveness in defining and implementing identity security policies;
- Flexibility to deploy identity security and administration as a SaaS solution or as a software-based solution on-premises or in the cloud;
- Adherence to government and industry regulations and standards;
- Comprehensiveness and interoperability of the solution with other IT and security solutions;
- Enterprise security, scalability and performance;
- Ability to innovate and respond to customer needs rapidly;
- Quality and responsiveness of support organizations;
- Total cost of ownership;
- Ease of use; and
- Customer experience.

Some of our competitors have significantly greater financial, technical, and sales and marketing resources, as well as greater name recognition, in some cases within particular geographic regions, and more extensive geographic presence than we do. However, we believe we compete favorably with our competitors on the basis of all the factors above.

Intellectual Property

Our success depends in part on our ability to protect our intellectual property. We rely on copyrights and trade secret laws, confidentiality procedures, employment proprietary information and inventions assignment agreements, trademarks and patents to protect our intellectual property rights. We also license software from third parties for integration into our product solutions, including open source software and other software available on commercially reasonable terms.

We control access to and use of our product solutions and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners, and our software is protected by U.S. and international copyright and trade secret laws. We have 47 issued patents and 27 patent applications pending in the United States relating to certain aspects of our technology. Additionally, we have three issued patents and two patent applications pending internationally. The expiration dates of our issued patents range from 2024 to 2041. See Item 1A. “Risk Factors” in this Annual Report for information regarding potential risks associated with our intellectual property and our ability to protect it.

Human Capital Management

We believe that our success as a company is strongly linked to our core values:

- Innovation – developing creative solutions to real challenges;
- Integrity – delivering on the commitments we make;
- Impact – measuring and rewarding results, not activity; and
- Individuals – valuing every person at SailPoint.

These values are cornerstones of our organizational culture. Our human capital strategy includes team member engagement efforts, career development and training opportunities and other programs designed to attract and retain top talent.

It is critical to engage our team members to maintain a positive culture, and our annual global employee engagement survey helps us evaluate our efforts in light of our core principles. Overall team member satisfaction reached 90% each of the last four years that we conducted this survey, and over the last 10 years, organizations such as the Austin Business Journal, Fortune, and Glassdoor have recognized SailPoint as a “best place to work.” We focus on ensuring that our diversity, inclusion and belonging efforts create and maintain a positive culture in which all team members can succeed and thrive. Those efforts include implementing focused training on recognizing and removing bias from our recruitment process, broadening our talent pool through diversity-focused talent acquisition vendors, conducting pay equity reviews during our merit and equity planning process and designing other programs to improve indicators related to inclusion and equity in our workforce.

Our training and development efforts, built around our core values, are another key part of our human capital strategy. Our leaders go through specific training to ensure they are leading their teams with our values at the forefront of the decisions they make. Our annual performance review process allows team members to engage in meaningful discussions with their managers about their performance and development goals. Additionally, our managers assess the growth potential of each team member through a standardized evaluation process, which provides actionable outputs to help develop and retain our high-potential employees. We also enable our team with regular interactive sessions covering a wide range of topics including interrupting unconscious bias, wellness, local volunteering opportunities, and best practices to use our latest technologies and work in a hybrid environment more effectively. Through these and other training efforts, we support the development of our crew members in a way that promotes our growth and innovation.

Offering a competitive compensation and benefits package is a critical part of our effort to attract and retain top talent. In addition to competitive base salaries, we offer team members comprehensive health, welfare, income protection and long-term savings benefits, the opportunity to participate in our Employee Stock Purchase Plan, and incentive equity compensation and incentive cash plans for eligible team members. Total compensation is designed to align with SailPoint’s business objectives and financial goals, and pay is differentiated for individuals based on relevant experience, impact, relative internal value and company performance. Variable compensation delivers pay aligned with company and individual performance, with more pay at risk at more senior levels. Leadership regularly discusses compensation and benefits strategies with the compensation committee of our board of directors.

As we work to execute our growth strategy, as described above, we continue to invest in human capital resources that will sustain and fuel that growth. As of December 31, 2021, we had a total of 1,676 employees, including 468 involved in research and development activities, 666 in our sales and marketing organization, 343 in professional services and customer support, and 199 in general and administrative activities. As of December 31, 2021, approximately 29% of our employees were located outside of the United States. Ensuring that we have the right people in the right positions is essential to our strategy for sustained growth.

Government Regulations

A wide variety of domestic and foreign laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, disposal and other processing of personal data. These data protection and privacy-related laws and regulations are evolving and may result in regulatory and public scrutiny and escalating levels of enforcement and sanctions. Our failure to comply with applicable laws and regulations, or to protect any personal or other customer data, could result in enforcement actions against us, including regulatory fines, as well as claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could adversely affect our business, operating results, financial performance and prospects.

Domestically, California enacted the California Consumer Privacy Act (the “CCPA”) which took effect on January 1, 2020, creating additional new consumer privacy rights, and providing for both civil penalties as well as a private right of action for data breaches. The California Privacy Rights Act (the “CPRA”), which expands the CCPA, was passed in November 2020. The CPRA will go into effect January 1, 2023 and provides for additional consumer privacy rights, increased penalties, and establishes a new dedicated California data protection regulator with rule-making and audit authorities. The CCPA has prompted a number of proposals for new federal and state-level privacy legislation. Additional states have passed privacy laws, such as the Virginia Consumer Data Protection Act and the Colorado Privacy Act, both of which are similar to the CCPA. The CCPA imposed additional regulatory risks and burdens on our company. Additional resources will be required to respond to these changes in the law and coming regulations, including to implement new internal and customer supporting compliance procedures, and potentially to offer new product features to respond to data protection requirements or related market trends.

Also domestically, the Health Insurance Portability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and their respective implementing regulations ("HIPAA"), imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's security standards directly applicable to "business associates." We function as a business associate for certain of our customers that are HIPAA-covered entities and service providers and, in that context, we are regulated as a business associate for the purposes of HIPAA. The HIPAA-covered entities and service providers to which we provide services require us to enter into HIPAA-compliant business associate agreements with them. These agreements impose stringent data security obligations on us. Modifying the already stringent penalty structure that was present under HIPAA prior to HITECH, HITECH created four new tiers of civil monetary penalties and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions.

In jurisdictions outside of the United States, we may face heightened data protection and privacy requirements. For example, our business is subject to the UK General Data Protection Regulation (the "UK GDPR") and the European Union (the "EU") General Data Protection Regulation (the "EU GDPR" and, together with the UK GDPR, the "GDPR"), as we sell our solutions in both the United Kingdom and the European Economic Area (the "EEA"). Among other things, the GDPR regulates the collection, use and disclosure of certain personal data, including the transfer of personal data to third countries, such as the United States. In July 2020, the Court of Justice of the European Union (the "CJEU") in its Schrems II ruling invalidated the EU-U.S. Privacy Shield framework, a self-certification mechanism that facilitated the lawful transfer of personal data from the EEA to the United States, with immediate effect. The CJEU upheld the validity of standard contractual clauses ("SCCs") as a legal mechanism to transfer personal data, but companies relying on SCCs will need to carry out a transfer privacy impact assessment, which among other things, assesses laws governing access to personal data in the recipient country and considers whether supplementary measures that provide privacy protections additional to those provided under SCCs will need to be implemented to ensure an 'essentially equivalent' level of data protection to that afforded in the EEA. The GDPR also imposes significant fines and penalties for non-compliance and serious violations of certain requirements, and the GDPR and other international data protection laws are subject to differing interpretations.

See Item 1A. "Risk Factors" in this Annual Report for information regarding potential risks associated with these and other government regulations and our ability to comply therewith.

Corporate Information

Our principal executive offices are located at 11120 Four Points Drive, Suite 100, Austin, Texas 78726, and our telephone number at that address is (512) 346-2000. Our website address is www.sailpoint.com. Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report and inclusions of our website address in this Annual Report are inactive textual references only.

The SailPoint design logo and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report are the property of SailPoint Technologies, Inc., our wholly-owned subsidiary. Other trademarks and trade names referred to in this Annual Report are the property of their respective owners.

Available Information

Our website is located at https://www.sailpoint.com, and our investor relations website is located at https://investors.sailpoint.com. The information posted on our website is not incorporated into this Annual Report. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge on our investor relations website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). You may also access all of our public filings through the SEC's website at https://www.sec.gov.

Investors and other interested parties should note that we use our media and investor relations website and our social media channels to publish important information about us, including information that may be deemed material to investors. We encourage investors and other interested parties to review the information we may publish through our media and investor relations website and the social media channels listed on our media and investor relations website, in addition to our SEC filings, press releases, conference calls and webcasts.

ITEM 1A. RISK FACTORS

The nature of the business activities conducted by the Company subjects it to certain hazards and risks. The following is a summary of some of the material risks relating to the Company's business activities. Other risks are described in Part I, Item 1. "Business—Competition," Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations.—Liquidity and Capital Resources" and Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk." These risks are not the only risks facing the Company. The Company's business could also be affected by additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial. If any of these risks actually occurs, it could materially harm the Company's business, financial condition or results of operations and impair the Company's ability to implement business plans. In that case, the market price of the Company's common stock could decline.

Risks Related to Our Financial Performance and Results

Since our inception, except for the year ended December 31, 2018, we have incurred net losses and we may not be able to generate sufficient revenue to achieve and sustain profitability.

Since our inception, except for the year ended December 31, 2018, we have incurred net losses, including a net loss of $61.6 million for the year ended December 31, 2021. We cannot assure you that we will achieve profitability in the future or that we would be able to sustain profitability. We expect our operating expenses to continue to increase as we continue to expand our sales and marketing efforts, invest in research and development, particularly for our cloud-based solutions, and expand our operations in existing and new geographies and vertical markets. Further, we expect our revenue growth rate to continue to be materially adversely impacted by our shift to subscription-based arrangements. As a result, we do not know when we will achieve profitability, and it is possible that we continue to sustain net losses for a period.

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

We have experienced rapid growth in recent years. Our revenue grew from $288.5 million to $439.0 million from the year ended December 31, 2019 to the year ended December 31, 2021. In future periods, we may not be able to sustain revenue growth consistent with recent history, or at all. We believe our revenue growth depends on a number of factors, including (i) our ability to attract new customers and retain and increase sales to existing customers; (ii) our ability to, and the ability of our channel partners to, successfully deploy and implement our solutions, increase our existing customers' use of our solutions and provide our customers with excellent customer support; (iii) our ability to develop our existing solutions and introduce new solutions; (iv) our ability to hire and retain substantial numbers of new sales and marketing, research and development and general and administrative personnel, and expand our global operations; and (v) our ability to increase the number of our technology partners.

If we are unable to achieve any of these requirements, our revenue growth will be adversely affected. In addition, as discussed below, our revenue growth may be materially and adversely affected during any period of significant shifts to subscription-based arrangements.

Our future revenues and operating results will be harmed if we are unable to acquire new customers, if our customers do not renew their arrangements with us, or if we are unable to expand sales to our existing customers or develop new solutions that achieve market acceptance.

To continue to grow our business, it is important that we continue to acquire new customers to purchase and use our solutions. Our success in adding new customers depends on numerous factors, including our ability to (i) offer a compelling identity security platform and solutions, (ii) execute an effective sales and marketing strategy, (iii) attract, effectively train and retain new sales, marketing, professional services and support personnel in the markets we pursue, (iv) develop or expand relationships with channel partners, including systems integrators, resellers and technology partners, (v) expand into new geographies and vertical markets, (vi) deploy our platform and solutions for new customers and (vii) provide quality customer support once deployed. As a result of the COVID-19 pandemic, we shifted all customer events to virtual-only experiences in 2020. In 2021, we resumed certain in-person and hybrid events, but we expect that for the foreseeable future some of our customer events will be virtual-only or hybrid experiences. Although the level of attendance at our virtual-only and hybrid events has been generally consistent with or greater than our in-person events, it is possible that the level of prospective customer engagement, and thus conversion into sales, is lower at such events.

It is important to our continued growth that our customers renew their arrangements when existing contract terms expire. Our customers have no obligation to renew their maintenance and support, SaaS, and/or term-license agreements, and

our customers may decide not to renew these agreements with a similar contract period, at the same prices and terms or with the same or a greater number of identities. Our customer retention and expansion is difficult to accurately predict and may decline or fluctuate as a result of a number of factors. Our ability to increase revenue also depends in part on our ability to increase the number of identities governed with our solutions and sell more modules and solutions to our existing and new customers. If we are unable to successfully acquire new customers, retain our existing customers, expand sales to existing customers or introduce new solutions, our business, financial condition and operating results could be adversely affected. The adverse effect on our financial results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred in connection with the new solutions.

Our sales cycle is long and unpredictable, and our sales efforts require considerable time and expense.

The length and unpredictability of the sales cycle for our offerings makes it difficult to identify a regular cadence to our sales and the related revenue recognition. We and our channel partners are often required to spend significant time and resources to better educate and familiarize potential customers with the value proposition of our platform and solutions. Customers often view the purchase of our solutions as a strategic decision and significant investment and, as a result, frequently require considerable time to evaluate, test and qualify our platform and solutions prior to purchasing our solutions. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which ultimately may not result in a sale. Additional factors that may influence the length and variability of our sales cycle include: (i) the discretionary nature of purchasing and budget cycles and decisions; (ii) lengthy purchasing approval processes; (iii) the evaluation of competing products during the purchasing process; (iv) time, complexity and expense involved in replacing existing solutions; (v) announcements or planned introductions of new products features or functionality by our competitors or of new solutions or modules by us; (vi) the practice of large enterprises often driving their purchasing cycles based on internal factors rather than marketing cycles; and (viii) evolving functionality demands. If our efforts in pursuing sales and customers are unsuccessful, or if our sales cycles lengthen, our revenue could be lower than expected, which would have an adverse effect on our business, operating results and financial condition.

We recognize some of our revenue ratably over the term of our agreements with customers and, as a result, downturns or upturns in sales may not be immediately reflected in our operating results.

We recognize revenue from our subscription offerings ratably over the terms of our agreements with customers. As a result, a portion of the revenue that we report in each period will be derived from the recognition of deferred revenue relating to agreements entered into during previous periods. Consequently, a decline in new subscription sales or renewals in any one period may not be immediately reflected in our revenue results for that period. This decline, however, will negatively affect our revenue in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our products and potential changes in our rate of renewals may not be fully reflected in our operating results until future periods.

We expect to continue to invest in research and development, sales and marketing, and general and administrative functions and other areas to grow our subscription-related business. These subscription-related costs are generally expensed as incurred (with the exception of sales commissions), as compared to the corresponding revenue, substantially all of which is recognized ratably in future periods. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may develop more slowly, or may be lower, than we expect, which could adversely affect our operating results.

Our quarterly results fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly revenue and operating results tend to fluctuate from period-to-period, and we believe that our quarterly results may vary significantly in the future. These results may fluctuate as a result of a variety of factors, including the mix of revenue and associated costs attributable to licenses, subscription and professional services, the mix of revenue attributable to larger transactions as opposed to smaller transactions, and others discussed throughout this “Risk Factors” section, many of which are outside of our control. Consequently, you should not rely on the results of any one quarter as an indication of future performance. Period-to-period comparisons of our revenue and operating results may not be meaningful and, as a result, may not fully reflect the underlying performance of our business.

Risks Related to Our Technology, Products and Security

Real or perceived errors, failures, or disruptions, including those caused by cyber-attacks, in our platform and solutions could adversely affect our customers' satisfaction with our solutions and harm our business and industry reputation.

Our platform and solutions are very complex and have contained and may contain undetected defects, vulnerabilities or errors, especially when solutions are first introduced or enhanced. Our platform and solutions are often used in connection with large-scale computing environments with different operating systems, system management software, equipment and networking configurations, which may cause errors or failures of products, or other aspects of the computing environment into which our products are deployed. If our platform and solutions are not implemented or used correctly or as intended, inadequate performance and disruption in service may result. In addition, deployment of our platform and solutions into complicated, large-scale computing environments may expose errors, failures or vulnerabilities in our products. Any such errors, failures, or vulnerabilities may not be found until after they are deployed to our customers. Some of our software and features are powered by ML and AI, which depend on datasets and algorithms that could be flawed, including through inaccurate, insufficient, outdated or biased data. From time to time, we have experienced errors, failures and bugs in our platform that have resulted in customer downtime, and we cannot assure you that we will be able to mitigate future errors, failures, vulnerabilities or bugs in a quick or cost-effective manner.

We and our third-party service providers have in the past experienced, and may in the future experience, performance issues due to a variety of factors, including infrastructure changes, human or software errors, website or third-party hosting disruptions or capacity constraints due to a number of potential causes including technical failures, cyber-attacks, security incidents, natural disasters or fraud. We have also been the target of distributed denial-of-service attacks and other cybersecurity attacks that attempt to disrupt our services. If our or our third-party service providers' products or solutions or corporate security are compromised, our website, professional services, customer support or SaaS solutions are unavailable, or there are flaws in our ML and AI processes, our business could be negatively affected. Moreover, if our security measures, products, services or third-party service providers are subject to cyber-attacks that degrade or deny the ability of users to access our website or other products or services, our products or services may be perceived as insecure, and we may incur significant legal and financial exposure. In particular, our cloud-based products may be especially vulnerable to interruptions, performance problems or cyber-attacks. Furthermore, our solutions may not help detect situations in which a valid user identity has been compromised, for example as part of a highly sophisticated cyberattack of the type described below. If we, our third-party service providers, our partners or one or more customers were to suffer a highly publicized breach, even if our platform and solutions perform effectively, such a breach could cause our customers or potential customers to lose trust in our identity governance platform in general, which could cause us to suffer reputational harm, lose existing commercial relationships and customers or deter them from purchasing additional solutions and prevent new customers from purchasing our solutions. Highly publicized cybersecurity events have heightened consumer, legislative and regulatory awareness of these kinds of cybersecurity risks, while further emboldening individuals or groups to target IT systems more aggressively, highlighting the vulnerability of IT supply chains.

We continue to invest in the personnel, infrastructure and third-party best practice software solutions and services necessary to mitigate these risks. However, if we are unable to attract and retain personnel with the necessary cybersecurity expertise, or fail to implement sufficient safeguarding measures, we may not be able to prevent, detect, and mitigate potentially disruptive events which could occur in the future. In some instances, we may not be able to identify the cause or causes of these events within an acceptable period of time. Even with these investments, we may not be able to stop a complex and sophisticated cyberattack. Such attacks can be particularly difficult to prevent or fully mitigate when they occur in the supply chain. If we are or become a target of such an attack, we may not be able to prevent, detect and mitigate such an attack, which could cause disruptions in service or other performance problems, hurt our reputation and our ability to attract new customers and retain existing customers, and damage our customers' businesses.

Since our customers use our platform and solutions for important aspects of their security environment and operational business, any real or perceived errors, failures or vulnerabilities in our products, or disruptions in service or other performance problems, could hurt our reputation and may damage our customers' businesses. Furthermore, defects, errors, vulnerabilities or failures in our platform or solutions may require us to implement design changes or software updates. Any defects, vulnerabilities or errors in our platform or solutions, or the perception of such defects, vulnerabilities or errors, could result in: (i) expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate or work around errors or defects; (ii) loss of existing or potential customers or channel partners; (iii) delayed or lost revenue; (iv) delay or failure to attain market acceptance; (v) delay in the development or release of new solutions or services; (vi) negative

publicity, which will harm our reputation; (vii) an increase in collection cycles for accounts receivable or the expense and risk of litigation; and (viii) harm to our operating results.

The contractual protections we have in our standard terms and conditions of sale, such as warranty disclaimers and limitation of liability provisions, may not fully or effectively protect us from claims by customers, commercial relationships or other third parties. Any insurance coverage we may have may not adequately cover all claims asserted against us or cover only a portion of such claims. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and the diverting of management's time and other resources.

Interruptions with the delivery of our SaaS solutions, or third-party cloud-based systems that we use in our operations, may adversely affect our business, operating results and financial condition.

Our continued growth depends in part on the ability of our existing customers and new customers to access our platform and solutions at any time and within an acceptable amount of time. In addition, our ability to access certain third-party SaaS solutions is important to our operations and the delivery of our customer support and professional services. We have experienced, and may in the future experience, service disruptions, outages and other performance problems both in the delivery of our SaaS solutions and in third-party SaaS solutions we use due to a variety of factors, including infrastructure changes, malicious actors, human or software errors or capacity constraints. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If our SaaS solutions or the third-party SaaS solutions we depend on are unavailable or if our customers are unable to access features of our SaaS solutions within a reasonable amount of time or at all, our business would be negatively affected.

We host our SaaS and other subscription services solutions primarily using AWS data centers. Our related operations depend on protecting the virtual cloud infrastructure hosted in AWS by maintaining its configuration, architecture, features and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have disaster recovery plans that utilize multiple AWS locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake or other natural disasters, cyber-attacks, terrorist or other attacks, public health issues or other similar events beyond our control could negatively affect our SaaS platform. A prolonged AWS service disruption affecting our SaaS platform for any of the foregoing or other reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use, which would also likely require significant investments of time. In addition, AWS may terminate the agreement by providing 30 days' prior written notice and may, in some cases, terminate the agreement immediately for cause upon notice. In the event that our AWS service agreements are terminated, or there is a lapse of service, elimination of AWS services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our SaaS solutions for deployment on a different cloud infrastructure service provider, which may adversely affect our business, operating results and financial condition.

Breaches in our security, cyber-attacks or ot her cyber-risks could expose us to significant liabilities and cause our business and reputation to suffer.

Our operations involve transmission and processing of our customers' and their employees' confidential, proprietary and sensitive information including, in some cases, personally identifiable information. We have legal and contractual obligations to protect the confidentiality and appropriate use of customer data. Despite our security measures, our and our third-party service providers' information technology and infrastructure may be vulnerable to security risks, including unauthorized access to, use or disclosure of customer data, theft of proprietary information, employee error or misconduct, denial of service attacks, loss or corruption of customer data, and computer hacking attacks or other cyber-attacks subsequently originated from our infrastructure. Such events could expose us to substantial litigation expenses and damages, indemnity and other contractual obligations, government fines and penalties, mitigation expenses and other liabilities. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until successfully launched against a target, we and our third-party service providers may be unable to anticipate these techniques or reasonably implement adequate preventative measures. For example, we may not be able to stop a complex and sophisticated cyberattack of the type described in the risk factor above. If an actual or perceived breach of our or our third-party service providers' security occurs, the market perception of the effectiveness of our security measures could be harmed, our brand and reputation could be impacted, we could lose potential sales and existing customers, our ability to operate our business could be impaired, and we may incur significant liabilities. Moreover, failure to maintain effective internal accounting controls related to data security

breaches and cybersecurity in general could impact our ability to produce timely and accurate financial statements and could subject us to regulatory scrutiny.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations and changing customer needs, requirements or preferences, our platform and solutions may become less competitive.

The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards and changing regulations, as well as changing customer needs, requirements and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. In addition, as our customers' technologies and business plans grow more complex, we expect them to face new and increasing challenges. Our customers require that our solution effectively identifies and responds to these challenges without disrupting the performance of our customers' IT systems. As a result, we must continually modify and improve our products and introduce or acquire new products in response to changes in our customers' IT infrastructures. We may be unable to anticipate future market needs and opportunities or be unable to develop enhancements to our platform or existing solutions or new solutions to meet such needs or opportunities in a timely manner, if at all. Even if we are able to anticipate, develop and commercially introduce enhancements to our platform and existing solutions and new solutions, those enhancements and new solutions may not achieve widespread market acceptance. Our enhancements or new solutions could fail to attain sufficient market acceptance for many reasons.

Any actual or perceived failure by us to comply with our privacy commitments or legal or regulatory data protection requirements in one or multiple jurisdictions could result in proceedings, actions or penalties against us, as well as a loss of goodwill.

Our customers' storage and use of data concerning, among others, their employees, contractors, customers and partners is essential to their use of our platform and solutions. We have implemented various features intended to enable our customers to better secure their information and comply with applicable privacy and security requirements in their collection and use of data, but these features do not ensure their compliance and may not be effective against all potential privacy and data security concerns.

A wide variety of domestic and foreign laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, disposal and other processing of personal data. In particular, we function as a HIPAA "business associate" for certain of our customers and, as such, are subject to strict privacy and data security requirements. We are also subject to the GDPR. These and other applicable data protection and privacy-related laws and regulations are evolving and may result in regulatory and public scrutiny and escalating levels of enforcement and sanctions. See Part I, Item 1. "Business—Government Regulations" for more information. Our failure to comply with contractual obligations or applicable laws and regulations, or to protect any personal or other customer data, could result in enforcement actions against us, including regulatory fines or other civil or criminal liability, as well as claims for damages, contractual or otherwise, by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could adversely affect our business, operating results, financial performance and prospects.

In addition, we are subject to certain contractual obligations and have made privacy commitments, including in privacy policies, regarding our collection, use, storage, transfer, disclosure, disposal or processing of personal data. As a company that supports customer privacy and security objectives, even the perception of a failure by us to comply with our privacy commitments, whether or not valid, may harm our reputation, inhibit adoption of our solutions by current and future customers or adversely impact our ability to attract and retain workforce talent. Additionally, a failure or perceived failure to comply with privacy commitments could lead to regulator or civil claims if our commitments are found to be deceptive or otherwise misrepresentative of our actual policies and practices.

Loss, retention or misuse of certain information and alleged violations of laws and regulations relating to privacy and data security, and any relevant claims, may expose us to potential liability and may require us to expend significant resources on data security and in responding to and defending such allegations and claims. In addition, future laws, regulations, standards and other obligations, and changes in the interpretation of existing laws, regulations, standards and other obligations could impair our customers' ability to collect, use or disclose data relating to individuals, which could decrease demand for our platform and solutions, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue. This includes evolutions in definitions of what constitutes "Personal Information" and "Personal Data" subject to privacy laws, especially relating to classification of IP addresses, machine or device identification numbers, location data and other information. Changes in the law may limit or inhibit our ability to offer certain products or features, limit the growth of

features and/or development of new products and services supported by AI or machine learning, or limit our ability to operate or expand our business and develop technology alliance relationships that may involve the sharing of data.

Around the world, there are numerous lawsuits in process against various technology companies that process personal data. If those lawsuits are successful, it could increase the likelihood that our company may be exposed to liability for our own policies and practices concerning the processing of personal data and could hurt our business. Furthermore, the costs of compliance with, and other burdens imposed by laws, regulations and policies concerning privacy and data security that are applicable to the businesses of our customers may limit the use and adoption of our platform or solutions and reduce overall demand for them. Privacy concerns, whether or not valid, may inhibit market adoption of our platform. Additionally, concerns about security or privacy may result in the adoption of new legislation that restricts the implementation of technologies like ours or requires us to make modifications to our platform, which could significantly limit the adoption and deployment of our technologies or result in significant expense to modify our platform.

If we are not able to maintain and enhance our brand or reputation as an industry leader and innovator, our business and operating results may be adversely affected.

We believe that maintaining and enhancing our reputation as a leader and innovator in the market for identity and data governance solutions is critical to our relationship with our existing customers and our ability to attract new customers. The successful promotion of our brand attributes will depend on a number of factors, including our marketing efforts, our ability to continue to develop high-quality features and solutions for our platform and our ability to successfully differentiate our platform and solutions from competitive products and services. Our brand promotion activities may not be successful or yield increased revenue. In addition, independent industry analysts often provide reports of our platform and solutions, as well as products and services of our competitors, and perception of our platform and solutions in the marketplace may be significantly influenced by these reports. If these reports are negative, or less positive as compared to those of our competitors' products and services, our reputation may be adversely affected. If we do not successfully maintain and enhance our brand and reputation, our business and operating results may be adversely affected.

If our platform and solutions do not effectively interoperate with our customers' existing or future IT infrastructures, installations could be delayed or cancelled, which would harm our business.

Our success depends on the interoperability of our platform and solutions with third-party operating systems, applications, data and devices that we have not developed and do not control. Any changes in such operating systems, applications, data or devices that degrade the functionality of our platform or solutions or give preferential treatment to competitive software could adversely affect the adoption and usage of our platform. We may not be successful in adapting our platform or solutions to operate effectively with these applications, data or devices. If it is difficult for our customers to access and use our platform or solutions, or if our platform or solutions cannot connect to a broadening range of applications, data and devices, then our customer growth and retention may be harmed, and our business and operating results could be adversely affected.

If our products fail to help our customers achieve and maintain compliance with certain government regulations and industry standards, our business and operating results could be materially and adversely affected.

We believe we generate a portion of our revenues from our products and services because our customers use our products and services as part of their efforts to achieve and maintain compliance with certain government regulations and industry standards, and we expect that will continue for the foreseeable future. Examples of industry standards and government regulations include the Payment Card Industry Data Security Standard; the Federal Information Security Management Act and associated National Institute for Standards and Testing Network Security Standards; the Sarbanes-Oxley Act of 2002; Title 21 of the U.S. Code of Federal Regulations, which governs food and drugs industries; the North American Electric Reliability Corporation Critical Infrastructure Protection Plan; the GDPR; the German Federal Financial Supervisory Authority Minimum Requirements for Risk Management; and the Monetary Authority of Singapore's Technology Risk Management Notices. These industry standards may change with little or no notice, including changes that could make them more or less onerous for businesses. In addition, governments may also adopt new laws or regulations, or make changes to existing laws or regulations, that could affect whether our customers believe our solution assists them in maintaining compliance with such laws or regulations. If our solutions fail to expedite our customers' compliance initiatives, our customers may lose confidence in our products and could switch to products offered by our competitors. In addition, if government regulations and industry standards related to IT security are changed in a manner that makes them less onerous, our customers may view compliance as less

critical to their businesses, and our customers may be less willing to purchase our products and services. In either case, our sales and financial results would suffer.

Risks Related to Our Strategy and Competition

A shift in our business from selling perpetual licenses to selling SaaS and term licenses could materially and adversely affect our financial condition, operating results and liquidity, and our business, financial condition, operating results and prospects could be materially and adversely affected if we fail to successfully manage this shift.

We believe enterprises are increasingly embracing the cloud to house their critical security infrastructure. As a result, a growing number of enterprises are changing their approach to identity security and now prefer SaaS in place of purchasing software via a license and independently operating their identity infrastructure. Our current product strategy reflects our belief in this industry shift. In connection with this transition, as we sell more subscription-based arrangements, our license revenue has been and will likely continue to be negatively impacted.

In a subscription-based arrangement with a customer, we typically:

- recognize revenue (i) ratably over the term of the applicable agreement if the software is delivered as a service, whereas we typically recognize revenue from perpetual licenses upfront upon delivering the applicable license, or (ii) upfront if the software is purchased as a term license, but for an amount less than we would charge for a perpetual license given the finite term of the term license; meaning in each case that for a given customer, we will initially recognize less revenue if our software is delivered via a subscription-based arrangement rather than as a perpetual license; and
- invoice the customer for subscription fees annually, and at an amount less than we would charge initially for a perpetual license, meaning that for a given customer, initially our billings and our cash flows will decrease.

As a result, during any period of significant shifts to subscription-based arrangements, our revenue and cash flows, financial condition, operating results and liquidity may be materially and adversely affected. Additionally, if a greater percentage of our customers purchase our solutions through subscription-based arrangements than we expect in any period, our revenue and earnings will likely fall below expectations for that period and our cash flows may be lower than expected. Furthermore, our business, financial condition, operating results and prospects could be materially and adversely affected if we fail to successfully manage this industry shift, which depends upon our ability to, among other things, properly price our subscription-based arrangements, deliver SaaS, retain our customers, and further develop or acquire related technologies and infrastructure. If the industry shift occurs differently than we anticipate, our business, financial condition, operating results and prospects could be materially and adversely affected.

We face intense competition in our market, both from larger, well established companies and from emerging companies, and we may lack sufficient financial and other resources to maintain and improve our competitive position.

The market for identity and data governance solutions is intensely competitive and is characterized by constant change and innovation. We face competition from large, well-known enterprise software vendors that offer identity solutions within their product portfolios, pure play identity vendors (including new market entrants) and vendors with whom we have not traditionally competed but who may either introduce new products or incorporate features into existing products that compete with our solutions.

Many of our competitors are larger, have greater resources and existing customer relationships, and may be able to compete and respond more effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Our competitors may also seek to extend or supplement their existing offerings to provide identity and data governance solutions that more closely compete with our offerings. Potential customers may also prefer to purchase, or incrementally add solutions, from their existing suppliers rather than a new or additional supplier regardless of product performance or features.

In addition, merger and acquisition transactions in the technology industry continue to occur, particularly transactions involving cloud-based technologies. Accordingly, there is a greater likelihood that we will compete with other large technology companies in the future. Continued industry consolidation may adversely impact customers' perceptions of the viability of small and medium-sized technology companies and consequently their willingness to purchase from those companies.

New start-up companies that innovate and competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with our products, and our business could be materially and adversely affected if such technologies or products are widely adopted. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, increased net losses, and loss of market share. Any failure to meet and address these factors could adversely affect our business, financial condition and operating results.

If we are unable to maintain successful relationships with our channel partners, our ability to market, sell and distribute our solutions will be limited and our business, financial condition and operating results could be adversely affected.

We derive a significant portion of our revenue from sales influenced or made through our channel partner network and expect these sales to continue to grow for the foreseeable future. Our channel partners provide implementation and other services to our customers in exchange for fees paid by those customers. We may not achieve anticipated revenue growth from our channel partners if we are unable to retain our existing channel partners and expand their sales or add additional motivated channel partners. Our arrangements with our channel partners are generally non-exclusive, meaning they may offer customers the products of several different companies, including products that compete with our platform and solutions. If our channel partners do not effectively market and sell our solutions, choose to use greater efforts to market and sell our competitors' products or services, fail to meet the needs of our customers, or cease marketing our products or providing services to us, our ability to grow our business and sell our solutions may be adversely affected. If we are unable to maintain our relationships with these channel partners, our business, financial condition and operating results could be adversely affected. We also collaborate with adjacent technology vendors to offer comprehensive solutions to our customers. If we do not effectively collaborate with them, or if they elect to terminate their relationship with us or develop and market solutions that compete with our solutions, our growth may be adversely affected.

We anticipate that our operations will continue to increase in complexity as we grow, which will add additional challenges to the management of our business in the future.

Our business has experienced significant growth and is becoming increasingly complex. We increased the number of our employees from 1,168 at December 31, 2019 to 1,676 at December 31, 2021. We have also experienced growth in the number of customers of our solutions from 1,469 at December 31, 2019 to 2,259 at December 31, 2021. We expect this growth to continue and for our operations to become increasingly complex. To effectively manage this growth, we have made and plan to continue to make substantial investments to improve our operational, financial and management controls as well as our reporting systems and procedures. Our success will depend in part on our ability to manage this complexity effectively without undermining our corporate culture, which we believe has been central to our success. If we are unable to manage this complexity, our business, operations, operating results and financial condition may suffer.

As our customer base continues to grow, we likely will need to expand our professional services and other personnel, and maintain and enhance our existing partner network, to provide a high level of customer service. We also will need to effectively manage our direct and indirect sales processes as the number and type of our sales personnel and partner network continues to grow and become more complex and as we continue to expand into new geographies and vertical markets. This complexity is further driven by the various ways in which we sell our solutions, including on a per identity and per module basis through perpetual and term licenses, SaaS and other subscription services. If we do not effectively manage the increasing complexity of our business and operations, the quality of our solutions and customer service could suffer, and we may not be able to adequately address competitive challenges. These factors could impair our ability, and our channel partners' ability, to attract new customers, retain existing customers, expand our customers' use of existing solutions and adoption of more of our solutions and continue to provide high levels of customer service, all of which would adversely affect our reputation, overall business, operations, operating results and financial condition.

We may acquire or invest in companies, which may divert our management's attention and result in additional dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions, and acquisitions, particularly of development stage companies, may adversely affect our operating results and liquidity as well as our ability to meet expectations.

Our success will depend, in part, on our ability to expand our solutions and services and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may choose to do so through the acquisition of, or investment in, new or complementary businesses and technologies rather than through internal development. As a function of the industry in which we operate, we may acquire development stage companies that are not yet

profitable, and that require continued investment, which could adversely affect our results of operations and liquidity as well as our ability to meet expectations, particularly if they were formulated prior to such acquisitions. Development stage companies generally involve a higher degree of risk and have not been proven, require additional capital to develop, and typically do not generate enough revenue to offset increased expenses associated therewith.

The identification of suitable acquisition or investment candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions or investments. The risks we face in connection with acquisitions and/or investments include difficulties integrating the new businesses, technologies, or personnel, distractions to management, adverse tax consequences, claims and disputes by stockholders, and the assumption of debt or other liabilities, among other things. The occurrence of any of these or other risks could prevent us from realizing the anticipated benefits of an acquisition and could adversely affect our business, operating results and financial condition.

Because our long-term success depends, in part, on our ability to expand the sales and marketing of our platform and solutions to customers located outside of the United States, and we perform a significant portion of our development outside of the United States, our business will be susceptible to risks associated with international operations.

At December 31, 2021, we had customers in 65 countries and personnel in 18 countries, and we intend to continue expanding our international sales and marketing operations. Conducting international operations requires significant management attention and financial resources and subjects us to risks that we do not generally face in the United States. These risks include: (i) heightened risks of unethical, unfair or corrupt business practices, actual or claimed, in certain geographies and of improper or fraudulent sales arrangements; (ii) political instability, war, armed conflict or terrorist activities; (iii) public health issues, including outbreaks of contagious diseases or illnesses; (iv) currency fluctuations; (v) laws imposing heightened restrictions on data usage and increased penalties for failure to comply with applicable laws, particularly in the EU; (vi) risks associated with trade restrictions and foreign import requirements; (vii) potentially different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues; (viii) management communication and integration problems resulting from cultural differences and geographic dispersion; (ix) increased turnover of international personnel as compared to our domestic operations; (x) potentially adverse tax consequences, including multiple and possibly overlapping tax structures, the complexities of foreign value added tax systems, restrictions on the repatriation of earnings and changes in tax rates; (xi) changes in global trade policies, such as the United Kingdom’s exit from the EU, trade disputes and increased tariffs between the United States and China, or other political, cultural or economic developments; (xii) greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods; (xiii) the uncertainty and limitation of protection for intellectual property rights in some countries; and (xiv) increased financial accounting and reporting burdens and complexities. We have employees and contractors in locations throughout Europe and Asia. If the global effect of Russia’s recent invasion of Ukraine and the ensuing armed conflict escalates or expands, our ability to conduct business in these regions could be adversely impacted, potentially resulting in delays to product development, sales and marketing, and other key business functions. Additionally, in light of reports of an increase in Russian cyber-attacks in connection with the current armed conflict, we may face a heightened risk of state-sponsored cyber-attacks in the near term.

Legal, Regulatory and Governance Risks

If we fail to meet contractual commitments related to response time, service level commitments or quality of professional services, we could be obligated to provide credits for future service, or face contract termination, which could adversely affect our business, operating results and financial condition.

Depending on the products purchased, our customer agreements contain service level agreements, under which we guarantee specified availability of our platform and solutions. If we are unable to meet the stated service level commitments to our customers or suffer extended periods of unavailability of our SaaS solutions or other subscription services, we may be contractually obligated to provide affected customers with service credits or customers could elect to terminate and receive refunds for prepaid amounts. In addition, if the quality of our professional services does not meet contractual requirements, we may be required to re-perform the services at our expense or refund amounts paid for the services. Any failure to meet these contractual commitments could adversely affect our revenue, operating results and financial condition and any failure to meet service level commitments or extended service outages of our SaaS solutions or other subscription services could adversely affect our business and reputation as customers may elect not to renew and we could lose future sales.

We use third-party licensed software in or with our solutions, and the inability to maintain these licenses or issues with the software we license could result in increased costs or reduced service levels, which would adversely affect our business.

Our solutions include software or other intellectual property licensed from third parties, and we otherwise use software and other intellectual property licensed from third parties in our business. We anticipate that we will continue to rely on such third-party software and intellectual property in the future. This exposes us to risks over which we may have little or no control. The third-party software we currently license may not always be available, and we may not have access to alternative third-party software on commercially reasonable terms. In addition, a third party may assert that we or our customers are in breach of the terms of a license, which could, among other things, give such third party the right to terminate a license or seek damages from us, or both. Our inability to obtain or maintain certain licenses or other rights or to obtain or maintain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in delays in releases of new solutions, and could otherwise disrupt our business, until equivalent technology can be identified, licensed or developed, if at all. Also, to the extent that our platform and solutions depend upon the successful operation of third-party software in conjunction with our software, any undetected errors, vulnerabilities, compromises or defects in such third-party software could prevent the deployment or impair the functionality of our platform, delay new feature introductions, result in a failure of our platform and injure our reputation.

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

We rely on copyrights, trade secret laws, confidentiality procedures, employment proprietary information and inventions assignment agreements, trademarks and patents to protect our intellectual property rights. To protect our trade secrets and proprietary information, we rely in significant part on confidentiality arrangements with our employees, licensees, independent contractors, advisers, channel partners, resellers and customers. These arrangements and other steps we take may not be effective to prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information.

We may be required to spend significant resources to obtain, monitor and enforce our intellectual property rights. Litigation brought to enforce our intellectual property could be costly, time-consuming and distracting to management and could be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property, which may result in the impairment or loss of portions of our intellectual property. The laws of some foreign countries do not protect our intellectual property to the same extent as the laws of the United States, and effective intellectual property protection and mechanisms may not be available in those jurisdictions. We may need to expend additional resources to defend our intellectual property in these countries, and our inability to do so could impair our business or adversely affect our international expansion.

We may be subject to intellectual property rights claims by third parties or contractual counterparties, which may be costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. We have in the past and may in the future be subject to notices that claim we have infringed, misappropriated or misused the intellectual property of our competitors or other third parties, many of which have significantly larger and more mature patent holdings than we do or are patent holding companies whose sole business is to assert such claims. To the extent we increase our visibility in the market, we face a higher risk of being the subject of intellectual property claims. Additionally, we could in the future be subject to claims that we, our employees or our contractors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of our competitors or other parties.

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them or otherwise be liable for losses suffered or incurred as a result of claims of intellectual property infringement or misappropriation, damages caused by us to property or persons, or other liabilities relating to or arising from our platform, solutions, services or other contractual obligations. Some of these indemnity agreements provide for significant or uncapped liability for which we would be responsible, and some indemnity provisions survive termination or expiration of the applicable agreement. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and adversely affect our business and operating results.

Any intellectual property, indemnification or wrongful use or disclosure claims, with or without merit, could be time-consuming and expensive, could require litigation and could divert our management’s attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in

violation of a third party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any aspect of our business that may ultimately be determined to infringe on or misappropriate the intellectual property rights of another party, we could be forced to limit or stop sales of licenses to our platform and solutions and may be unable to compete effectively. We could also lose valuable intellectual property rights or key personnel as a result of a wrongful disclosure dispute. Furthermore, we may be subject to indemnification obligations with respect to third-party intellectual property pursuant to our agreements with our channel partners or customers. Any of these results would adversely affect our business, operating results and financial condition.

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

Some aspects of our platform and solutions are built using open source software, and we intend to continue to use open source software in the future. From time to time, we contribute software source code to open source projects under open source licenses or release internal software projects under open source software licenses and anticipate doing so in the future. The terms of certain open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to monetize our products. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source software license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated services unless and until we can re-engineer them to avoid infringement or violation. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software and, thus, may contain security vulnerabilities or broken code. Any of these risks could be difficult to eliminate or manage, and if not addressed, could have a negative effect on our business, operating results and financial condition.

Our charter and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.

Our charter and bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors who are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include: (i) a classified board of directors with three-year staggered terms; (ii) removal of directors only for cause; (iii) the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval; (iv) allowing only our directors to fill vacancies on our board of directors; (v) a prohibition on stockholder action by written consent; (vi) the requirement that a special meeting of stockholders may be called only by or at the direction of our board of directors; (vii) the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our charter relating to the management of our business (including our classified board structure) or certain provisions of our bylaws; (viii) the ability of our board of directors to amend the bylaws; (ix) advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting; and (x) a prohibition of cumulative voting in the election of our board of directors. Our charter also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law (the "DGCL"), and prevents us from engaging in a business combination, such as a merger, with an interested stockholder (i.e., a person or group who acquires at least 15% of our voting stock) for a period of three years from the date such person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner.

Our charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings by our stockholders, which could limit their ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our charter provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our charter or bylaws, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery of the State of Delaware having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our charter described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons.

The enforceability of similar exclusive forum provisions in other companies' charters has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our charter is inapplicable or unenforceable. For example, the choice of forum provisions summarized above are not intended to, and would not, apply to suits brought to enforce any liability or duty created by the Exchange Act, or other claim for which the federal courts have exclusive jurisdiction. Additionally, there is uncertainty as to whether our choice of forum provisions would be enforceable with respect to suits brought to enforce any liability or duty created by the Securities Act of 1933, as amended (the "Securities Act"), or other claims for which the federal courts have concurrent jurisdiction, and in any event stockholders will not be deemed to have waived the Company's compliance with federal securities laws and rules and regulations thereunder. If a court were to find these provisions of our charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or operating results.

General Risk Factors

Our success depends on the experience and expertise of our senior management team and key employees. If we are unable to hire, retain, train and motivate our personnel, our business, operating results and prospects may be harmed.

Our success has depended, and continues to depend, on the efforts and talents of our senior management team and key employees, including our engineers, product managers, sales and marketing personnel and professional services personnel. Our future success will also depend upon our continued ability to identify, hire and retain additional skilled and highly-qualified personnel, which will require significant time, expense and attention. Competition for such highly-skilled personnel is intense, and we may need to invest significant amounts of cash and equity to attract and retain new employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, or if we lose one or more members of our senior management team, our business, operating results and prospects could be adversely affected.

Our business depends, in part, on sales to the public sector, and significant changes in the contracting or fiscal policies of the public sector could have an adverse effect on our business.

We derive a portion of our revenue from sales of our solutions to federal, state, local and foreign governments, and we believe that the success and growth of our business will continue to depend in part on our successful procurement of government contracts. Factors that could impede our ability to maintain or increase the amount of revenue derived from government contracts include: (i) changes in fiscal or contracting policies; (ii) decreases in available government funding; (iii) changes in government programs or applicable requirements; (iv) the adoption of new laws or regulations or changes to existing laws or regulations; and (v) potential delays or changes in the government appropriations or other funding authorization processes. The occurrence of any of the foregoing could cause governments and governmental agencies to delay or refrain from purchasing our solutions or otherwise have an adverse effect on our business, operating results and financial condition.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in our consolidated

financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, including the determination of stand-alone selling price, the expected period of benefit for our deferred contract acquisition costs, income taxes, the carrying value of accounts receivable, and the valuation, estimated useful lives and impairment of intangible assets and goodwill arising from business combinations. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our operating results.

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests. If we engage in additional debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things: (i) develop and enhance our products; (ii) continue to expand our product development, sales and marketing organizations; (iii) hire, train and retain employees; (iv) respond to competitive pressures or unanticipated working capital requirements; or (v) pursue acquisition opportunities.

Servicing our debt may require a significant amount of cash, and we may not have sufficient cash flow from our business to do so.

We have historically relied on the availability of some amount of debt financing. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the $389.8 million aggregate principal amount of 0.125% convertible senior notes due 2024 (the "Notes") and any future borrowings under our credit facility, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control, including the factors described in this "Risk Factors" section. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms. In addition, our credit facility and any of our future debt agreements may contain restrictive covenants that prohibit us from adopting any of these alternatives.

The terms, conditions and restrictions contained in our credit agreement and our convertible notes and related capped call transactions (the "Capped Call Transactions") could expose us to risks that could adversely affect our liquidity and financial condition or otherwise adversely affect our operating results.

Our credit agreement contains various covenants that, among other things, limit our and certain of our subsidiaries' abilities to: (i) incur additional indebtedness or guarantee indebtedness of others; (ii) create additional liens on our assets; (iii) merge, consolidate or dissolve; (iv) make loans or investments, including acquisitions; (v) sell assets; (vi) engage in sale and leaseback transactions; (vii) pay dividends and make other distributions on our capital stock, and redeem and repurchase our capital stock; or (viii) enter into transactions with affiliates. Our credit agreement also contains numerous affirmative covenants and a financial covenant. Our failure to comply with these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of our debt. Any additional debt that we incur in the future could subject us to similar or additional covenants.

Holders of the Notes have the right to require us to repurchase their Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Notes) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In such event, we may not have enough available cash or be able to obtain financing at the time to make repurchases of the Notes surrendered therefor. In addition, our ability to repurchase the Notes may be limited by our existing credit agreement or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes would constitute a default

under such indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing credit facility or future indebtedness.

The conditional conversion feature of the Notes has been triggered during certain quarters and may be triggered in future quarters, entitling holders of the Notes to convert the Notes at any time during specified periods at their option. We have received, and we may in the future receive, requests from holders to convert all or a portion of their Notes (for more information, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"). To the extent that we elect to settle a portion or all of our conversion obligation through the payment of cash, this could adversely affect our liquidity. The conversion of some or all of the Notes will also dilute the ownership interests of existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our common stock upon any conversion of such Notes. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. The Notes were classified as current liabilities on the consolidated balance sheet as of December 31, 2021.

In connection with the pricing of the Notes, we entered into the privately negotiated Capped Call Transactions that are intended to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted Notes. The unwinding of such Capped Call Transactions in connection with a conversion of some or all of the Notes could adversely affect the value of our common stock.

Additionally, it is possible that the accounting standards relating to the Notes and/or the Capped Call Transactions could in the future change, and compliance with any new or updated standards could have a material adverse effect on our results, including with respect to earnings per share.

The COVID-19 pandemic continues to affect populations and businesses worldwide and may materially affect how we and our customers operate, and the duration and extent to which these effects may impact our future results of operations and overall financial performance remains uncertain.

The emergence of the novel coronavirus as a global pandemic in late 2019 and the devastating effects of COVID-19 throughout 2020 and 2021 and into 2022 have caused substantial disruption to populations, including markets and economies, worldwide. Governments and public health officials continue to recommend and impose significant regulations and restrictions designed to protect human life, but which have simultaneously had (and are expected to continue to have) serious adverse impacts on domestic and foreign economies. As new variants of the coronavirus continue to emerge with varying effects around the world, it remains difficult to predict the scope and duration of the effects of the coronavirus. While we believe that the pandemic has not had an immediate material adverse impact on our financial performance, our business may yet be negatively impacted by the COVID-19 pandemic as the duration of the pandemic and the scope of its effects ultimately remain unknown.

The conditions caused by the COVID-19 pandemic have in some cases affected, and may continue to affect, the rate of IT spending by our current and prospective customers, impacting some of our customers' ability and willingness to purchase our offerings, in some instances delaying prospective customers' purchasing decisions, delaying the provisioning of our offerings and causing some customers to fail to make timely payments. We have seen an immaterial number of customer requests, and may continue to see similar requests, to lengthen payment terms or reduce the value or duration of subscription contracts, and for those customers that prefer we provide on-site consulting services, we have generally been unable to do so during the pandemic due to local and regional restrictions, instead providing those services virtually.

Given the nature and significance of the circumstances created by the coronavirus, we are not able to enumerate all potential risks to our business; however, we believe that in addition to the impacts described above, other potential impacts of the global pandemic include: (i) an increased likelihood of interruptions with the delivery of our SaaS solutions, other subscription services or third-party cloud-based systems that we use in our operations; (ii) a decrease in the volume of sales through our channel partners due to changes to their business models as a result of COVID-19; (iii) cybersecurity issues, as digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity; (iv) risk of stockholder lawsuits arising from volatility in the trading price of our common stock and other securities-related claims; (v) litigation risk and possible loss contingencies related to COVID-19 and its impact, including with respect to commercial contracts, employee matters and insurance arrangements; (vi) changes to our culture and workforce to adjust to market conditions and as a result of increased remote connectivity; (vii) potentially higher borrowing costs or we may not be able to raise capital on terms acceptable to us or at all in the future; (viii) impairments and other accounting charges if demand for our services and products decreases; and (ix) infections and quarantining of our employees and the personnel of our customers, suppliers and other third parties in areas in which we operate.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments, including the effectiveness and acceptance of vaccinations and therapeutics as they are developed and distributed and the nature and number of variants of the coronavirus that emerge, that cannot be accurately predicted at this time. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks set forth in these "Risk Factors," such as those relating to our financial performance and debt obligations.

The impact of various tax laws and regulations, including our failure to comply therewith, could have a negative impact on our operating results and financial condition.

We are subject to tax laws and regulations, both in the United States and internationally, which are complex and may change over time. Compliance with such laws and regulations may have negative impacts on our operating results and financial condition, and our efforts to comply in a timely manner may prove inadequate. For example, (i) comprehensive U.S. federal tax reform legislation could adversely affect our business and financial condition; (ii) changes in existing financial accounting standards or practices, or taxation rules or practices, may harm our operating results; (iii) our business may be subject to additional obligations to collect and remit sales tax, value-added and other taxes, and we may be subject to tax liability for past sales; (iv) our corporate structure and intercompany arrangements are subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which would harm our operating results; and (v) our ability to use net operating losses and other tax attributes to offset future taxable income may be subject to certain limitations. Additionally, forecasting our estimated annual effective tax rate for financial accounting purposes is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates. Any of these circumstances could have a material impact on our results of business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters in Austin, Texas consists of 164,818 square feet of space under a lease that expires in April 2029. We also have additional office space under traditional leases in Pune, India, Tel Aviv, Israel, and London, United Kingdom and under coworking arrangements in various locations in North America, Europe and APAC.

We believe that our facilities are adequate for our current needs and anticipate that suitable additional space will be readily available to accommodate any foreseeable expansion of our operations. For more information about our lease commitments, see also Note 7 "Leases" in our notes to our consolidated financial statements included in this Annual Report.

Item 3. Legal Proceedings.

We are not currently a party to, nor is our property currently subject to, any material legal proceedings other than ordinary routine litigation incidental to the business, and we are not aware of any such proceedings contemplated by governmental authorities.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed and traded on the New York Stock Exchange under the symbol "SAIL."

Holders of Record

As of February 22, 2022, there were 19 holders of record of our common stock including Cede & Co, a nominee for The Depository Trust Company ("DTC"), which holds shares of our common stock on behalf of an indeterminate number of beneficial owners. All of the shares of common stock held by brokerage firms, banks and other financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC and are considered to be held of record by Cede & Co. as one stockholder. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all of our earnings to finance the growth and development of our business. Any further determination to pay dividends on our common stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant. In addition, our Credit Agreement places restrictions on our ability to pay cash dividends. See Note 9 "Credit Agreement" in our notes to our consolidated financial statements included in this Annual Report for more information regarding terms and conditions of the Credit Agreement.

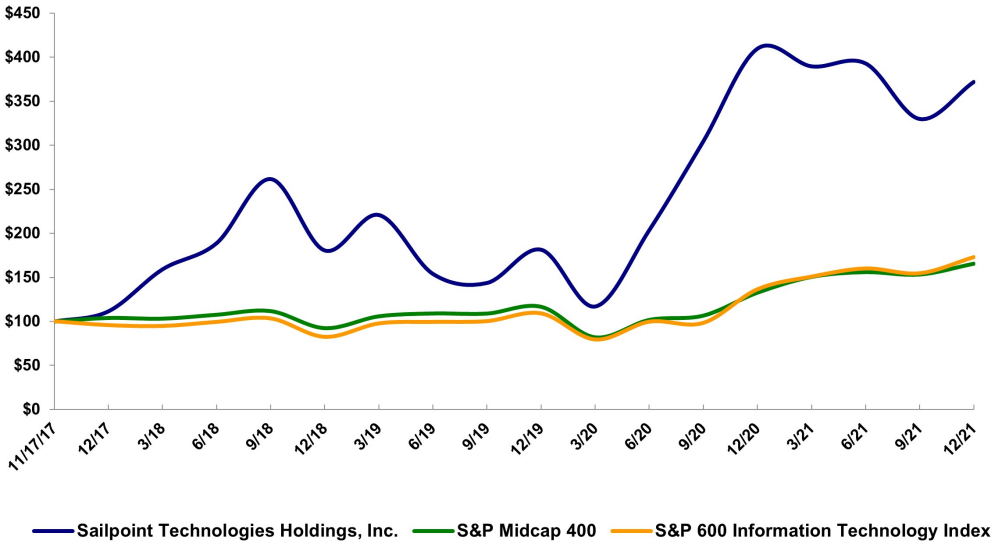
Stock Performance Graph

The following is not "soliciting material," shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

The comparative performance graph assumes that $100 was invested (i) in the Company's common stock on November 17, 2017 (the date on which initial trading of the Company's common stock commenced), and (ii) on October 31, 2017, in the S&P Mid Cap 400 and the S&P 600 Information Technology Index, and in each case, that all dividends were reinvested, and shows the returns through December 31, 2021. The stock return performance on the following graph is required by the SEC and is not necessarily intended to forecast or be indicative of future stock price performance.

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COMPARISON OF 50 MONTH CUMULATIVE TOTAL RETURN*
Among Sailpoint Technologies Holdings, Inc., the S&P Midcap 400 Index,
and S&P 600 Information Technology Index



*$100 invested on 11/17/17 in stock or 10/31/17 in index, including reinvestment of dividends.
Fiscal year ending December 31.

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Company/Index	11/17/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019
SAIL	$ 100.00	$ 111.54	$ 159.15	$ 188.77	$ 261.69	$ 180.69	$ 220.92	$ 154.15	$ 143.77	$ 181.54
S&P MidCap 400	$ 100.00	$ 103.90	$ 103.10	$ 107.53	$ 111.68	$ 92.39	$ 105.77	$ 108.99	$ 108.90	$ 116.59
S&P 600 IT Index	$ 100.00	$ 94.32	$ 93.53	$ 97.94	$ 102.12	$ 82.13	$ 97.71	$ 99.70	$ 101.86	$ 112.95

Company/Index	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021
SAIL	$ 117.08	$ 203.62	$ 304.38	$ 409.54	389.54	392.85	329.85	371.85
S&P MidCap 400	$ 81.96	$ 101.69	$ 106.55	$ 132.52	150.37	155.83	153.09	165.33
S&P 600 IT Index	$ 81.70	$ 101.16	$ 100.74	$ 142.41	150.59	159.84	154.4	172.68

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Use of Proceeds from Initial Public Offering of Common Stock

On November 16, 2017, the Registration Statement on Form S-1 (File No. 333-221036) (the "Registration Statement") relating to our initial public offering was declared effective by the SEC and we priced our initial public offering. Pursuant to the Registration Statement, we registered an aggregate of 23.0 million shares of our common stock, of which 15.8 million shares were sold by us and 7.2 million shares were sold by certain selling stockholders named therein at a price to the public of $12.00 per share (for an aggregate offering price of $276.0 million). We received net proceeds of approximately $172.0 million, after deducting underwriting discounts and commissions of approximately $13.3 million and offering-related expenses of $4.4 million.

As of December 31, 2021, we have used $160.0 million of the proceeds from our initial public offering to repay borrowings under our previous term loan facility and approximately $1.8 million of such proceeds to pay a related prepayment premium; the remaining net proceeds are held in cash and have not been deployed.

Item 6. [Reserved]

Item 7. 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 the consolidated financial statements and related notes that are included in Item 8 in this Annual Report on Form 10-K (this "Annual Report"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those set forth in the section titled "Risk Factors" in Part I, Item 1A and in other parts of this Annual Report. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

The Company has elected to omit a discussion and analysis of the financial condition and results of operations of certain 2019 items and year-to-year comparisons between 2020 and 2019. Such discussion and analysis can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the Securities and Exchange Commission on February 25, 2021.

Overview

SailPoint Technologies Holdings, Inc. ("we," "our," the "Company" or "SailPoint") is the leading provider of enterprise identity security solutions. Our identity security solutions provide organizations with critical visibility into who *currently* has access to which resources, who *should* have access to those resources and *how* that access is being used.

We offer both software as a service ("SaaS") and software platforms, which provide organizations visibility and the intelligence required to both seamlessly empower users and securely manage their access to systems, applications and data across hybrid information technology ("IT") environments, spanning on-premises, cloud and mobile applications and file storage platforms. We help customers enable their businesses with more agile and frictionless IT, streamline and accelerate the delivery of access to their businesses, enhance their security posture and better meet compliance and regulatory requirements. Our customers include many of the world's largest and most complex organizations, including commercial enterprises, financial institutions and governments.

Our set of identity security solutions currently consists of:

- ***IdentityNow***: our cloud-based, multi-tenant identity security platform, which provides customers with a set of fully integrated services for compliance, provisioning and password management for applications and data hosted on-premises or in the cloud;
- ***IdentityIQ***: our on-premises identity security solution, which can be hosted in the public cloud or deployed in a customer's data center, that provides large, complex enterprise customers a unified and highly configurable identity security solution; and
- ***SailPoint Identity Services***: delivered as multi-tenant SaaS subscription services that can be utilized in conjunction with IdentityNow and IdentityIQ and currently consisting of:
  - **Access Insights:** collects a wealth of identity information and turns that information into actionable insights and provides business-oriented dashboards and reports to track the effectiveness of customers' identity programs;
  - **Access Modeling**: uses artificial intelligence ("AI") and machine learning ("ML") to suggest roles based on similar access between users and gives customers insights to confirm the correct access for each role;
  - **Access Risk Management**: our cloud-based access controls solution that enables our customers to manage their risk by automating access controls for business applications with complex security requirements;
  - **Cloud Access Management**: uses AI and ML to automatically learn, monitor and secure access to cloud infrastructure;
  - **Recommendation Engine:** uses AI, ML, peer group analysis, identity attributes and access activity to help customers decide whether access should be granted or removed; and
  - **SaaS Management:** our cloud-based solution that helps customers discover, manage and secure their SaaS applications.

Our solutions address the complex needs of global enterprises and mid-market organizations. Our success is principally dependent on our ability to deliver compelling solutions to attract new customers and retain existing customers. Rising security threats and evolving regulations and compliance standards for cyber security, data protection, privacy and internal IT controls create new opportunities for our industry and require us to adapt our solutions to be successful. Maintaining our historical growth rate is also challenging because our growth strategy depends in part on our ability to drive new customer growth within existing geographic markets, further penetrate our existing customer base, continue to invest in our platform, leverage and expand our network of partners, expand market and product investment across existing vertical markets, and continue to expand our global presence, while competing against much larger companies with more recognizable brands and financial resources. Although we seek to grow rapidly, we also focus on operating leverage and efficiency while continuing to invest in our platform to deliver innovative solutions to our customers.

We believe enterprises are increasingly embracing the cloud to house their critical security infrastructure. As a result, a growing number of enterprises are changing their approach to identity security and now prefer to use a SaaS solution rather than purchase software outright and install it in their own infrastructure. This industry shift aligns well with our current product strategy. Our product strategy is to (1) accelerate innovation within our core identity security SaaS offerings, (2) deliver continued innovation as we execute against our vision for SailPoint identity security, and (3) ensure that as we deliver these new innovations, they work in concert with our SaaS offerings in addition to our on-premises offerings.

IdentityNow and our SailPoint Identity Services are provided in exchange for a subscription fee and offer customers access to these solutions and infrastructure support for the duration of their subscription agreement. Our standard subscription agreement for our SaaS offerings has a duration of three years. For our IdentityIQ solutions, our customers either purchase a perpetual software license, which includes one year of maintenance and support, or a term license, sold as bundled arrangements that include the rights to a term license and maintenance and support typically for a three-year term. Accordingly, we allocate the transaction price to each performance obligation. Our maintenance provides software maintenance as well as access to our technical support services during the maintenance term. After the initial maintenance period, customers with perpetual licenses may renew their maintenance and support agreement for an additional fee.

Pricing for each of our solutions is dependent on the number of digital identities of employees, contractors, business partners, software bots and other human and non-human users that the customer is entitled to govern with the solution. We also package and price our IdentityNow and IdentityIQ solutions into modules. Each module has unique functionalities, and our customers are able to purchase one or more modules, depending on their needs. We also offer advanced integration modules for key applications and systems which can be purchased in addition to our base solution modules. They are also priced based on

the total number of identities, as are our SailPoint Identity Services. Thus, our revenue from any customer is generally determined by the number of identities that the customer is entitled to govern as well as the number of modules purchased by the customer for our IdentityIQ and IdentityNow solutions and which, if any, of the SailPoint Identity Services that the customer purchases.

In addition to our solutions, we offer professional services to our customers and partners to configure and optimize the use of our solutions as well as training services related to the configuration and operation of our platform. Most of our professional services activity is in support of our partners, who perform a significant majority of all initial and follow-on implementation work for our customers. Most of our consulting services are priced on a time-and-materials basis, whereas our training services are provided through multiple pricing models, including on a per-person basis for instructor led courses and a flat-rate basis for our e-learning courses.

Over the past several years, our revenue mix has changed as demand for our products and services has shifted from sales of perpetual licenses to sales of SaaS and term licenses, and in 2021, we largely completed our transition to a subscription model, with our principal focus on selling subscription-based arrangements, including SaaS and term licenses, with revenue from perpetual licenses representing an increasingly smaller portion of our total revenue. Although we expect to occasionally see perpetual license transactions with new customers and ongoing expansion deals for current customers, our principal focus is on selling subscription-based arrangements. For customers that still wish to purchase and operate non-SaaS software, we are increasingly selling our software through subscription-based term licenses, rather than through perpetual licenses, and over time, we expect that sales to new customers will be exclusively comprised of SaaS, term licenses and other subscriptions.

Our acceleration toward subscription-based offerings, which occurred more rapidly than anticipated, has resulted in and is likely to continue to result in short-term revenue headwind. In particular, our transition to a subscription model has impacted, and will continue to impact, the timing of our recognition of revenue as an increasing percentage of our sales become recognized ratably, as well as impact our operating margins as subscription revenue becomes a larger percentage of our sales. However, we believe that continued growth of SaaS, term-based license and maintenance and support revenue will lead to a more predictable revenue model and increase our visibility to future period total revenues. Nevertheless, our revenue and gross margins vary depending on the type of solution we sell, and we expect that in a primarily subscription-based model, retention rates for our subscription customers could be slightly lower than the retention rates for support and maintenance for our perpetual customers. As a result, a shift in the sales mix of our solutions could affect our performance relative to historical results. Our shift to a subscription model has fluctuated between periods, and our ability to predict our revenue and margins in any particular period has been, and may continue to be, limited.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

- *Add New Customers Within Existing Markets*. There is significant opportunity to expand our footprint in our existing markets through new, greenfield deployments and displacement of our competitors' legacy solutions. We plan to grow our sales organization, expand and leverage our channel partners and enhance our marketing efforts.
- G*enerate Additional Sales to Existing Customers*. We believe that our existing customer base provides us with a significant opportunity to drive incremental sales. In most cases, our customers initially purchase a subset of the modules or offerings we provide based on their immediate need. We focus on generating more revenue from the modules that our customers have already purchased from us as our customers grow the number of identities our solutions manage and govern and as our customers deploy our solutions across other business units or geographies within their organizations. This is especially true when it comes to our new and expanded SaaS offerings, including AI and cloud governance. Over time, we also identify up-selling and cross-selling opportunities and seek to sell additional modules and offerings to our existing customers.
- *Retain Customers.* We believe that our ability to retain our subscription-based customer contracts is an important component of our growth strategy and reflects the long-term value of our customer relationships. In order to maintain high renewal rates, we invest in the quality and reliability of our solutions and our customer service and support functions to help drive high levels of customer success.
- *Expand into New Markets*. We expect to continue to invest significantly in sales, marketing and customer service, as well as our indirect channel partner network, to expand into new geographies and vertical markets. We believe that our market opportunity is large and growing and that the global cyber security market represents a significant growth opportunity for us. In 2021, we generated only 31% of our revenue outside of

the United States. We plan to leverage our existing strong relationships with global system integrators and channel partners to grow our presence in Europe, Asia Pacific and other international markets.

Impact of COVID-19

In light of the ongoing spread of COVID-19 in the United States and abroad, including the continued emergence of new variants of the coronavirus, government and public health authorities continue to recommend and impose various regulations and restrictive measures on large portions of the population, including measures directed at businesses. While intended to protect human life, these restrictions have had and are expected to continue to have serious adverse impacts on domestic and foreign economies of uncertain duration. We have made certain adjustments to our operations as we continue to provide our offerings to new and existing customers in response to these measures. For example, as a result of the COVID-19 pandemic, we shifted all customer events to virtual-only experiences beginning in early 2020. In 2021, we resumed certain in-person and hybrid events, but we expect that for the foreseeable future some of our customer events will be virtual-only or hybrid events.

While we believe that the pandemic has not had an immediate material adverse impact on our financial performance, our business may yet be negatively impacted by the COVID-19 pandemic as the duration of the pandemic and the long-term scope of its effects ultimately remain unknown. For example, the conditions caused by the COVID-19 pandemic may materially adversely affect the rate of IT spending by our current and prospective customers, including our customers' ability or willingness to purchase our offerings, delay prospective customers' purchasing decisions, delay the provisioning of our offerings, or cause customers to fail to make timely payments. We have seen an immaterial number of customer requests, and may continue to see similar requests, to lengthen payment terms or reduce the value or duration of subscription contracts, but this has not resulted in a material adverse impact on our renewal rates. In addition, during 2020 and the first part of 2021, we generally were not able to provide on-site consulting services to our customers due to local and regional restrictions related to the pandemic, and such restrictions remain in place for some of our customers. However, this has not resulted in any meaningful adverse impact on our ability to deliver such services because a significant portion of our consulting services have historically been provided remotely and most on-site projects transitioned to a remote delivery model.

Notwithstanding the potential and actual adverse impacts described above, as the pandemic has caused more of our customers to shift to a virtual workforce, we believe the value and scalability of our identity platform has become even more evident. We believe that the pandemic has not had a material adverse impact on our financial performance, and indeed, our revenue and customer base grew throughout 2020 and 2021. We expect to continue to see healthy demand for our solutions; nevertheless, we recognize that the uncertainty related to COVID-19 may result in increased volatility in the financial projections we use as the basis for estimates and assumptions used in our financial statements.

The challenges posed by COVID-19 on our business and our customers' businesses may evolve rapidly, and the speed, trajectory and strength of a recovery in general economic conditions remains highly uncertain and could be slowed or reversed by a number of factors, including the emergence or spread of new variants of the coronavirus and the effectiveness and acceptance of vaccines and therapeutics for the disease as they continue to be developed and distributed. Consequently, we will continue to evaluate our financial position and results of operations in light of future developments, particularly those relating to COVID-19, and we will continue to monitor the global impact of the pandemic on our customers and our business. See the section titled "Risk Factors" in Part I, Item 1A. in this Annual Report for more information regarding the possible effects of COVID-19 on our business.

Key Business Metric

In addition to our financial information prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we monitor the following key metric to help us measure and evaluate the effectiveness of our operations:

	Year Ended December 31,		
	2021	**2020**	**2019**
Total annual recurring revenue (in thousands)	$ 370,442	$ 250,951	$ 178,953

We use total annual recurring revenue ("Total ARR") to monitor the growth of our recurring business as we have shifted to a subscription model. Total ARR represents the annualized value of the active portion of SaaS, term-based license, maintenance and support contracts and other subscription services at the end of the reporting period. We calculate Total ARR by dividing the active contract value by the number of days in the active portion of the overall contract term and then multiplying by 365. Total ARR should be viewed independently of revenue and deferred revenue as Total ARR is an operating

metric and is not intended to be combined with or replace these items. Total ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates, and does not include revenue from perpetual licenses, training, professional services or other sources of revenue that are not deemed to be recurring in nature.

Components of Results of Operations

Revenue

License Revenue. We generate license revenue through the sale of our on-premises software license agreements to new customers and sales of additional licenses to the existing customers who can purchase additional users for existing licenses or purchase new licenses. Customers may also purchase term license agreements, under which we recognize the amount allocated to the licenses upfront. Perpetual license transactions generally include an amount for first-year maintenance and support, which we recognize as subscription revenue. We typically recognize license revenue upon delivering the applicable license. Over time, we will continue to expect license revenue to decrease as a percentage of our total revenue as we continue to focus on increasing our subscription revenue as a key growth initiative.

Subscription Revenue. Our subscription revenue consists of (i) fees for access to, and related support for, our SaaS offerings, (ii) fees for ongoing maintenance and support of our licensed solutions and (iii) other subscription services, which includes our cloud managed services. We typically invoice subscription fees in advance, in annual installments, and recognize subscription revenue ratably over the term of the applicable agreement. Over time, we expect subscription revenue will increase as a percentage of total revenue as we continue to focus on increasing subscription revenue as a key growth initiative.

Services and Other Revenue. Services and other revenue consists primarily of fees from professional services provided to our customers and partners to configure and optimize the use of our solutions as well as training services related to the configuration and operation of our platform. Most of our professional services are priced on a time-and-materials basis and we generally invoice customers monthly as the work is performed. We generally have standalone value for our professional services and recognize revenue as services are performed based on an estimated fair value as a separate unit of accounting. Most of our professional services activity is in support of our partners, who perform the significant majority of all initial and follow-on configuration and optimization work for our customers. Over time, we expect our professional services revenue as a percentage of total revenue to decrease as we increasingly rely on partners to help our customers deploy our software.

Cost of Revenue

Cost of License Revenue. Cost of license revenue consists of amortization expense for developed technology acquired and third-party royalties.

Cost of Subscription Revenue. Cost of subscription revenue consists primarily of employee-based costs (which consists of employee compensation and allocated overhead), costs of our customer support organization, contractor costs to supplement our staff levels, amortization expense for developed technology acquired and third-party cloud-based hosting costs.

Cost of Services and Other Revenue. Cost of services and other revenue consists primarily of employee-based costs of our professional services and training organizations, travel-related costs and contractor costs to supplement our staff levels.

Impairment of Intangible Assets. Impairment of intangible assets consists of impairments charges for developed technology acquired. This is a component of cost of subscription revenue that is broken out for financial statement purposes.

Gross Profit and Gross Margin

Gross profit is revenue less cost of revenue, and gross margin is gross profit as a percentage of total revenue. Gross profit has been and will continue to be affected by various factors, including the mix of our license, subscription, and services and other revenue, the costs associated with third-party cloud-based hosting services for our SaaS offerings, contractor costs to supplement our staff levels and the extent to which we expand our customer support and professional services and training organizations. We expect that our overall gross margin will fluctuate from period to period depending on the interplay of these various factors. Also, we expect our investment in technology to expand the capability of our services, enabling us to improve our gross margin over time.

Operating Expenses

Research and Development Expenses. Research and development expenses consist primarily of employee-based costs, software and hosting arrangement expenses (which includes cloud-based hosting costs related to the development of our cloud-based solution), professional services expense and amortization expense for acquired intangible assets. We believe that continued investment in our offerings is vital to the growth of our business, and we intend to continue to invest in product development. We expect our research and development expenses to continue to increase on a dollar basis for the foreseeable future, as our business grows.

General and Administrative Expenses. General and administrative expenses consist primarily of employee-based costs for corporate personnel. In addition, general and administrative expenses include professional services expense, software and hosting arrangement expenses and all other corporate expenses not allocated to other departments. We expect our general and administrative expenses to increase on a dollar basis for the foreseeable future, as our business grows.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of employee-based costs, costs of general marketing and promotional activities, professional services expense, software and hosting arrangement expenses, amortization expense for acquired intangible assets and travel-related expenses. Sales commissions earned by our sales force and the related payroll taxes, a primary component of “deferred contract acquisition costs”, are considered incremental and recoverable costs of obtaining a contract with a customer which are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be generally five years. We expect our sales and marketing expenses to increase on a dollar basis for the foreseeable future as we continue to invest in our sales force for expansion to new geographic and vertical markets, and we expect sales and marketing expenses to continue to be our largest operating expense category.

Allocated Overhead. We allocate shared costs, such as facilities costs (including rent, utilities and depreciation on assets shared by all departments), information technology costs and recruiting costs, to all departments based on headcount. As such, allocated shared costs are reflected in each cost of revenue and operating expense category.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income, interest expense and foreign currency transaction gains and losses related to the impact of transactions denominated in a foreign currency. Interest income consists of interest earned on our cash equivalents, which we expect to fluctuate due to cash balance and interest rates.

Interest expense consists primarily of contractual interest expense, amortization of debt discount and issuance costs, loss on the modification and extinguishment of debt and prepayment penalties on our Credit Agreement and Notes (each as defined below). We expect our non-cash components of interest expense to decrease on a dollar basis for the foreseeable future due to the early adoption of Accounting Standards Update (“ASU”) 2020-06. For more information on the early adoption of ASU 2020-06, refer to Note 1 “Description of Business and Summary of Significant Accounting Policies” in our notes to our consolidated financial statements included in this Annual Report.

As we have expanded our international operations, our exposure to fluctuations in foreign currencies has increased and we expect this trend to continue.

Income Tax (Expense) Benefit

Our provision for income taxes consists of U.S. and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. Our income tax rate varies from the federal statutory rate due to foreign withholding taxes; changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate; changes to the financial accounting rules for income taxes; unanticipated changes in tax rates; differences in accounting and tax treatment of our stock-based compensation and research and development credits. We expect this fluctuation in income tax rates, as well as its potential impact on our results of operations, to continue.

Seasonality

We generally experience seasonal fluctuations in demand for our products and services. Our quarterly sales are impacted by industry buying patterns. As a result, our sales have generally been highest in the fourth quarter of a calendar year and lowest in the first quarter. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

Results of Operations

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Revenue			
Licenses	$ 113,004	$ 120,874	$ 102,800
Subscription	273,197	196,817	143,390
Services and other	52,753	47,563	42,325
Total revenue	438,954	365,254	288,515
Cost of revenue			
Licenses	5,212	4,467	4,239
Subscription [(1)]	58,790	37,644	26,877
Services and other [(1)]	50,486	38,517	34,359
Impairment of intangible assets	744	5,119	—
Total cost of revenue	115,232	85,747	65,475
Gross profit	323,722	279,507	223,040
Operating expenses			
Research and development [(1)]	98,255	71,191	56,120
General and administrative [(1)]	48,979	37,783	39,816
Sales and marketing [(1)]	235,564	169,656	136,537
Total operating expenses	382,798	278,630	232,473
Income (loss) from operations	(59,076)	877	(9,433)
Other income (expense), net			
Interest income	775	2,019	2,468
Interest expense	(2,680)	(18,612)	(5,041)
Other income (expense), net	(467)	33	(1,082)
Total other expense, net	(2,372)	(16,560)	(3,655)
Loss before income taxes	(61,448)	(15,683)	(13,088)
Income tax (expense) benefit	(186)	4,920	4,588
Net loss	$ (61,634)	$ (10,763)	$ (8,500)

(1) Includes stock-based compensation expense as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Cost of revenue - subscription	$ 3,688	$ 1,758	$ 1,142
Cost of revenue - services and other	3,733	1,963	1,379
Research and development	12,827	6,282	3,517
General and administrative	10,563	6,802	5,990
Sales and marketing	20,946	12,252	6,686
Total stock-based compensation expense	$ 51,757	$ 29,057	$ 18,714

The following table sets forth the results of operations for each of the periods presented as a percentage of total revenue:

	Year Ended December 31,		
	2021	2020	2019
Revenue			
Licenses	26 %	33 %	35 %
Subscription	62	54	50
Services and other	12	13	15
Total revenue	100	100	100
Cost of revenue			
Licenses	1	1	2
Subscription	13	10	9
Services and other	12	11	12
Impairment of intangible assets	—	1	—
Total cost of revenue	26	23	23
Gross profit	74	77	77
Operating expenses			
Research and development	22	19	20
General and administrative	11	10	14
Sales and marketing	54	47	47
Total operating expenses	87	76	81
Income (loss) from operations	(13)	1	(4)
Other income (expense), net			
Interest income	—	1	1
Interest expense	(1)	(6)	(2)
Other income (expense), net	—	—	—
Total other expense, net	(1)	(5)	(1)
Loss before income taxes	(14)	(4)	(5)
Income tax (expense) benefit	—	1	2
Net loss	(14)%	(3)%	(3)%

Comparison of the Years Ended December 31, 2021 and 2020

Revenue

	Year Ended December 31,			
	2021	2020	variance $	variance %
	(In thousands, except percentages)			
Revenue				
Licenses	$ 113,004	$ 120,874	$ (7,870)	(7) %
Subscription				
SaaS	112,720	66,913	45,807	68 %
Maintenance and support	153,621	126,792	26,829	21 %
Other subscription services	6,856	3,112	3,744	120 %
Total subscription	273,197	196,817	76,380	39 %
Services and other	52,753	47,563	5,190	11 %
Total revenue	$ 438,954	$ 365,254	$ 73,700	20 %

License Revenue. License revenue decreased by $7.9 million, or 7%, for the year ended December 31, 2021 compared to the year ended December 31, 2020 primarily due to SaaS offerings becoming a larger portion of new sales. During the years ended December 31, 2021 and 2020, license revenue from new customers was $67.2 million and $76.8 million, and license revenue from existing customers was $45.8 million and $44.1 million for the respective periods.

Subscription Revenue. Subscription revenue increased by $76.4 million, or 39%, for the year ended December 31, 2021 compared to the year ended December 31, 2020 primarily due to an increase in SaaS revenue as we continue to see strong momentum in our SaaS business and an increase in ongoing maintenance and support revenue from our increased installed base. During the years ended December 31, 2021 and 2020, SaaS and other subscription services revenue from new customers was $25.3 million and $13.7 million, and SaaS and other subscription services revenue from existing customers was $94.3 million and $56.4 million for the respective periods. During the years ended December 31, 2021 and 2020, maintenance and support revenue from new customers was $9.5 million and $8.3 million, and maintenance and support revenue from existing customers was $144.1 million and $118.5 million for the respective periods.

Services and Other Revenue. Services and other revenue increased by $5.2 million, or 11% for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase is primarily a result of an increase in the number of customers using our consulting and training services.

Geographic Regions. Our customers in the United States contributed the largest portion of our revenue in each year ended December 31, 2021 and 2020 because we have more market momentum related to our larger and more established sales force, sales pipeline and brand recognition and awareness in the United States as compared to our other regions. Revenue is classified by the following major geographic areas: (i) United States, (ii) Europe, the Middle East and Africa ("EMEA") and (iii) rest of the world. We continue to invest in increasing the size of our international sales force and strengthening partnerships with global system integrators and resellers worldwide, and as a result, our international revenues are growing as a percentage of total revenues. For the year ended December 31, 2021, revenue in the United States, EMEA and the rest of the world increased year-over-year.

The following table sets forth our consolidated total revenue by geography and the respective percentage of total revenue for the periods presented:

	Year Ended December 31,			
	2021		2020	
	$	% of revenue	$	% of revenue
	(In thousands, except percentages)			
United States	$ 302,524	69 %	$ 263,332	72 %
EMEA [1]	80,838	18 %	62,249	17 %
Rest of the World [1]	55,592	13 %	39,673	11 %
Total revenue	$ 438,954	100 %	$ 365,254	100 %

(1) No single country outside of the United States represented more than 10% of our revenue.

Gross Profit and Gross Margin

	Year Ended December 31,			
	2021	2020	variance $	variance %
	(In thousands, except percentages)			
Gross profit				
Licenses	$ 107,792	$ 116,407	$ (8,615)	(7) %
Subscription				
Subscription	214,407	159,173	55,234	35 %
Impairment of intangible assets	(744)	(5,119)	4,375	(85) %
Total subscription	213,663	154,054	59,609	39 %
Services and other	2,267	9,046	(6,779)	(75) %
Total gross profit	$ 323,722	$ 279,507	$ 44,215	16 %
Gross margin				
Licenses	95 %	96 %		
Subscription	78 %	78 %		
Services and other	4 %	19 %		
Total gross margin	74 %	77 %		

Licenses. License gross profit decreased by $8.6 million, or 7%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease in gross profit was the result of decreased license revenues with only minor increases in third party royalties. Gross margin remained materially consistent with the prior period.

Subscription. Subscription gross profit increased by $59.6 million, or 39%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily the result of increased subscription revenues, as described above, partially offset by an approximately $16.8 million increase in cost in revenue compared to the prior period. The increase in cost of revenue during the year ended December 31, 2021 was driven by a $10.5 million increase in employee-based costs due to increases in headcount and related allocated overhead to support the growth of our SaaS offerings and ongoing maintenance and support for our expanding installed customer base, an $8.7 million increase in cloud-based hosting costs to further support the scalability of our SaaS offerings and a $2.0 million increase in amortization expense for developed technology acquired, partially offset by a decrease of $4.4 million in impairment of intangible assets.

Services and Other. Services and other gross profit decreased by $6.8 million, or 75%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease in gross profit is primarily attributable to a $12.0 million increase in cost of services provided compared to the prior period, partially offset by increased revenues due to customer growth. The increase in cost of services provided during the year ended December 31, 2021 was primarily driven by an $9.4 million increase in employee-based costs to support an increasing number of customers and a $3.1 million increase in partner costs due to higher partner utilization in our professional services and training organization.

Operating Expenses

	Year Ended December 31,			
	2021	2020	variance $	variance %
	(In thousands, except percentages)			
Operating expenses				
Research and development	$ 98,255	$ 71,191	$ 27,064	38 %
General and administrative	48,979	37,783	11,196	30 %
Sales and marketing	235,564	169,656	65,908	39 %
Total operating expenses	$ 382,798	$ 278,630	$ 104,168	37 %

Research and Development Expenses. Research and development expenses increased by $27.1 million, or 38%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily driven by a $25.3 million increase in employee-based costs to optimize and expand our product offerings as well as pursue innovation in identity security. Substantially all of the remaining increase in research and development expenses was the result of a $2.1 million increase in software and hosting arrangement expenses, partially offset by a $0.4 million decrease in professional services expense.

General and Administrative Expenses. General and administrative expenses increased by $11.2 million, or 30%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily driven by a $4.3 million increase in professional service fees associated with our acquisitions of Intello Inc. and ERP Maestro, Inc. and consulting services, a $3.8 million increase in employee-based costs for stock-based compensation, a $2.3 million increase in provision for credit losses and a $0.7 million increase in software and hosting expenses.

Sales and Marketing Expenses. Sales and marketing expenses increased by $65.9 million, or 39%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily driven by a $60.0 million increase in employee-based costs, including commissions, to support increased penetration into our existing customer base and expansion into new industry verticals and geographic markets, as well as a $0.9 million increase in professional services expense relating primarily to advisory services, a $2.7 million increase in software and hosting arrangement expenses primarily to support increased headcount and a $1.8 million increase in intangible amortization.

Interest Income and Interest Expense

Interest Income

Interest income decreased by $1.2 million for the year ended December 31, 2021 compared to the year ended December 31, 2020. This decrease was primarily due to a decrease in interest rates on our money market accounts and a decrease in our cash balance.

Interest Expense

Interest expense decreased by $15.9 million for the year ended December 31, 2021 compared to the year ended December 31, 2020. This decrease was primarily due to lower amortization expense related to the Notes as a result of our adoption of ASU 2020-06, which eliminated the embedded conversion feature of the Notes. See Note 1 “Description of Business and Summary of Significant Accounting Policies” in our notes to our consolidated financial statements included in this Annual Report for more information regarding the adoption of ASU 2020-06.

Income Tax (Expense) Benefit

The Company recorded an income tax expense of $0.2 million for the year ended December 31, 2021 compared to an income tax benefit of $4.9 million for the year ended December 31, 2020, leading to a net expense increase of $5.1 million year-over-year. This is primarily due to current year losses and an increase in valuation allowance. We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized and continue to maintain a valuation allowance to reduce our deferred tax assets to the amount realizable. The total valuation allowance is $47.3 million and is primarily related to loss and credit carryforwards.

The effective tax rate for the years ended December 31, 2021 and 2020 were (0.3)% and 31.4%, respectively. The main drivers for the differences in the rates from the prior period to the current period are related to an increase in pre-tax book

loss, the impact of stock compensation and the increase in valuation allowance. Our tax expense to date relates primarily to state as well as foreign income taxes. For further information, refer to Note 15 “Income Taxes” in our notes to our consolidated financial statements included in this Annual Report.

We operate in several tax jurisdictions and are subject to taxes in each country or jurisdiction in which we conduct business. Earnings from our non-U.S. activities are subject to local country income tax and may be subject to U.S. income tax if such earnings are distributed to the U.S.

We do not consider the earnings of our foreign subsidiaries, with the exception of India, to be permanently reinvested in foreign jurisdictions. We continue to invest and grow our research and development activities in India and have no plans to repatriate undistributed earnings held in India back to the U.S. parent company.

Liquidity, Capital Resources and Cash Requirements

As of December 31, 2021, we had $435.4 million of cash and cash equivalents (of which $7.5 million is held in our foreign subsidiaries) and $75.0 million of availability under the Credit Agreement. As of December 31, 2021, we had $182.6 million in net working capital, which we define as current assets less current liabilities, excluding deferred revenue. As of December 31, 2020, we had $510.3 million of cash and cash equivalents (of which $4.8 million is held in our foreign subsidiaries) and $75.0 million of availability under the Credit Agreement. As of December 31, 2020, we had $278.7 million in net working capital. The decrease in cash and cash equivalents and net working capital is due primarily to cash paid for the acquisitions of Intello Inc. and ERP Maestro Inc. See Note 5 "Business Combinations" in our notes to our consolidated financial statements included in this Annual Report for more information regarding these business acquisitions.

On March 11, 2019, SailPoint Technologies, Inc., as borrower, and certain of our other wholly owned subsidiaries entered into a credit agreement (as amended, the “Credit Agreement”). In September 2019, the Company amended the Credit Agreement in connection with the issuance and sale of the Notes. Such amendment included a decrease in the commitments for revolving credit loans from an initial $150.0 million to $75.0 million, with a $15.0 million letter of credit sublimit, which amount can be increased or decreased under specified circumstances and is subject to certain financial covenants. Borrowings pursuant to the Credit Agreement may be used for working capital and other general corporate purposes, including for acquisitions permitted under the Credit Agreement. The Credit Agreement is scheduled to mature on March 11, 2024. We had no outstanding revolving credit loan balance and we were in compliance with all applicable covenants as of December 31, 2021. See Note 9 “Credit Agreement” in our notes to our consolidated financial statements included in this Annual Report for more information regarding terms and conditions of the Credit Agreement.

In September 2019, we issued $400.0 million aggregate principal amount of 0.125% convertible senior notes due 2024 (the “Notes”) in a private offering (the “Offering”) to qualified institutional buyers. The net proceeds from the Offering were approximately $391.2 million, after deducting discounts and commissions and other fees and expenses payable by the Company in connection with the Offering. In conjunction with the issuance of the Notes, and exercise in full of the initial purchasers’ option, the Company used approximately $37.1 million of the net proceeds to pay the cost of the privately negotiated capped call transactions (the “Capped Call Transactions”) to reduce our exposure to additional cash payments above principal balances in the event of a cash conversion of the Notes. The Notes will mature on September 15, 2024, unless earlier redeemed, repurchased or converted. The Notes bear interest at a fixed rate of 0.125% per year payable semiannually in arrears on March 15 and September 15 of each year. As of December 31, 2021, we had an aggregate of $1.3 million in contractual interest payments, of which $0.5 million are due within the next 12 months.

As of December 31, 2021, the Notes are convertible at the option of the holders. We have the ability to settle conversions of the Notes in cash, shares of our common stock, or a combination of cash and shares of our common stock at our own election. The impact of the Notes on our liquidity will depend on whether we elect to settle any conversion in shares of our common stock or a combination of cash and shares. It is our current intent to settle conversions of the Notes through combination settlement, which involves repayment of the principal portion in cash and any excess of the conversion value over the principal amount in shares of our common stock. During the year ended December 31, 2021, the Company settled conversion requests in the aggregate principal amount of $10.2 million and terminated corresponding Capped Call Transactions. In connection with these transactions, we paid $10.2 million in cash to the converting holders for the principal amount, issued to the converting holders 181,629 shares of the Company's common stock with a fair value of approximately $10.1 million, and received 37,301 shares of the Company's common stock bearing a fair value of $1.9 million, pursuant to the terminated Capped Call Transactions. As of the date of this filing, no other holders of the Notes have submitted requests for conversion. See Note 10 “Convertible Senior Notes and Capped Call Transactions” in our notes to our consolidated financial

statements included in this Annual Report for more information regarding terms and conditions of the Notes and Capped Call Transactions.

As of December 31, 2021, we had in aggregate $18.2 million in contractual commitments associated with agreements that are enforceable and legally binding, of which $12.3 million are due within the next 12 months. Such amounts do not include obligations under contracts that we can cancel without significant penalty and purchase orders as the purchase orders represent authorizations to purchase rather than binding agreements. We also anticipate that we may spend a minimum of $48 million over the next three years for hosting services under a preferred pricing hosting arrangement that is in anticipation of the growth in our SaaS business. Forecasts are subject to change, and accordingly, so is our anticipated use of the preferred pricing.

As of December 31, 2021, we had $2.5 million of tax liabilities related to our uncertain tax positions. We cannot reasonably estimate the period which this obligation may be incurred, if at all.

The Company has operating lease obligations for our offices, primarily our corporate headquarters in Austin, Texas, that consists of future non-cancelable minimum rental payments in the aggregate amount of $38.7 million. As of December 31, 2021, we had an outstanding letter of credit in the amount of $6.0 million, which is classified as restricted cash, primarily related to our corporate headquarters. For more information on our operating leases, refer to Note 7 “Leases” in our notes to our consolidated financial statements included in this Annual Report.

We believe that existing cash and cash equivalents, any positive cash flows from operations and available borrowings under our Credit Agreement will be sufficient to support working capital, capital expenditure and other cash requirements for at least the next 12 months and, based on our current expectations, for the foreseeable future thereafter. Our future capital requirements, both near-term and long-term, will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the continued expansion of sales and marketing activities, the introduction of new solutions and product enhancements, the continuing market acceptance of our offerings and services, the costs of any future acquisitions in complementary businesses and technologies and the impact of the COVID-19 pandemic to our and our customers', vendors' and partners' businesses. To the extent existing cash and cash equivalents are not sufficient to fund future activities, we may borrow under our Credit Agreement or seek to raise additional funds through equity, equity-linked or debt financings. Any additional equity financing may be dilutive to our existing stockholders. We may enter into agreements or letters of intent with respect to potential investments in, or acquisitions of, complementary businesses, services or technologies, which could also require us to seek additional equity financing, incur indebtedness or use cash resources. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, operating results and financial condition would be adversely affected.

Since inception, we have financed operations primarily through license fees, SaaS subscription fees, maintenance and support fees, consulting and training fees, borrowings under our prior credit agreement and, to a lesser degree, the sale of our equity securities. Our principal uses of cash are funding operations, capital expenditures, and making strategic business acquisitions. Over the past several years, revenue has increased significantly from year to year and, as a result, cash flows from customer collections have increased. However, operating expenses have also increased significantly as we have invested in growing our business. Our operating cash requirements may increase in the future as we continue to invest in key initiatives to drive the Company’s long-term growth.

Summary of Cash Flows

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Net cash provided by (used in) operating activities	$ (957)	$ 57,949	$ 50,091
Net cash used in investing activities	(75,021)	(3,973)	(38,906)
Net cash provided by financing activities	1,498	12,548	361,699
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (74,480)	$ 66,524	$ 372,884

Cash Flows from Operating Activities

During 2021, cash used in operating activities was $1.0 million, which consisted of a net loss of $61.6 million, adjusted by non-cash charges of $96.0 million and a net decrease of $35.3 million in our net operating assets and liabilities. The non-cash charges are primarily comprised of stock-based compensation of $51.8 million, depreciation and amortization expense of $22.4 million, amortization of debt discount and issuance costs of $2.0 million, provision for credit losses of $3.0 million and amortization of contract acquisition costs of $20.2 million, partially offset by a net decrease in operating leases of $0.7 million and a reduction in deferred tax liabilities of $3.5 million. The decrease in our net operating assets and liabilities was primarily a result of an increase in deferred contract acquisition costs of $60.8 million which has accelerated as subscription sales continue to grow, an increase in prepayments and other assets of $27.4 million primarily for increased contract assets, an increase in accounts receivable of $34.6 million due to the timing of receipts of payments from customers, partially offset by an increase in deferred revenue of $57.7 million due to the timing of billings and cash received in advance of revenue recognition primarily for subscription and support services, an increase in accrued expenses of $28.3 million due primarily to accrual of additional commissions and bonuses and an increase in accounts payable of $1.3 million due to timing of cash disbursements.

During 2020, cash provided by operating activities was $57.9 million, which consisted of a net loss of $10.8 million, adjusted by non-cash charges of $76.7 million and a net decrease of $8.0 million in our net operating assets and liabilities. The non-cash charges are primarily comprised of depreciation and amortization expense of $18.3 million, amortization of debt discount and issuance costs of $17.8 million, amortization of contract acquisition costs of $13.7 million, loss on disposal of fixed assets of $0.2 million, provision for credit losses of $0.6 million, impairment of intangible assets of $5.1 million and stock-based compensation of $29.1 million, partially offset by a net decrease in operating leases of $0.4 million and a reduction in deferred tax liabilities of $7.6 million. The decrease in our net operating assets and liabilities was primarily a result of an increase in deferred contract acquisition costs $32.6 million, an increase in prepayments and other assets of $18.1 million, an increase in accounts receivable of $6.8 million due to the timing of receipts of payments from customers and a decrease in income taxes payable of $1.0 million, partially offset by an increase in deferred revenue of $32.7 million due to the timing of billings and cash received in advance of revenue recognition primarily for subscription and support services, an increase in accrued expenses of $16.3 million due primarily to accrual of additional commissions and bonuses and an increase in accounts payable of $1.5 million due to timing of cash disbursements.

Cash Flows used in Investing Activities

During 2021, cash used in investing activities was $75.0 million, consisting primarily of $71.0 million in cash paid for business acquisitions, net, and $4.1 million in purchases of property and equipment.

During 2020, cash used in investing activities was $4.0 million, consisting primarily of $3.9 million in purchases of property and equipment.

Cash Flows from Financing Activities

During 2021, cash provided by financing activities was $1.5 million, consisting of $10.1 million of proceeds from issuance of equity related to share issues pursuant to our Employee Stock Purchase Plan and $7.6 million of the proceeds from exercise of stock options, partially offset by $10.2 million in payments for partial conversion of the Notes and $6.1 million in vesting of restricted stock units, primarily related to tax payments funded in the form of net issuances.

During 2020, cash provided by financing activities was $12.5 million, consisting of $7.4 million of proceeds from issuance of equity related to share issues pursuant to our Employee Stock Purchase Plan and $6.0 million of the proceeds from exercise of stock options, partially offset by $0.8 million in vesting of restricted stock units, primarily related to tax payments funded in the form of net issuances for certain executive officers.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the accounting policies associated with fair value allocation of multiple performance obligation in revenue recognition, the expected period of benefit of deferred contract acquisition costs, income taxes, and the valuation, impairment and estimated useful lives of long-lived assets and goodwill arising from business combinations are the most significant areas involving management's judgments and estimates. Therefore, these are considered to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 1 “Description of Business and Summary of Significant Accounting Policies” in our notes to our consolidated financial statements included in this Annual Report.

Revenue Recognition

Revenue consists of fees for perpetual and term licenses for our software products, SaaS subscriptions, post-contract customer support (referred to as maintenance and support), other subscription services, professional services which includes training and other revenue. We derive license revenue through the sale of our on-premises software license agreements. We typically recognize license revenue upon delivering the applicable license. We derive subscription revenue through the sale of our SaaS subscription, maintenance and support and other subscription services offerings. We typically recognize subscription revenue ratably over the contract term. We derive services and other revenue primarily through the sale of professional services. We typically recognize services and other revenue over time as the services are performed.

We apply judgment regarding contracts with multiple product and service obligations to determine whether each product or service is capable of being a distinct performance obligation in the contract. If products and services are not distinct, they are combined until a single distinct obligation is created. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. We have contracts with customers that may have multiple performance obligations, including some or all of the following: software licenses, SaaS subscriptions, maintenance and support, other subscription services and professional services.

Judgment is required to determine the standalone selling price (“SSP”) for each distinct performance obligation. We use a single amount to estimate SSP for items that are not sold separately. We use a range to determine SSP based on the selling price of the products and services when sold separately. The SSP range is used to allocate the total transaction price to each performance obligation in a contract and to apply a discount that will be allocated based on the relative SSP of the various products and services.

When we do not have a directly observable SSP for a particular product or service, we estimate SSP by our overall pricing objectives, taking into consideration market factors, pricing practices including historical discounting, historical standalone sales of similar products, customer demographics, geographic locations, and the number and types of users within our contracts. The determination of SSP using the adjusted market assessment approach is made by the Company’s management.

Although our SSP has not changed materially from 2020 to 2021, we may modify our go-to-market practices in the future, which may result in changes to SSP for one or more of our performance obligations. Any such changes to SSP could impact the pattern and timing of revenue recognition for identical arrangements executed in future periods but will not change the total revenue recognized for any given arrangement.

The Company generally has standalone value for our professional services and recognize revenue as services are performed based on an estimated fair value as a separate performance obligation.

We allocate the transaction price to each performance obligation identified in the contract on a relative SSP basis and recognize revenue when or as we satisfy a performance obligation by transferring control of a product or service to a customer.

Deferred Contract Acquisition Costs

Sales commissions paid to our sales force and the related employer payroll taxes, collectively “deferred contract acquisition costs,” are considered incremental and recoverable costs of obtaining a contract with a customer. The Company capitalizes and amortizes deferred contract acquisition costs over an expected period of benefit. The Company has determined the expected period of benefit to be five years. The expected period of benefit was determined by taking into consideration our customer contracts, customer turnover rates, the life of our technology and other factors. In addition, the Company pays sales commissions for renewals of term licenses and subscription offerings at a lower rate, which is therefore not commensurate with commissions paid on an initial sale and are amortized over each renewal’s period of benefit. The Company periodically reviews the amortization periods of its deferred contract acquisition costs and will update such amortization period when there is a

significant change in its expected timing of transfer to the customer of the products or services. Such changes in the amortization period could materially affect amortization amounts of deferred contract acquisition costs.

Income Taxes

We account for uncertain tax positions based on those positions taken or expected to be taken in a tax return. We determine if the amount of available support indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. We then measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. We adjust reserves for our uncertain tax positions due to changing facts and circumstances. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will impact our tax provision in our consolidated statements of operations in the period in which such determination is made.

Deferred tax assets are regularly assessed to determine the likelihood they will be realized from future taxable income. Valuation allowances are established if it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize deferred tax assets, we consider all available positive and negative evidence including historical and projected pre-tax book earnings, scheduled reversals of deferred tax liabilities, and the impact of any feasible and prudent tax planning strategies.

Goodwill, Intangibles, and Other Long-Lived Assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Recognized goodwill pertains in part to the value of the expected synergies to be derived from combining the operations of the businesses we acquire including the value of the acquired workforce. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets may include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. It is possible that the judgments and estimates described above could change in future periods.

We use estimates, assumptions, and judgments when assessing the recoverability of goodwill and acquired intangible assets. We test for impairment on an annual basis, or more frequently if a significant event or circumstance indicates impairment. We also evaluate the estimated remaining useful lives of acquired intangible assets for changes in circumstances that warrant a revision to the remaining periods of amortization. For purposes of assessing potential impairment of goodwill, we estimate the fair value of the reporting unit, based on our market capitalization, and compare this amount to the carrying value of the reporting unit. If we determine that the carrying value of the reporting unit exceeds its fair value, an impairment charge would be required. We have determined that we operate as one reporting unit and may first assess qualitative factors to determine whether the existence of events or circumstances indicate that an impairment test on goodwill is required. Goodwill is tested on an annual basis as of October 31, or sooner if an indicator of impairment occurs. The Company internally monitors business and market conditions for evidence of triggering events for goodwill and acquired intangible assets. Such events or changes in circumstances include, but are not limited to, a significant decrease in the fair value of the underlying asset or asset group, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition, an accumulation of costs and resources in excess of the original expectation, or a significant change in the operations of the acquired assets or use of an asset or asset group. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for our reporting unit.

During the year ended December 31, 2021, the Company recorded an impairment charge of $0.7 million related to certain developed technology assets due to a decrease in the fair value of the underlying assets. During the year ended December 31, 2020, the Company recorded an impairment charge of $5.1 million related to certain developed technology assets due to our strategic decision to discontinue further investment and enhancements in the standalone existing technology.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 1 “Description of Business and Summary of Significant Accounting Policies” in our notes to our consolidated financial statements included in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk

We had cash and cash equivalents and restricted cash of $442.2 million as of December 31, 2021, which are held in cash deposits and money market funds. Due to the short-term nature of these instruments, we believe that we do not have material risk of exposure to changes in the fair value of our cash and cash equivalents as a result of changes in interest rates. As of December 31, 2021, we do not believe a hypothetical 10% change in interest rates would have a material impact on the value of our cash equivalents.

We did not have any investments in marketable securities as of December 31, 2021.

In September 2019, we issued and sold the Notes in the Offering to qualified institutional buyers. The fair value of the Notes is subject to interest rate risk, market risk and other factors due to the conversion feature. The fair value of the Notes will generally increase as our common stock price increases and will generally decrease as our common stock price decreases. The interest and market value changes affect the fair value of the Notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the Notes at face value less unamortized debt issuance costs on our balance sheets, and we present the fair value for required disclosure purposes only.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar. Due to our international operations, we have foreign currency risk related to operating expenses denominated in currencies other than the U.S. dollar, primarily the British pound, Euro, Israeli shekel, Indian rupee, Australian dollar, Singapore dollar and Canadian dollar. As of December 31, 2021, our cash and cash equivalents included $7.5 million held in currencies other than the U.S. dollar. Decreases in the value of the U.S. dollar relative to other currencies may negatively affect our operating results as expressed in U.S. dollars. These amounts are included in other income (expense), net on our consolidated statements of operations.

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates because, although substantially all of our revenue is generated in U.S. dollars, our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, Europe and Asia. Our results of operations and cash flows could therefore be adversely affected in the future due to changes in foreign exchange rates. We do not believe that a hypothetical 10% change in the value of the U.S. dollar relative to other currencies would have a material effect on our results of operations or cash flows, and to date, we have not engaged in any hedging strategies with respect to foreign currency transactions. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates, and we may choose to engage in the hedging of foreign currency transactions in the future.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
SailPoint Technologies Holdings, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of SailPoint Technologies Holdings, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 28, 2022 expressed an unqualified opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for its Convertible Senior Notes outstanding at January 1, 2021 due to the adoption of Accounting Standard Update 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition – Identification of Performance Obligations and Allocation of the Transaction Price to Multiple Performance Obligations

As described further in Notes 1 and 2 to the consolidated financial statements, the Company's revenues consist of fees for software as a service ("SaaS"), perpetual and term licenses for software products, post-contract customer support (referred to as maintenance), and professional services which includes training and other revenue. The Company has contracts with customers that may have multiple performance obligations. When multiple promised products and services are included within one contract, management applies judgment to determine whether promised products and services are capable of being distinct and

distinct in the context of the contract. Additionally, the Company establishes the standalone selling price for each of its performance obligations to allocate transaction price. Management applies judgment and considers many factors including past transactions, market conditions and internally approved pricing guidelines related to the identification of performance obligations and their allocation of transaction price. We identified management's identification of distinct performance obligations and their allocation of transaction price as a critical audit matter principally due to the volume of contracts that contain multiple products or services and the complexity and estimation involved.

The principal considerations for our determination that the identification of performance obligations and allocation of the transaction price to multiple performance obligations is a critical audit matter include the volume of contracts that contain multiple products or services and the complexity and estimation involved in the identification of distinct performance obligations and determination of appropriate allocation of transaction price based on their established standalone selling prices for all distinct performance obligations. Auditing the related revenue requires both extensive audit effort and a high degree of auditor judgement.

Our audit procedures related to the identification of performance obligations and allocation of total transaction price included the following, among others:

- We obtained an understanding and evaluated the appropriateness of management's process and methodology as it relates to the identification of distinct performance obligations in its contracts with customers. This included evaluating management's determination of whether the promises are distinct.
- For each distinct performance obligation, we obtained management's analysis to establish standalone selling price and performed the following procedures:
  - Evaluated the reasonableness of available data and factors used in management's determination, including considering other sources of information that would be relevant to the analysis.
  - Tested the completeness and accuracy of the data used in management's determinations.
- We selected a sample of contracts and performed the following procedures:
  - Obtained and evaluated management's identification of the performance obligations within the contract with the customer.
  - Recalculated the allocation of transaction price based on the established standalone selling price for each distinct performance obligation.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2010.

St. Louis, Missouri
February 28, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
SailPoint Technologies Holdings, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of SailPoint Technologies Holdings, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2021, and our report dated February 28, 2022 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

/s/ GRANT THORNTON LLP

St. Louis, Missouri
February 28, 2022

SAILPOINT TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2021	December 31, 2020
	(In thousands, except per share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 435,445	$ 510,289
Restricted cash	6,719	6,355
Accounts receivable, net of allowance	147,156	112,255
Deferred contract acquisition costs	25,966	15,592
Prepayments and other current assets	49,446	25,904
Income taxes receivable	506	123
Total current assets	665,238	670,518
Deferred tax asset - non-current	4,047	—
Property and equipment, net	17,151	19,443
Right-of-use assets, net	23,806	27,048
Deferred contract acquisition costs, non-current	68,725	38,510
Other non-current assets, net of allowance	17,974	15,016
Goodwill	289,430	241,103
Intangible assets, net	73,469	63,962
Total assets	$ 1,159,840	$ 1,075,600
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 6,097	$ 4,753
Accrued expenses and other liabilities	89,972	59,460
Income taxes payable	1,413	978
Convertible senior notes, net	385,172	326,672
Deferred revenue	218,937	165,995
Total current liabilities	701,591	557,858
Deferred tax liability - non-current	—	1,329
Long-term operating lease liabilities	28,817	33,080
Deferred revenue - non-current	25,193	18,723
Total liabilities	755,601	610,990
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, $0.0001 par value, authorized 300,000 shares, issued and outstanding 93,764 shares as of December 31, 2021 and 91,386 shares as of December 31, 2020	9	9
Preferred stock, $0.0001 par value, authorized 10,000 shares, no shares issued and outstanding as of December 31, 2021 and December 31, 2020	—	—
Additional paid in capital	481,910	484,012
Accumulated deficit	(77,680)	(19,411)
Total stockholders' equity	404,239	464,610
Total liabilities and stockholders' equity	$ 1,159,840	$ 1,075,600

See accompanying notes to consolidated financial statements.

SAILPOINT TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share data)		
Revenue			
Licenses	$ 113,004	$ 120,874	$ 102,800
Subscription	273,197	196,817	143,390
Services and other	52,753	47,563	42,325
Total revenue	438,954	365,254	288,515
Cost of revenue			
Licenses	5,212	4,467	4,239
Subscription	58,790	37,644	26,877
Services and other	50,486	38,517	34,359
Impairment of intangible assets	744	5,119	—
Total cost of revenue	115,232	85,747	65,475
Gross profit	323,722	279,507	223,040
Operating expenses			
Research and development	98,255	71,191	56,120
General and administrative	48,979	37,783	39,816
Sales and marketing	235,564	169,656	136,537
Total operating expenses	382,798	278,630	232,473
Income (loss) from operations	(59,076)	877	(9,433)
Other income (expense), net			
Interest income	775	2,019	2,468
Interest expense	(2,680)	(18,612)	(5,041)
Other income (expense), net	(467)	33	(1,082)
Total other expense, net	(2,372)	(16,560)	(3,655)
Loss before income taxes	(61,448)	(15,683)	(13,088)
Income tax (expense) benefit	(186)	4,920	4,588
Net loss	$ (61,634)	$ (10,763)	$ (8,500)
Net loss available to common stockholders	$ (61,634)	$ (10,763)	$ (8,500)
Net loss per share			
Basic	$ (0.67)	(0.12)	$ (0.10)
Diluted	$ (0.67)	$ (0.12)	$ (0.10)
Weighted average shares outstanding			
Basic	92,664	90,512	88,907
Diluted	92,664	90,512	88,907

See accompanying notes to consolidated financial statements.

SAILPOINT TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional paid in capital	Retained earnings (accumulated deficit)	Stockholders' equity
	Number of shares	Par value			
	(In thousands)				
Balance at December 31, 2018	87,512	$ 9	$ 377,473	$ 211	$ 377,693
Exercise of stock options	730	—	3,053	—	3,053
Restricted stock units vested, net of tax settlement	322	—	(351)	—	(351)
Stock-based compensation expense	—	—	18,714	—	18,714
Incentive units vested	724	—	37	—	37
Common stock issued under employee stock purchase plan	388	—	5,649	—	5,649
Equity component of convertible senior notes, net of issuance costs	—	—	86,764	—	86,764
Purchase of capped calls	—	—	(37,080)	—	(37,080)
Deferred tax liability related to issuance of convertible senior notes and capped calls	—	—	(11,852)	—	(11,852)
Net loss	—	—	—	(8,500)	(8,500)
Balance at December 31, 2019	89,676	$ 9	$ 442,407	$ (8,289)	$ 434,127
Cumulative effect adjustment from the adoption of ASC 326, net of tax	—	—	—	(359)	(359)
Exercise of stock options	763	—	5,967	—	5,967
Restricted stock units vested, net of tax settlement	566	—	(797)	—	(797)
Stock-based compensation expense	—	—	29,057	—	29,057
Common stock issued under employee stock purchase plan	381	—	7,378	—	7,378
Net loss	—	—	—	(10,763)	(10,763)
Balance at December 31, 2020	91,386	$ 9	$ 484,012	$ (19,411)	$ 464,610
Cumulative effect adjustment from the adoption of ASU 2020-06	—	—	(65,517)	3,365	(62,152)
Exercise of stock options	609	—	7,615	—	7,615
Restricted stock units vested, net of tax settlement	1,347	—	(6,056)	—	(6,056)
Stock-based compensation expense	—	—	51,757	—	51,757
Common stock issued under employee stock purchase plan	277	—	10,099	—	10,099
Partial conversion of convertible senior notes	182	—	—	—	—
Settlement of capped calls related to partial conversion of convertible senior notes	(37)	—	—	—	—
Net loss	—	—	—	(61,634)	(61,634)
Balance at December 31, 2021	93,764	$ 9	$ 481,910	$ (77,680)	$ 404,239

See accompanying notes to consolidated financial statements.

SAILPOINT TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Operating activities			
Net loss	$ (61,634)	$ (10,763)	$ (8,500)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization expense	22,376	18,290	14,992
Amortization of debt discount and issuance costs	2,038	17,787	4,691
Amortization of contract acquisition costs	20,210	13,684	10,130
(Gain) loss on disposal of fixed assets	35	158	(4)
Provision for credit losses	3,015	586	178
Impairment of intangible assets	744	5,119	—
Stock-based compensation expense	51,757	29,057	18,714
Operating leases, net	(707)	(415)	477
Deferred taxes	(3,463)	(7,553)	(7,268)
Net changes in operating assets and liabilities, net of assets acquired and liabilities assumed in business acquisitions			
Accounts receivable	(34,579)	(6,772)	(5,072)
Deferred contract acquisition costs	(60,799)	(32,634)	(17,330)
Prepayments and other current assets	(23,378)	(9,119)	(3,392)
Other non-current assets	(3,978)	(8,875)	(4,798)
Accounts payable	1,344	1,529	(1,630)
Accrued expenses and other liabilities	28,335	16,262	11,786
Income taxes	51	(1,077)	(149)
Deferred revenue	57,676	32,685	37,266
Net cash provided by (used in) operating activities	(957)	57,949	50,091
Investing activities			
Purchase of property and equipment	(4,060)	(3,945)	(6,173)
Proceeds from sale of property and equipment	39	29	39
Purchase of intangibles	(40)	(57)	(379)
Business acquisitions, net of cash acquired	(70,960)	—	(32,393)
Net cash used in investing activities	(75,021)	(3,973)	(38,906)
Financing activities			
Payment of debt issuance costs	—	—	(9,572)
Proceeds from issuance of convertible senior notes	—	—	400,000
Purchases of capped calls	—	—	(37,080)
Payments for partial conversion of convertible senior notes	(10,160)	—	—
Taxes associated with net issuances of shares upon vesting of restricted stock units	(6,056)	(797)	(351)
Proceeds from employee stock purchase plan contributions	10,099	7,378	5,649
Exercise of stock options	7,615	5,967	3,053
Net cash provided by financing activities	1,498	12,548	361,699
Net increase (decrease) in cash, cash equivalents and restricted cash	(74,480)	66,524	372,884
Cash, cash equivalents and restricted cash, beginning of period	516,644	450,120	77,236
Cash, cash equivalents and restricted cash, end of period	$ 442,164	$ 516,644	$ 450,120
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 811	$ 641	$ 180
Cash paid for income taxes, net of refunds	$ 3,660	$ 2,587	$ 2,658
Conversion of prepaid incentive units to common stock	$ —	$ —	$ 37

See accompanying notes to consolidated financial statements.

SAILPOINT TECHNOLOGIES HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

SailPoint Technologies Holdings, Inc., ("we," "our" or the "Company") was incorporated in the state of Delaware on August 8, 2014, in preparation for the purchase of SailPoint Technologies, Inc. The purchase occurred on September 8, 2014 and our certificate of incorporation was amended and restated as of such date. SailPoint Technologies, Inc. was formed July 14, 2004 as a Delaware corporation. The Company designs, develops, and markets identity security software that helps organizations govern user access to critical systems and data. The Company currently markets its products and services worldwide.

Basis of Presentation

The accompanying consolidated financial statements, which include the accounts of the Company and its wholly owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of SailPoint Technologies Holdings, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Certain items have been reclassified in the prior year financial statements to conform to the presentation and classifications used in the current year. These reclassifications had no net effect on the Company's consolidated operating results, financial position or cash flows.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management periodically evaluates such estimates and assumptions for continued reasonableness. In particular, we make estimates with respect to the fair value allocation of multiple performance obligations in revenue recognition, the expected period of benefit of deferred contract acquisition costs, the collectability of accounts receivable, stock-based compensation expense, fair value of the Notes (as defined below), recognition and measurement of income tax positions, realizability of deferred tax assets and the valuation, and estimated useful lives and impairment of intangible assets and goodwill arising from business combinations. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. Actual results could differ from those estimates.

Judgment is required to determine the standalone selling price ("SSP") for each distinct performance obligation. We use a single amount to estimate SSP for items that are not sold separately. We use a range to determine SSP based on the selling price of the products and services when sold separately. The SSP range is used to allocate the total transaction price to each performance obligation in a contract and to apply a discount that will be allocated based on the relative SSP of the various products and services. When we do not have a directly observable SSP for a particular product or service, we estimate SSP by our overall pricing objectives, taking into consideration market factors, pricing practices including historical discounting, historical standalone sales of similar products, customer demographics, geographic locations, and the number and types of users within our contracts. The determination of SSP using the adjusted market assessment approach is made by the Company's management.We allocate the transaction price to each performance obligation identified in the contract on a relative SSP basis and recognize revenue when or as we satisfy a performance obligation by transferring control of a product or service to a customer.

Due to the COVID-19 pandemic, there is ongoing uncertainty and significant disruption in the global economy and financial markets. We are not aware of any specific event or circumstances that would require an update to our estimates, judgments or assumptions or a revision to the carrying value of our assets or liabilities as of the date of issuance of these financial statements. These estimates, judgments and assumptions may change in the future, as new events occur or additional information is obtained.

Cash, Cash Equivalents and Restricted Cash

We consider all highly liquid investments with an original maturity of three months or less from date of purchase to be cash equivalents. The Company is required to maintain cash collateral for an unconditional standby letter of credit in the amount of $6.0 million related to the Company's corporate headquarters lease as well as a small amount of restricted cash to guarantee rent payments in a foreign subsidiary.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. There was no concentration of credit risk for customers as of December 31, 2021 and 2020 as no individual entity represented more than 10% of the balance in accounts receivable. Management considers concentration of credit risk to be minimal with respect to accounts receivable due to the positive historical collection experience of the Company and despite the geographic concentrations related to the Company's customers. No customer represented more than 10% of revenue during the years ended December 31, 2021, 2020 and 2019. The Company does not experience concentration of credit risk in foreign countries as no foreign country represents more than 10% of the Company's consolidated revenues or net assets.

The Company's revenue by geographic region based on the customer's location is presented in Note 17 "Geographic Information"

Accounts Receivable and Allowance for Expected Credit Losses

The Company continuously assesses the collectability of outstanding customer invoices and in doing so, the Company assesses the need to maintain an allowance for expected credit losses resulting from the non-collection of customer receivables. The allowance for expected credit losses is a valuation account that is deducted from the financial asset's amortized cost basis to present the net amount expected to be collected on contracts with customers. Accounts receivable and contract assets are written off when management believes non-collectability is confirmed. Recoveries of financial assets previously written off shall be recorded directly to earnings when received.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts over a financial asset's contractual term. The Company's historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made from qualitative and quantitative factors if economic conditions at the reporting date reflect stronger or weaker economic performance than the historical data implies based on management's expectations of economic conditions on certain indicators of the Company, industry and economy. We review factors such as past collection experience, age of the accounts receivable balance, significant trends in current balances, internal operations and macroeconomic conditions. The Company evaluates these economic conditions and makes adjustments to historical loss information for certain economic risk factors.

In development of the expected credit loss model, we evaluated our financial assets with similar risk characteristics on a collective (pool) basis for their respective estimated and expected credit loss allowance. A financial asset will be measured individually only if it does not share similar risk characteristics with other financial assets. We believe that historical credit loss patterns by aging bucket and invoice type for accounts receivable are the most significant risk characteristics. Additionally, we analyze renewals and new business separately due to varying historical loss patterns. The Company expected credit loss is determined for the contractual life of the financial asset, for which accounts receivable and contract assets can be viewed as one financial asset. However, a low percentage of our contract assets do not convert to accounts receivable. Therefore, we consider all contract assets as a single pool.

For periods prior to the adoption of Accounting Standards Codification (“ASC”) 326, *Financial Instruments - Credit Losses* ("ASC 326"), the Company determined that an allowance for doubtful accounts was not required for the periods presented.

Property and Equipment, Net

Property and equipment, net, is stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, generally three years to five years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the related lease term. Repairs and maintenance costs are expensed as incurred.

Property and equipment is reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset’s carrying value to determine if an impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of the carrying value over the assets fair value. Assets to be disposed of are reported at the lower of carrying value or net realizable value.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identified net assets acquired. Goodwill is not amortized, but rather tested for impairment annually, or more often if and when events or circumstances indicate that the carrying value may not be recoverable. For purposes of assessing potential impairment, we estimate the fair value of the reporting unit, based on our market capitalization, and compare this amount to the carrying value of the reporting unit. If we determine that the carrying value of the reporting unit exceeds its fair value, an impairment charge would be required. We have determined that we operate as one reporting unit and may first assess qualitative factors to determine whether the existence of events or circumstances indicate impairment test on goodwill is required. Goodwill is tested on an annual basis as of October 31, or sooner if an indicator of impairment occurs. The Company internally monitors business and market conditions for evidence of triggering events.

Intangible Assets, Net

Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company's intangible assets primarily consist of customer lists, developed technology, and trade names and marks. The Company periodically reviews the estimated remaining useful life of our intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Periodically, the Company evaluates the recoverability of its long-lived assets, including intangible assets, for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset, or related asset group, to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, the carrying amount of such assets is reduced to fair value.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets may include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Software Development Costs

Software development costs for products intended to be sold, leased or otherwise marketed are expensed as incurred until technological feasibility has been established, at which time such costs are capitalized until the product is available for

general release to customers. Technological feasibility is established when a product design and working model have been completed and the completeness of the working model and its consistency with the product design have been confirmed by testing. To date, the establishment of technological feasibility of the Company's products and general release of such software have substantially coincided. As a result, we have not capitalized any software development costs through December 31, 2021 and all such costs have been recorded as research and development expenses as incurred in the consolidated statements of operations.

Capitalized Software and Cloud-computing Arrangements

The Company evaluates whether the cloud-computing arrangement ("CCA") includes a license to internal-use software. If the CCA includes a software license, the Company accounts for the software license as an intangible asset. Acquired software licenses are recognized and measured at cost, which includes the present value of the license obligation if the license is to be paid for over time. If the CCA does not include a software license, the Company accounts for the arrangement as a service contract (or hosting arrangement) and hosting costs are generally expensed as incurred.

The Company evaluates upfront costs including implementation, set-up or other costs (collectively, implementation costs) for hosting arrangements under the internal-use software framework. Costs related to preliminary project activities and post implementation activities are expensed as incurred, whereas costs incurred in the development stage are generally capitalized. Capitalized implementation costs of $0.4 million are recorded in prepayments and other current assets and $0.2 million are recorded in other non-current assets and amortized over the expected term of the arrangement, which includes consideration of the non-cancellable contractual term and reasonably certain renewal options. During the year ended December 31, 2021, the Company's capitalized implementation costs related to hosting arrangements were not material.

Comprehensive Income (Loss)

The Company has not entered into transactions that require presentation as other comprehensive income (loss). Total comprehensive income (loss) is equal to net income (loss) for all periods presented.

Revenue Recognition

Revenue consists of fees for perpetual and term licenses for the Company's software products, post-contract customer support (referred to as maintenance and support), software as a service ("SaaS") subscriptions, other subscription services and professional services including training and other revenue. The following describes the nature of the Company's primary types of revenues and the revenue recognition policies as they pertain to the types of transactions the Company enters into with its customers.

License Revenue

License revenue includes perpetual and term license fees which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the use of software. Both revenues from perpetual and term license performance obligations are generally recognized upfront at the point in time when the software license has been delivered. All perpetual license transactions generally include maintenance and support at no additional charge for the first year. We allocate a portion of the total contract value based on stand-alone selling price and recognize subscription revenue over the term.

Subscription Revenue

Our subscription revenue consists of (i) fees for access to, and related support for, our SaaS offerings, (ii) fees for ongoing maintenance and support of our licensed solutions and (iii) other subscription services, which includes our cloud managed services. We typically invoice subscription fees in advance in annual installments and recognize subscription revenue ratably over the term of the applicable agreement. Maintenance and support contracts generally have a term of one year and SaaS contracts usually have a term of one to three years, which is initially deferred and recognized ratably over the life of the contract. Maintenance and support agreements consist of fees for providing software updates on a when and if available basis and for providing technical support for software products for a specified term. We believe that our when and if available software updates and technical support each have the same pattern of transfer to the customer and are substantially the same. Therefore, we consider these to be a single distinct performance obligation. Revenue allocated to maintenance and support

agreements are recognized ratably over the contract term beginning on the delivery date of each offering. Expenses related to our subscriptions are recognized as incurred. Unearned subscription revenue is included in deferred revenue. The Company's subscription arrangements are generally non-cancelable and do not contain refund-type provisions. In instances that subscription arrangements are deemed cancellable, which is rare, the Company will adjust the transaction price and period for revenue recognition accordingly to be reflective of the contract term in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606").

Services and Other Revenue

Services and other revenue consist primarily of fees from professional services provided to our customers and partners to configure and optimize the use of our solutions as well as training services related to the configuration and operation of our platform. The Company's professional services contracts are either on a time-and-materials (input) or consumption-based (output) on a fixed fee or prepaid basis.

For services that are contracted for at a fixed price, progress is generally measured based on hours incurred as a percentage of the total estimated hours required for complete satisfaction of the related performance obligations. For services that are contracted on a time-and-materials or prepaid basis, progress is generally based on actual hours expended. These input methods (e.g. hours incurred or expended) are considered a faithful depiction of our efforts to satisfy services contracts as they represent the performance obligation consumed by the customer and performed by the entity and therefore reflect the transfer of services to a customer under such contracts.

Services revenues are generally recognized over time as the services are performed. Revenues for fixed price services and prepaids are generally recognized over time applying input methods to estimate progress to completion. Revenues for consumption-based services are generally recognized as the services are performed. Training revenues are recognized as the services are performed over time.

Deferred Contract Acquisition Costs

Sales commissions paid to our sales force and the related employer payroll taxes, collectively "deferred contract acquisition costs," are considered incremental and recoverable costs of obtaining a contract with a customer. The Company capitalizes and amortizes incremental costs of obtaining a contract, such as certain sales commission costs and related payroll taxes, over the expected period of benefit provided. The Company typically pays sales commissions for both initial and follow-on sales of perpetual licenses, inclusive of initial maintenance and support, term licenses and SaaS subscriptions. Initial commissions are allocated to each performance obligation within the contract. The portion allocated to the perpetual license element is expensed at the time the license is delivered. Commissions allocated to the remaining elements are capitalized and amortized over an expected period of benefit. The Company has determined the expected period of benefit to be five years. In addition, the Company pays sales commissions for renewals of term licenses and subscription offerings at a lower rate as they are not commensurate with the initial contract term. These renewal commissions are amortized over each renewal's benefit term. The Company does not pay sales commissions on renewals of maintenance and support agreements related to perpetual licenses.

The portion of deferred contract acquisition costs that we anticipate will be recognized within twelve months is recorded as current deferred contract acquisition costs and the remaining portion is recorded as non-current deferred contract acquisition costs in the consolidated balance sheets. We determined the period of benefit by taking into consideration our customer contracts, customer turnover rates, the life of our technology and other factors. The Company applied the practical expedient to expense costs as incurred if the expected amortization period is one year or less. Amortization of deferred contract acquisition costs is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Contract Balances

Deferred revenue

We typically invoice our customers for subscription fees in advance on either an annual, two- or three-year basis, with payment due at the start of the subscription term. For subscription fees, which includes SaaS, maintenance and support and other subscription services, the timing of payments is typically upfront. Therefore, a contract liability or deferred revenue is created because payment is made in advance of performance and these performance obligations are satisfied over time. Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to our contracts with customers. Our standard payment terms are generally net 30 days but may vary. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. Invoice amounts for non-cancelable

services starting in future periods are included in contract assets and deferred revenue, which are netted together resulting in either deferred revenue or a contract asset balance. The portion of deferred revenue that we anticipate will be recognized within twelve months is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue in the consolidated balance sheets.

Contract assets

Contract assets relate to the Company's rights to consideration for performance obligations satisfied but not billed at the reporting date on contracts. Contract assets are transferred to accounts receivable when the rights become unconditional. Contract assets are included in prepayments and other current assets and other non-current assets in the consolidated balance sheets, net of an allowance for expected credit losses.

Cost of Revenue

Cost of License Revenue. Cost of license revenue consists of amortization expense for developed technology acquired and third-party royalties.

Cost of Subscription Revenue. Cost of subscription revenue consists primarily of employee-based costs (which consists of salaries, benefits, bonuses and stock-based compensation and allocated overhead), costs of our customer support organization, contractor costs to supplement our staff levels, amortization expense and impairments charges for developed technology acquired and third-party cloud-based hosting costs.

Cost of Services and Other Revenue. Cost of services and other revenue consists primarily of employee-based costs of our professional services and training organizations, travel-related costs and contractor costs to supplement our staff levels.

Impairment of Intangible Assets. Impairment of intangible assets consists of impairments charges for developed technology acquired. This is a component of cost of subscription revenue that was broken out for financial statement purposes.

Research and Development Expenses

Research and development expenses consist primarily of employee-based costs, software and hosting arrangement expenses (which includes cloud-based hosting costs related to the development of our cloud-based solution), professional services expense and amortization expense for acquired intangible assets.

Advertising Expenses

Advertising costs are expensed as incurred and are included in sales and marketing expense. Advertising expenses were approximately $11.2 million, $10.7 million and $11.3 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Stock-Based Compensation

The Company measures stock-based compensation expense for equity instruments granted to employees and board members based upon the estimated fair value of the award at the date of grant adjusted for actual forfeitures. The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model, which requires us to estimate the expected term, fair value of common stock, expected volatility, risk-free interest rate, and dividend yield.

The risk-free interest rate is based on the U.S. treasury yield curve for the term consistent with the life of the stock options as of the date of grant. The Company has elected to apply the "shortcut approach" in developing the estimate of expected term for "plain vanilla" stock options by using the mid-point between the vesting date and contractual termination date. The Company has not paid and does not anticipate paying cash dividends on its common stock in the foreseeable future; therefore, the expected dividend yield is assumed to be zero.

During 2019, the Company began to determine volatility by introducing the Company's own historical volatility measurements once two years of historical data became available in the public market. The Company used a blend of the Company's volatility and industry peers to arrive at a volatility consistent with the life of the options. During 2021 and 2020, the Company continued to increase the weighting factor of the Company's own volatility as additional time periods became

available. Beginning from the fourth quarter of fiscal year 2021, the Company began to use its own sufficient historical trading prices to calculate the expected volatility and no longer places any weighting on industry peers.

Stock-based compensation expense resulting from this valuation is recognized in the consolidated statements of operations on a straight-line basis over the period during which an employee provides the requisite service in exchange for the award. The Company analyzes the facts and circumstances of each equity instrument to determine if modification accounting is required. When a modification is triggered, the revised fair value is calculated, and additional stock-based compensation is recognized over the remaining service period of the modified instrument.

Restricted stock units ("RSUs") are generally subject to forfeiture if employment terminates prior to the vesting date. We expense the cost of the RSUs, which is determined to be the fair market value of the shares of common stock underlying the RSUs on the date of grant, ratably over the period during which the vesting restrictions lapse.

In November 2017, the Company's board of directors adopted the Employee Stock Purchase Plan (the "ESPP"). The ESPP became effective November of 2017, after the date our registration statement was declared effective by the SEC. The first offering period opened July 1, 2018 and permitted eligible employees to purchase shares by authorizing payroll deductions from 1% to 15% of employee's eligible compensation during the offering period, which is generally six-months, with an annual cap of $25,000 in fair market value, determined at the grant date. Unless an employee has previously withdrawn from the offering, his or her accumulated payroll deductions will be used to purchase shares after the closing of the offering period at a price equal to 85% of the closing price of the shares at the opening or closing of the offering period, whichever is lower.

ESPP purchase rights have an expected volatility consistent with our volatility estimates that are used to value our stock options. The expected term represents the period of time the ESPP purchase rights are expected to be outstanding and approximates the offering period. Stock-based compensation expense associated with ESPP purchase rights is recognized on a straight-line basis over the offering period.

Foreign Currency Translation

The functional currency of our non-U.S. subsidiaries is the U.S. dollar; therefore, all gains and losses on currency transactions are expensed as incurred.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are provided if it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertainty of income taxes based on a "more-likely-than-not" threshold for the recognition and de-recognition of tax positions, which includes the accounting for interest and penalties relating to tax positions.

Convertible Senior Notes

The Company accounts for the 0.125% Convertible Senior Notes due 2024 (the "Notes"; see Note 10) in accordance with FASB ASC Subtopic 470-20, *Debt with Conversion and Other Options*. Pursuant to ASC Subtopic 470-20, as amended by Accounting Standards Update ("ASU") 2020-06, issuers of certain convertible debt instruments, such as the Notes, that have a net settlement feature and may be settled wholly or partially in cash upon conversion are required to be accounted for wholly as debt. See Recently Adopted Accounting Pronouncements below for a discussion on the adoption of ASU 2020-06. Prior to the adoption of ASU 2020-06, the Company separately accounted for the liability and equity components of the instrument. The carrying amount of the liability component of the instrument was computed by estimating the fair value of a similar liability without the conversion option. The amount of the equity component was then calculated by deducting the fair value of the liability component from the principal amount of the instrument. The difference between the principal amount and the liability component represents a debt discount that is amortized to interest expense over the respective terms of the Notes using an effective interest rate method.

Leases

The Company accounts for a contract as a lease when it has the right to control the asset for a period of time while obtaining substantially all of the assets' economic benefits. The Company's leases are primarily for office space. At the inception or modification of an arrangement, we determine whether the arrangement is or contains a lease based on the unique facts and circumstances present and if so, the classification of the lease.

Right-of-use ("ROU") assets and lease liabilities are recognized at the present value of future lease payments over the lease term. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. The implicit rates within our operating leases are generally not determinable and therefore we use the incremental borrowing rate ("IBR") at the lease commencement date to determine the present value of lease payments. The determination of our IBR requires judgment. We determine our IBR for each lease using our estimated borrowing rate, adjusted for various factors including level of collateralization and term to align with the terms of the lease. ROU assets include any upfront lease payments made and exclude lease incentives. The Company leases its facilities under non-cancelable operating lease agreements. We have lease agreements with lease and non-lease components which we account for as a single lease component. The Company's non-lease components are primarily related to property taxes, insurance and maintenance costs, which are typically variable in nature, and are expensed in the period incurred. Certain of these facility leases contain predetermined fixed escalations of the minimum rentals, and the Company recognizes expense for these leases on a straight-line basis over the full term of the lease arrangement. Certain of our leases include options to extend or terminate the lease. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain we will exercise that option. An option to terminate is considered unless it is reasonably certain we will not exercise the option. We elected the practical expedient to not recognize operating lease right-of-use assets and operating lease liabilities that arise from short-term leases with an initial term of 12 months or less and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term. The depreciable life of related leasehold improvements is based on the shorter of the estimated life of the asset or the lease term.

Net Income (Loss) Per Share

Basic net income (loss) per share attributable to common stockholders is calculated by dividing the net income (loss) attributable to common stockholders for the period, defined as net income (loss), by the weighted-average number of shares of common stock outstanding during the period, without consideration of potentially dilutive securities. Diluted earnings per share includes the dilutive effect of common stock equivalents and is calculated using the weighted-average number of common stock and the common stock equivalents outstanding during the reporting period. In periods when the Company recognizes a net loss, the Company excludes the impact of outstanding stock awards and shares related to the Notes from the diluted loss per share calculation as their inclusion would have an anti-dilutive effect.

Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain financial instruments with characteristics of liability and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, *Derivatives and Hedging*, or (2) a convertible debt instrument was issued at a substantial premium. Among other potential impacts, this change will reduce reported interest expense, increase reported net income, and result in a reclassification of certain conversion feature balance sheet amounts from stockholders' equity to liabilities as it relates to the Notes. Additionally, ASU 2020-06 requires the application of the as if-converted method to calculate the impact of convertible instruments on diluted earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020, and can be adopted on either the fully retrospective or modified retrospective basis.

The Company early adopted ASU 2020-06 effective January 1, 2021 using the modified retrospective approach, which requires a cumulative adjustment to be recorded to accumulated deficit. Adoption of ASU 2020-06 resulted in a material effect on the consolidated balance sheet as the Company no longer separately presents in equity an embedded conversion feature. The impact to the consolidated balance sheet was an increase of the Notes by $66.8 million, a decrease of our deferred tax liability by $4.6 million, a decrease of our additional paid in capital by $65.5 million and a decrease of our accumulated deficit by $3.4 million. Interest expense recognized was reduced by approximately $17.1 million as a result of accounting for the convertible debt instrument as a single liability measured at its amortized cost. This adoption did not have a material impact on the

Company's consolidated statement of cash flows. The Company will prospectively utilize the as if-converted method to calculate the impact of convertible instruments on diluted earnings per share.

Recently Issued Accounting Standards Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires application of ASC 606, *Revenue from Contracts with Customers*, to recognize and measure contract assets and liabilities from contracts with customers acquired in a business combination. ASU 2021-08 creates an exception to the general recognition and measurement principle in ASC 805, *Business Combinations*, and will result in recognition of contract assets and contract liabilities consistent with those recorded by the acquiree immediately before the acquisition date. The guidance is effective for us beginning January 1, 2023 and interim periods therein, with early adoption permitted.

2. Revenue Recognition

Disaggregation of revenue

The following table presents the Company's revenue by timing of revenue recognition during the reporting periods to understand the risks of timing of transfer of control and cash flows:

	Licenses	SaaS [1]	Maintenance and Support [1]	Other Subscription Services [1]	Total Subscription	Services and Other
			(In thousands)			
Year Ended December 31, 2021						
Revenue recognized at a point in time	$ 113,004	$ —	$ —	$ —	$ —	$ —
Revenue recognized over time	—	112,720	153,621	6,856	273,197	52,753
Total revenue	$ 113,004	$ 112,720	$ 153,621	$ 6,856	$ 273,197	$ 52,753
Year Ended December 31, 2020						
Revenue recognized at a point in time	$ 120,874	$ —	$ —	$ —	$ —	$ —
Revenue recognized over time	—	66,913	126,792	3,112	196,817	47,563
Total revenue	$ 120,874	$ 66,913	$ 126,792	$ 3,112	$ 196,817	$ 47,563
Year Ended December 31, 2019						
Revenue recognized at a point in time	$ 102,800	$ —	$ —	$ —	$ —	$ —
Revenue recognized over time	—	42,432	100,435	523	143,390	42,325
Total revenue	$ 102,800	$ 42,432	$ 100,435	$ 523	$ 143,390	$ 42,325

(1) Subscription revenue is further disaggregated into SaaS, Maintenance and Support and Other Subscription Services revenue in the table above.

Contract Balances

A summary of the activity impacting our contract balances during the reporting periods is presented below:

	Contract Acquisition Costs	
	Year Ended December 31,	
	2021	2020
	(In thousands)	
Beginning Balance	$ 54,102	$ 35,152
Additional deferred contract acquisition costs	60,799	32,634
Amortization of deferred contract acquisition costs	(20,210)	(13,684)
Ending Balance	$ 94,691	$ 54,102

There were no material impairments of deferred contract acquisition costs for the years ended December 31, 2021, 2020 and 2019.

	Deferred Revenue	
	Year Ended December 31,	
	2021	2020
	(In thousands)	
Beginning Balance	$ 184,718	$ 152,033
Increase, net	59,412	32,685
Ending Balance	$ 244,130	$ 184,718

Deferred revenue, which is netted with unbilled amounts at the contract level, is a contract liability, consists primarily of payments received in advance of revenue recognition under the Company's contracts with customers and is recognized as the revenue recognition criteria are met. Revenue recognized during the 2021, 2020 and 2019 reporting periods that was previously deferred was $203.4 million, $147.5 million and $113.0 million, respectively. The difference between the opening and closing balances of the Company's contract assets and deferred revenue primarily results from the timing difference between the Company's performance and the customer billings.

Contract assets primarily relate to unbilled amounts, which are netted with deferred revenue at the contract level, and typically result from sales contracts when revenue recognized exceeds the amount billed to the customer, and the right to payment is subject to more than the passage of time. Contract assets are transferred to accounts receivable when the rights become unconditional and the customer is billed. Contract assets are included in prepayments and other current assets and other non-current assets in the consolidated balance sheets. During the years ended December 31, 2021 and 2020, amounts reclassified from contract assets to accounts receivable were $20.2 million and $6.2 million, respectively.

Remaining performance obligations

Our contracts with customers include amounts allocated to performance obligations that will be satisfied at a later date. These remaining performance obligations represent contract revenue that has not yet been recognized and is included in deferred revenues, the balance of which includes both invoices that have been issued to customers but have not been recognized as revenues and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2021, amounts allocated to these additional performance obligations are $559.9 million, of which we expect to recognize $299.7 million as revenue over the next 12 months with the remaining balance recognized thereafter over the period from 2023 to 2028. The additional performance obligations include $80.8 million of current unbilled receivables and $234.8 million of long-term unbilled receivables.

3. Allowance for Expected Credit Losses

The following tables present the changes in the allowance for expected credit losses for financial assets measured at amortized cost:

	Accounts Receivable	
	Year Ended December 31,	
	2021	2020
	(In thousands)	
Beginning Balance	$ 376	$ —
Adoption of ASC 326	—	407
Provision for credit losses	1,095	757
Write-offs	(907)	(788)
Ending Balance	$ 564	$ 376

	Contract Assets	
	Year Ended December 31,	
	2021	2020
	(In thousands)	
Beginning Balance	$ 50	$ —
Adoption of ASC 326	—	65
Provision for (reduction in) credit losses	2,336	(15)
Write-offs	—	—
Ending Balance	$ 2,386	$ 50

As of December 31, 2021, SailPoint evaluated economic conditions and made adjustments to historical loss information for certain economic risk factors, such as COVID-19. Recoveries of financial assets previously written off are recorded directly to earnings when received, which were $0.4 million and $0.2 million for the years ended December 31, 2021 and 2020, respectively. Total bad debt expense recognized prior to our adoption of ASC 326 for the year ended December 31, 2019 was $0.2 million.

4. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present information about the Company's financial assets that are measured at fair value on a recurring basis:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 24,996	—	—	$ 24,996
Total cash equivalents	$ 24,996	—	—	$ 24,996

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 511,229	—	—	$ 511,229
Total cash equivalents	$ 511,229	—	—	$ 511,229

The Company's carrying amounts of financial instruments, including cash, accounts receivable, accounts payable, and accrued expenses are considered Level 1 and approximate their fair values due to their short maturities as of December 31, 2021 and 2020 and are excluded from the fair value tables above.

See Note 10 "Convertible Senior Notes and Capped Call Transactions" for the carrying amount and estimated fair value of our Notes as of December 31, 2021.

5. Business Combinations

2021 Acquisitions

Intello

On February 22, 2021, the Company acquired Intello Inc. ("Intello"), a Delaware corporation, pursuant to an Agreement and Plan of Merger whereby Intello became a wholly owned subsidiary of the Company. Intello is an early-stage SaaS management company that helps organizations discover, manage, and secure SaaS applications. The aggregate consideration paid in connection with this acquisition was $42.9 million, net of cash acquired.

The following table summarizes the final purchase price allocation as of the date of acquisition:

	As of February 22, 2021
	(In thousands)
Cash and cash equivalents	$ 1,143
Accounts receivable	146
Prepayments and other current assets	43
Property and equipment, net	17
Goodwill	32,425
Intangible assets	12,300
Accrued expenses and other liabilities	(97)
Deferred tax liability - non-current	(1,409)
Deferred revenue	(536)
Total fair value of assets acquired and liabilities assumed	$ 44,032

The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired:

	Amount	Estimated Useful Life
	(In thousands)	(In years)
Developed technology	$ 9,500	5
Customer lists	$ 2,800	3

The fair value of developed technology was estimated using the relief from royalty method (Level 3) utilizing assumptions for annual obsolescence, royalty rates, tax rate and discount rate. The fair value of customer lists was estimated using the replacement cost method (Level 3), which utilized assumptions for the cost to recreate the relationships, such as the timing and resources required, distributor's profit mark-up and opportunity cost.

ERP Maestro

On March 15, 2021, the Company acquired ERP Maestro, Inc. (“ERP Maestro”), a Florida corporation, pursuant to an Agreement and Plan of Merger whereby ERP Maestro became a wholly owned subsidiary of the Company. ERP Maestro is an early-stage SaaS governance, risk and compliance solution that provides separation-of-duty controls monitoring for an organization’s most critical applications. The aggregate consideration paid in connection with this acquisition was $28.1 million, net of cash acquired.

The following table summarizes the final purchase price allocation as of the date of acquisition:

	As of March 15, 2021
	(In thousands)
Cash and cash equivalents	$ 924
Accounts receivable	850
Prepayments and other current assets	59
Property and equipment, net	152
Right-of-use assets	223
Goodwill	15,902
Intangible assets	13,900
Accrued expenses and other liabilities	(503)
Deferred tax liability - non-current	(1,314)
Deferred revenue	(1,200)
Total fair value of assets acquired and liabilities assumed	$ 28,993

The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired:

	Amount	Estimated Useful Life
	(In thousands)	(In years)
Developed technology	$ 10,000	5
Customer lists	$ 3,900	3

The fair value of developed technology was estimated using the replacement cost method (Level 3) utilizing assumptions for the cost to replace, such as the workforce, timing and resources required, annual obsolescence, as well as a theoretical developer's profit margin and entrepreneurial incentive and opportunity cost. The fair value of customer lists was estimated using the replacement cost method (Level 3), which utilized assumptions for the cost to recreate the customer relationships, such as the timing and resources required, distributor's profit mark-up and opportunity cost and customer age.

2019 Acquisitions

Orkus

On October 15, 2019, the Company acquired 100% of the equity interest in Orkus, Inc. ("Orkus"), a Delaware corporation engaged in the development and license of software products to assist customers in monitoring and controlling access and authorization across hybrid cloud assets. Total consideration related to the acquisition was $16.5 million in cash, of which $2.0 million was to be paid upon the lapse of an indemnification period of 12 months and 24 months of the acquisition date. As of December 31, 2021, all consideration has been paid. As of December 31, 2020, $1.0 million of the holdback amount is reflected within accrued expenses and other liabilities on the consolidated balance sheets.

The following table summarizes the final purchase price allocation as of the date of acquisition:

	As of October 15, 2019
	(In thousands)
Cash and cash equivalents	$ —
Prepayments and other current assets	34
Right-of-use assets	90
Goodwill	7,637
Intangible assets	9,760
Accounts payable	(21)
Accrued expenses and other liabilities	(133)
Deferred tax liability - non-current	(861)
Total fair value of assets acquired and liabilities assumed	$ 16,506

The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired:

	Amount	Estimated Useful Life
	(In thousands)	(In years)
Developed technology	$ 9,760	5

The fair value of developed technology was estimated using the replacement cost method (Level 3), which utilized assumptions for the cost to replace, such as the workforce, timing and resources required, as well as a theoretical developer's profit margin and entrepreneurial incentive and opportunity cost.

Overwatch.ID

On October 15, 2019, the Company acquired 100% of the equity interest in Overwatch.ID, Inc. ("Overwatch.ID"), a Delaware corporation engaged in the development and license of software products focused on access controls security for cloud applications, cloud computing, hybrid IT environments, and on-premises infrastructure. The consideration related to the acquisition was $20.9 million in cash, of which $3.0 million was to be paid upon the lapse of an indemnification period of 12 months and 18 months of the acquisition date. As of December 31, 2021, all consideration has been paid. As of December 31, 2020, $1.5 million of the holdback amount is reflected within accrued expenses and other liabilities on the consolidated balance sheets.

The following table summarizes the final purchase price allocation as of the date of acquisition:

	As of October 15, 2019
	(In thousands)
Cash and cash equivalents	$ 45
Accounts receivable	66
Prepayments and other current assets	103
Deferred tax asset - non-current	687
Right-of-use assets	175
Goodwill	14,107
Intangible assets	6,610
Accounts payable	(256)
Accrued expenses and other liabilities	(185)
Deferred revenue	(466)
Total fair value of assets acquired and liabilities assumed	$ 20,886

The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired:

	Amount	Estimated Useful Life
	(In thousands)	(In years)
Developed technology	$ 6,610	5

The fair value of developed technology was estimated using the replacement cost method (Level 3), which utilized assumptions for the cost to replace, such as the workforce, timing and resources required, as well as a theoretical developer's profit margin and entrepreneurial incentive and opportunity cost.

Additional Acquisition Related Information

The operating results of the acquired companies are included in our consolidated statements of operations from the respective dates of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions, individually and in the aggregate, were not material to our consolidated statements of operations. During the years ended December 31, 2021 and December 31, 2019, acquisition related costs were $2.2 million and $1.0 million, respectively, which include legal, accounting and consulting professional service fees and have been included primarily in general and administrative expenses on the consolidated statement of operations.

These acquisitions have been accounted for as business combinations. Assets acquired and liabilities assumed have been recorded at their estimated fair values as of the respective acquisition date. The Company finalized the purchase price within the required one-year measurement period as of the dates of acquisition.

The Company believes that for each acquisition, the acquired companies will provide opportunities for growth through investing in additional products and capabilities, among other factors. This contributed to a purchase price in excess of the estimated fair value of each acquired company's net identifiable assets acquired and, as a result, goodwill was recorded in connection with each acquisition. The excess of the purchase price over the tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill. Goodwill arising from these acquisitions are not deductible for tax purposes.

6. Goodwill and Intangible Assets

Goodwill

The following table reflects goodwill activity for the year ended December 31, 2021:

	(In thousands)
Balance, December 31, 2020	$ 241,103
Goodwill acquired	47,307
Measurement period adjustments	1,020
Balance, December 31, 2021	$ 289,430

All goodwill balances are subject to annual goodwill impairment testing. As of October 31, 2021, 2020 and 2019, the Company performed a qualitative analysis and concluded that no impairment for goodwill was required. There were no impairments of goodwill during the years ended December 31, 2021, 2020 and 2019.

Intangible Assets

Total cost and amortization of intangible assets comprised of the following:

		As of	
	Weighted Average Useful Life	December 31, 2021	December 31, 2020
Intangible assets, net	(In years)	(In thousands)	
Customer lists	14.6	$ 49,200	$ 42,500
Developed technology	8.6	66,260	51,760
Trade names and trademarks	17	24,500	24,500
Other	4.8	2,976	3,746
Total intangible assets		142,936	122,506
Less: Accumulated amortization		(69,467)	(58,544)
Total intangible assets, net		$ 73,469	$ 63,962

Periodically, the Company evaluates intangible assets for triggering events for indications of possible impairment. During the year ended December 31, 2021, the Company recorded an impairment charge of $0.7 million related to certain developed technology assets due to a decrease in the fair value of the underlying assets. Due to our strategic decision to discontinue further investment and enhancements in the standalone existing technology, we recorded an impairment charge of $5.1 million related to certain developed technology assets during the year ended December 31, 2020. There were no impairments for intangible assets during the year ended December 31, 2019.

Amortization expense for the periods presented is as follows:

	Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Cost of revenue - licenses	$ 3,674	$ 4,031	$ 4,032
Cost of revenue - subscription	5,539	3,549	1,076
Research and development	674	703	647
Sales and marketing	6,101	4,274	4,273
Total amortization expense	$ 15,988	$ 12,557	$ 10,028

The total estimated future amortization expense of these intangible assets as of December 31, 2021 is as follows:

Year Ending December 31,	(In thousands)
2022	$ 16,719
2023	16,557
2024	12,674
2025	8,175
2026	4,968
Thereafter	14,376
Total amortization expense	$ 73,469

7. Leases

Operating Leases

As of December 31, 2021, our leases, primarily relating to office leases, have remaining lease terms of less than 1 year to 8 years. Certain leases include early termination and/or extension options; however, exercises of these options are at the Company's sole discretion. As of December 31, 2021, the Company determined it is not reasonably certain it will exercise the options to extend its leases or terminate them early. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2021 and 2020, we have no financing leases.

The rates implicit in the Company's leases are not readily determinable. Therefore, in order to value the Company's lease liabilities, the Company uses an IBR which reflects the fixed rate at which the Company could borrow a similar amount in the same currency, for the same term, and with similar collateral as in the lease at the commencement date. As of December 31, 2021, the Company measures its lease liabilities at the net present value of the remaining lease payments discounted at the weighted average discount rate of 4.14%. The Company's IBR is estimated to approximate the interest rate on similar terms and payments and in economic environments where the leased asset is located. The weighted average remaining term of the Company's operating leases is 6.9 years.

Operating lease costs for the periods presented were as follows:

	Year Ended	
	December 31, 2021	December 31, 2020
	(In thousands)	
Lease cost		
Operating lease cost	$ 5,097	$ 5,155
Variable lease cost	2,521	2,434
Short-term lease cost	782	395
Total lease cost	$ 8,400	$ 7,984

Facilities costs (including rent and utilities) are considered shared costs and are allocated to departments based on headcount. As such, allocated shared costs are reflected in each cost of revenue and operating expense category.

Other supplemental cash flow information related to operating leases for the periods presented is as follows:

	Year Ended	
	December 31, 2021	December 31, 2020
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 6,199	$ 5,181
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$ 472	$ 106

The undiscounted annual future minimum lease payments are summarized by year in the table below:

Year Ending December 31,	(In thousands)
2022	$ 6,128
2023	5,210
2024	5,033
2025	4,890
2026	5,036
Thereafter	12,357
Total minimum lease payments	$ 38,654
Less: interest	(5,042)
Total present value of operating lease liabilities	$ 33,612

8. Commitments and Contingencies

As of December 31, 2021, we had in aggregate $18.2 million in contractual commitments associated with agreements that are enforceable and legally binding, of which $12.3 million are due within the next 12 months. Such amounts do not include obligations under contracts that we can cancel without significant penalty and purchase orders as the purchase orders represent authorizations to purchase rather than binding agreements.

Indemnification Arrangements

In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to customers, business partners and other parties with respect to certain matters, including, losses arising out of the breach of such agreements, intellectual property infringement claims made by third parties, and other liabilities with respect to our products and services and business. In these circumstances, payment may be conditional on the other party making a claim pursuant to the procedures specified in a particular contract. The Company includes service level commitments to our cloud customers warranting certain levels of uptime reliability and performance and permitting those customers to receive credits in the event that we fail to meet those levels.

To date, the Company has not incurred any material costs as a result of these commitments, and we expect the time between any potential claims and issuance of the credits to be short. As a result, we have not accrued any liabilities related to these commitments in our consolidated financial statements.

Litigation Claims and Assessments

The Company is subject to claims and suits that may arise from time to time in the ordinary course of business. In addition, some legal actions, claims and governmental inquiries may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our consolidated financial statements.

9. Credit Agreement

On March 11, 2019, SailPoint Technologies, Inc., as borrower (the “Borrower”), and certain of our other wholly owned subsidiaries entered into a credit agreement (as amended, restated, amended and restated, supplemented or otherwise

modified from time to time through the date hereof, the "Credit Agreement"). The Credit Agreement is guaranteed by SailPoint Technologies Intermediate Holdings, LLC, a wholly owned subsidiary, and the Borrower's material domestic subsidiaries (the "Guarantors" and, together with the Borrower, the "Loan Parties") and is supported by a security interest in substantially all of the Loan Parties' personal property and assets.

In September 2019, the Company amended the Credit Agreement in connection with the issuance and sale of the Notes. Such amendment included a decrease in the commitments for revolving credit loans from $150.0 million to $75.0 million, with a $15.0 million letter of credit sublimit, which amount can be increased or decreased under certain circumstances and is subject to certain financial covenants. In addition, the Credit Agreement provides for the ability to incur uncommitted term loan facilities if, among other things, the Senior Net Leverage Ratio (as defined in the Credit Agreement), calculated giving pro forma effect to the requested term loan facility, is no greater than 3.50 to 1.00. Borrowings pursuant to the Credit Agreement may be used for working capital and other general corporate purposes, including acquisitions permitted under the Credit Agreement. The Credit Agreement contains certain customary representations and warranties and affirmative and negative covenants. The Credit Agreement has established priority for the lenders party over all assets of the Company.

The interest rates applicable to revolving credit loans under the Credit Agreement are at the Company's option. The Company pays an unused commitment fee during the term of the Credit Agreement ranging from 0.20% to 0.30% per annum based on the Senior Secured Net Leverage Ratio. Borrowings under the Credit Agreement are scheduled to mature on March 11, 2024.

The Company had no outstanding revolving credit loan balance under the Credit Agreement as of December 31, 2021 and 2020. The Company was in compliance with all applicable covenants as of December 31, 2021.

The Company incurred total debt issuance costs of $0.8 million in connection with the Credit Agreement, which the net balance is included in other non-current assets on the accompanying consolidated balance sheets as of December 31, 2021 and 2020. These costs are being amortized to interest expense over the life of the Credit Agreement on a straight-line basis. Amortization of debt issuance costs for the years ended December 31, 2021, 2020 and 2019 were $0.2 million, $0.2 million and $0.1 million, respectively, and were recorded in interest expense on the accompanying consolidated statements of operations.

10. Convertible Senior Notes and Capped Call Transactions

In September 2019, the Company issued and sold $400.0 million aggregate principal amount of 0.125% Convertible Senior Notes due 2024 in a private offering (the "Offering") to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The net proceeds from the Offering were approximately $391.2 million, after deducting discounts and commissions and other fees and expenses payable by the Company in connection with the Offering. The Company used $37.1 million of the net proceeds from the Offering to pay the cost of the privately negotiated capped call transactions (the "Capped Call Transactions") it entered into with the initial purchasers of the Notes or their respective affiliates and another financial institution.

The Notes were issued pursuant to an indenture (the "Indenture"), by and between the Company and U.S. Bank National Association, as trustee. The Notes are senior unsecured obligations of the Company and will mature on September 15, 2024, unless earlier redeemed, repurchased or converted. The Notes bear interest at a fixed rate of 0.125% per year payable semiannually in arrears on March 15 and September 15 of each year.

The Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding March 15, 2024, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2019 (and only during such calendar quarter), if the last reported sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per $1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of common stock and the conversion rate for the Notes on each such trading day;
- if the Company calls any or all of the Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; and
- upon the occurrence of specified corporate events as set forth in the Indenture.

On or after March 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture. It is the Company's current intent to settle the principal amount of the Notes with cash. The Notes are convertible at an initial conversion rate of approximately 35.1849 shares of common stock per $1,000 principal amount of the Notes, which is equivalent to an initial conversion price of approximately $28.42 per share of common stock, subject to adjustment upon the occurrence of specified events in accordance with the terms of the Indenture.

In addition, following certain corporate events that occur prior to the maturity date or if the Company delivers a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a corporate event or notice of redemption, as the case may be. For example, upon the occurrence of a make-whole fundamental change, as defined in the Indenture, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change or during the relevant redemption period.

The Company may not redeem the Notes prior to September 20, 2022. The Company may redeem for cash all or any portion of the Notes, at its option, on or after September 20, 2022, if the last reported sale price of common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes, which means that the Company is not required to redeem or retire the Notes periodically.

If the Company undergoes a fundamental change (as defined in the Indenture), holders may require the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Indenture includes customary covenants and sets forth certain events of default after which the Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company after which the Notes become automatically due and payable. The Company was in compliance with all applicable covenants as of December 31, 2021.

For at least 20 trading days during the period of 30 consecutive trading days ended September 30, 2020, the last reported sale price of the Company's common stock was equal to or exceeded 130% of the conversion price of the Notes on each applicable trading day. This conversion trigger has been met each quarter since then, including the quarter ended December 31, 2021. As a result, the Notes continue to be convertible at the option of the holders during the fiscal quarter ended December 31, 2021 and remained classified as current liabilities on the consolidated balance sheet as of December 31, 2021.

During the year ended December 31, 2021, upon the request of certain holders, the Company settled the conversion of the $10.2 million in aggregate principal amount of the Notes (the "2021 Converted Notes") with cash and settled all other amounts owed to the respective holders through the issuance of 181,629 shares of the Company's common stock with an aggregate fair value of approximately $10.1 million. The Company recognized an immaterial amount related to the acceleration of unamortized debt issuance costs related to these early note conversions, which was recorded in interest expense on the accompanying consolidated statements of operations. As of the date of this filing, no other holders of the Notes have submitted requests for conversion.

Transaction costs related to the issuance of the Notes were $8.8 million and are being amortized to interest expense at an effective interest method rate of 0.57% over the term of the Notes.

As of December 31, 2021, the Notes have a remaining life of 33 months.

The net carrying amount of the liability and equity components of the Notes for the periods presented is as follows:

	As of	
	December 31, 2021	December 31, 2020
	(In thousands)	
Liability component		
Principal	$ 389,840	$ 400,000
Unamortized discount [1]	—	(68,270)
Unamortized issuance costs [1]	(4,668)	(5,058)
Net carrying amount	$ 385,172	$ 326,672
Equity component, net of issuance costs [1]	$ —	$ 86,764

(1) See Note 1 “Description of Business and Summary of Significant Accounting Policies” for more information regarding the effect of adoption of ASU 2020-06.

The interest expense recognized related to the Notes for the periods presented is as follows:

	Year Ended	
	December 31, 2021	December 31, 2020
	(In thousands)	
Contractual interest expense	$ 484	$ 664
Amortization of debt discount (1)	—	16,272
Amortization of debt issuance costs (2)	1,872	1,349
Total	$ 2,356	$ 18,285

(1) See Note 1 “Description of Business and Summary of Significant Accounting Policies” for more information regarding the effect of adoption of ASU 2020-06.

(2) Amortization of debt issuance costs includes the acceleration of unamortized debt issuance costs related to the partial conversion of the Notes.

As of December 31, 2021, the total estimated fair value of the Notes was $692.7 million. The fair value was determined based on the closing trading price per $100 of the Notes as of the last day of trading for the period. The fair value of the Notes is considered Level 2 within the fair value hierarchy and was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, such as the quoted price of the Notes in an over-the-counter market.

Capped Call Transactions

In September 2019, in connection with the pricing of the Notes and in connection with the initial purchasers’ exercise in full of their option to purchase additional Notes, the Company entered into privately negotiated Capped Call Transactions with the initial purchasers or their respective affiliates and another financial institution. The Capped Call Transactions are generally expected to reduce potential dilution to common stock upon any conversion of the Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. The Capped Call Transactions have an initial strike price of $28.42 per share, which corresponds to the initial conversion price of the Notes and is subject to certain adjustments, and an initial cap price of $41.34 per share, which is subject to certain adjustments. For accounting purposes, the Capped Call Transactions are separate transactions and not part of the terms of the Notes. As the Capped Call Transactions are considered indexed to our own stock and are considered equity classified, they are recorded in stockholders’ equity and are not accounted for as derivatives. The cost of $37.1 million incurred in connection with the Capped Call Transactions was recorded as a reduction to additional paid in capital.

The Capped Call Transactions initially covered, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, approximately 14.1 million shares of common stock. In connection with the settlement of the 2021 Converted Notes during the year ended December 31, 2021, the Company terminated a pro rata amount of the Capped Call Transactions pursuant to the terms thereof. As a result of this pro rata termination, the Company received 37,301 shares of its common stock with an aggregate value of approximately $1.9 million based on the trading price of our common stock at that time. As of December 31, 2021, the Capped Call Transactions cover, subject to anti-dilution adjustments, 13.7 million shares of our common stock.

11. Related Party Transactions

The Company did not have any related party balances or incur any material related party transactions as of and during the years ended December 31, 2021, 2020 and 2019.

12. Stockholders' Equity

In November 2017, the board of directors and stockholders approved the Amended and Restated Certificate of Incorporation to increase the authorized capital stock to 310 million shares, consisting of 300 million shares of common stock and 10 million shares of preferred stock, each with par value of $0.0001 per share.

Common Stock

The Company's Amended and Restated Certificate of Incorporation authorizes issuance of 300 million shares of common stock with a par value of $0.0001 per share. The common stock confers upon its holders the right to participate in the general meetings of the Company, to vote at such meetings (each share represents one vote), to elect board members and to participate in any distribution of dividends, payments of the Company's debts, other payments required by law, or other property and amounts payable upon shares of preferred stock, including the distribution of surplus assets upon liquidation equally on a per share basis. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future.

Preferred Stock

The company is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue up to an aggregate of 10 million shares of preferred stock, in one or more series, each series to have such rights, preferences and limitations, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences as determined by the board of directors. As of December 31, 2021, the Company does not have any shares of preferred stock outstanding and currently has no plans to issue shares of preferred stock.

13. Stock-Based Compensation

2015 Stock Option Plans

In 2015, the Company adopted (i) the Amended and Restated 2015 Stock Option and Grant Plan and (ii) the 2015 Stock Incentive Plan (together the "2015 Stock Option Plans") under which it may grant incentive stock options ("ISOs"), nonqualified stock options for the right to purchase shares of common stock and restricted stock units ("RSUs"). The 2015 Stock Option Plans reserve 5.0 million shares of common stock for issuance pursuant to ISOs, 0.5 million shares of common stock for issuance pursuant to RSUs and 0.25 million shares of common stock for issuance under the 2015 Stock Incentive Plan. Under the 2015 Stock Option Plan, ISOs may not be granted at less than fair market value on the date of the grant and generally vest over a four-year period based on continued service. Options generally expire ten years after the grant date.

As of December 31, 2021, 0.7 million shares were available for issuance under the 2015 Stock Option Plans, including approximately 36 thousand shares available for issuance under the 2015 Stock Incentive Plan. The Company currently uses authorized and unissued shares to satisfy share award exercises.

2017 Long Term Incentive Plan

In November 2017, the Company's Board of Directors (the "Board") adopted the 2017 Long Term Incentive Plan (the "2017 Plan") under which it may grant stock options to purchase shares of common stock and RSUs. As of December 31, 2021, the Company had reserved 22.1 million shares of common stock available for issuance under the 2017 Plan to employees,

directors, officers and consultants of the Company and its subsidiaries. The number of shares of common stock available for issuance under the 2017 Plan will be increased on each January 1 hereafter by 4.4 million shares of common stock. Options and RSUs granted under the 2017 Plan generally vest over terms of one to four years based on continued service and generally expire ten years after the grant date. Common stock subject to an award that expires or is canceled, forfeited, exchanged, settled in cash or otherwise terminated without delivery of shares, and shares withheld or surrendered to pay the exercise price of, or to satisfy the withholding obligations with respect to an award, will become available for future grants under the 2017 Plan.

As of December 31, 2021, 13.5 million shares were available for issuance under the 2017 Plan. The Company currently uses authorized and unissued shares to satisfy share award exercises.

The fair value for the Company's stock options granted and Employee Stock Purchase Plan ("ESPP") purchase rights, as discussed further below, during the periods presented were estimated at grant date using a Black-Scholes option-pricing model using the following weighted average assumptions:

	December 31, 2021	December 31, 2020	December 31, 2019
Stock Options			
Expected dividend rate	—%	—%	—%
Expected volatility	47.3%- 50.8%	50.0% - 56.2%	38.8% - 46.0%
Risk-free interest rate	0.80% - 1.14%	0.36% - 1.53%	1.39% - 2.59%
Expected term (in years)	6.25	6.25	6.25
ESPP			
Expected dividend rate	—%	—%	—%
Expected volatility	47.9% - 50.8%	48.1% - 56.2%	39.8% - 48.1%
Risk-free interest rate	0.04% - 0.09%	0.10% - 1.57%	1.62% - 2.44%
Expected term (in years)	0.50	0.50	0.42 0.50

Stock Options

The following table summarizes stock option activity for the periods presented:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(Per share)	(Years)	(In thousands)
Balances at December 31, 2018	2,817	$ 6.64	8.0	$ 47,589
Granted	1,068	$ 26.63		
Exercised	(730)	$ 4.18		
Forfeited	(369)	$ 16.31		
Balances at December 31, 2019	2,786	$ 13.67	7.7	$ 31,489
Options vested and expected to vest at December 31, 2019	2,786	$ 13.67	7.7	$ 31,489
Options vested and exercisable at December 31, 2019	1,143	$ 6.17	6.4	$ 19,964
Balances at December 31, 2019	2,786	$ 13.67	7.7	$ 31,489
Granted	617	$ 25.30		
Exercised	(763)	$ 7.82		
Forfeited	(236)	$ 20.35		
Balances at December 31, 2020	2,404	$ 17.85	7.7	$ 85,064
Options vested and expected to vest at December 31, 2020	2,404	$ 17.85	7.7	$ 85,064
Options vested and exercisable at December 31, 2020	1,064	$ 12.00	6.7	$ 43,889
Balance at December 31, 2020	2,404	$ 17.85	7.7	$ 85,064
Granted	304	$ 60.57		
Exercised	(609)	$ 12.50		
Forfeited	(198)	$ 26.39		
Balances at December 31, 2021	1,901	$ 25.52	7.0	$ 46,895
Options vested and expected to vest at December 31, 2021	1,901	$ 25.52	7.0	$ 46,895
Options vested and exercisable at December 31, 2021	1,097	$ 16.70	6.2	$ 34,711

The following table summarizes the status of the Company's non-vested stock options for the periods presented:

	Number of Shares	Weighted Average Grant Date Fair Value
	(In thousands)	(Per share)
Non-vested at December 31, 2018	1,728	$ 5.47
Granted	1,068	$ 11.36
Vested	(781)	$ 5.35
Forfeited	(370)	$ 7.60
Non-vested at December 31, 2019	1,645	$ 8.88
Granted	617	$ 13.44
Vested	(686)	$ 8.36
Forfeited	(236)	$ 9.44
Non-vested at December 31, 2020	1,340	$ 11.17
Granted	304	$ 29.51
Vested	(642)	$ 10.54
Forfeited	(198)	$ 12.90
Non-vested at December 31, 2021	804	$ 18.18

The Company expects all outstanding stock options at December 31, 2021 to fully vest. The total fair value of shares vested during the years ended December 31, 2021, 2020 and 2019 was $6.8 million, $5.7 million and $4.2 million, respectively.

The total unrecognized compensation expense related to non-vested stock options granted is $12.5 million and is expected to be recognized over a weighted average period of 2.2 years as of December 31, 2021.

Incentive Unit Plan

In 2014 and 2015, the Company granted shares of the Company's common stock (the "incentive units") to certain members of management pursuant to restricted stock agreements.

The incentive units were granted with an exercise price equal to the fair market value on the date of grant, are subject to vesting, and if exercised in advance of vesting were subject to the Company's right to repurchase until vested.

The Company did not grant any additional incentive units during the years ended December 31, 2021, 2020 or 2019. During the year ended December 31, 2019, all of the remaining 0.7 million incentive units were vested with a weighted average grant date fair value of $0.05 per share. Therefore, as of December 31, 2021, there is no further unrecognized compensation expense or intrinsic value related to non-vested incentive units.

Restricted Stock Units

The following provides a summary of the RSU activity for the Company for the periods presented:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(Per share)	(Years)	(In thousands)
Balances at December 31, 2018	1,148	$ 15.40	1.8	$ 26,967
Granted	1,363	$ 27.22		
Vested	(336)	$ 15.94		
Forfeited	(294)	$ 20.47		
Balances at December 31, 2019	1,881	$ 23.08	1.6	$ 44,386
Units expected to vest at December 31, 2019	1,881	$ 23.08	1.6	$ 44,386
Balances at December 31, 2019	1,881	$ 23.08	1.6	$ 44,386
Granted	2,113	$ 24.13		
Vested	(589)	$ 22.26		
Forfeited	(270)	$ 23.63		
Balances at December 31, 2020	3,135	$ 23.90	1.4	$ 166,927
Units expected to vest at December 31, 2020	3,135	$ 23.90	1.4	$ 166,927
Balances at December 31, 2020	3,135	$ 23.90	1.4	$ 166,927
Granted	2,544	$ 53.47		
Vested	(1,467)	$ 27.71		
Forfeited	(581)	$ 35.84		
Balances at December 31, 2021	3,631	$ 41.17	1.4	$ 175,508
Units expected to vest at December 31, 2021	3,631	$ 41.17	1.4	$ 175,508

The Company expects all outstanding RSUs to fully vest. The total unrecognized compensation expense related to RSUs was $132.6 million as of December 31, 2021 and is expected to be recognized over a weighted average period of2.7 years.

Employee Stock Purchase Plan

The Company initially reserved 1.8 million shares of common stock for issuance under the ESPP. The number of shares available for issuance under the ESPP will increases each January 1 by 0.9 million shares of common stock. The ESPP will continue in effect unless terminated prior thereto by the Company's Board or Compensation Committee, each of which has the right to terminate the ESPP at any time.

As of December 31, 2021, 3.2 million shares were available for issuance under the ESPP. During the years ended December 31, 2021, 2020 and 2019, approximately 0.3 million, 0.4 million and 0.4 million shares of common stock have been purchased or distributed pursuant to the ESPP, respectively.

A summary of the Company's stock-based compensation expense, which includes stock options, incentive units, RSUs and the ESPP, is presented below:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Stock options	$ 6,544	$ 5,725	$ 4,958
Incentive units	—	—	351
RSUs	41,690	20,819	11,213
ESPP	3,523	2,513	2,192
Total stock-based compensation expense	$ 51,757	$ 29,057	$ 18,714

A summary of the Company's stock-based compensation expense as recognized on the consolidated statements of operations is presented below:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Cost of revenue - subscription	$ 3,688	$ 1,758	$ 1,142
Cost of revenue - services and other	3,733	1,963	1,379
Research and development	12,827	6,282	3,517
General and administrative	10,563	6,802	5,990
Sales and marketing	20,946	12,252	6,686
Total stock-based compensation expense	$ 51,757	$ 29,057	$ 18,714

14. Balance Sheet Related Items

Property and Equipment, Net

The cost and accumulated depreciation of property and equipment are as follows:

	As of December 31,	
	2021	2020
	(In thousands)	
Computer equipment	$ 15,431	$ 12,691
Furniture and fixtures	4,626	4,392
Leasehold improvements	14,948	14,761
Other	1,583	1,534
Total property and equipment	$ 36,588	$ 33,378
Less: accumulated depreciation	(19,437)	(13,935)
Total property and equipment, net	$ 17,151	$ 19,443

Depreciation expense was $6.4 million, $5.7 million and $5.0 million for the years ended December 31, 2021, 2020 and 2019, respectively. There were no impairments of our property and equipment for the years ended December 31, 2021, 2020 and 2019.

Prepayments and Other Current Assets and Other Non-Current Assets

Prepayments and other current assets and other non-current assets include the balance of contract assets, prepaid expenses, and other assets. The current portion of these assets is included in prepayments and other current assets and the non-current portion is included in other non-current assets, both of which are contained within the accompanying consolidated balance sheets.

Prepayments and other current assets consisted of the following:

	As of December 31,	
	2021	2020
	(In thousands)	
Contract assets	31,640	10,679
Prepaid expenses	13,746	12,411
Other	4,060	2,814
Total prepayments and other current assets	$ 49,446	$ 25,904

Other non-current assets consisted of the following:

	As of December 31,	
	2021	2020
	(In thousands)	
Contract assets	16,991	14,225
Prepaid expenses	597	132
Other	386	659
Total other non-current assets	$ 17,974	$ 15,016

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

	As of December 31,	
	2021	2020
	(In thousands)	
Commissions	$ 27,578	$ 15,169
Bonus	24,753	20,525
Operating lease liabilities - current	4,795	4,435
Payroll and related benefits	10,505	6,163
Indemnification holdbacks	—	2,500
Other	22,341	10,668
Total accrued expenses and other liabilities	$ 89,972	$ 59,460

15. Income Taxes

Income Taxes

Provision for income taxes consists of U.S. and state income taxes and income taxes in certain foreign jurisdictions in which the Company conducts business.

The following table presents consolidated loss before income taxes:

	Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Domestic	$ (64,507)	$ (15,159)	$ (11,289)
Foreign	3,059	(524)	(1,799)
Total loss before income taxes	$ (61,448)	$ (15,683)	$ (13,088)

The provision expense (benefit) for income taxes consisted of the following:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Current			
Federal	$ —	$ —	$ —
State	116	399	845
Foreign	3,417	1,999	1,820
Total current	3,533	2,398	2,665
Deferred			
Federal	(2,488)	(6,242)	(5,731)
State	(932)	(940)	(1,354)
Foreign	73	(136)	(168)
Total deferred	(3,347)	(7,318)	(7,253)
Provision expense (benefit) for income taxes	$ 186	$ (4,920)	$ (4,588)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes are as follows:

	As of December 31,	
	2021	2020
	(In thousands)	
Deferred tax assets:		
Research and development and other credits	$ 18,099	$ 12,346
Net operating loss carryforward	39,998	10,370
Disallowed interest carryforward	2,262	—
Deferred revenue	15,225	11,574
Stock compensation	5,687	4,959
Operating lease liabilities	8,102	9,170
Accrued expenses	5,684	5,094
Convertible debt premium	4,905	6,878
Other	209	187
Total deferred tax assets	100,171	60,578
Less valuation allowance for deferred tax assets	(47,321)	(7,435)
Net deferred tax asset	52,850	53,143
Deferred tax liabilities:		
Depreciable and amortizable assets	(3,096)	(3,471)
Operating lease ROU assets	(5,723)	(6,601)
Prepaid expenses	(23,120)	(13,331)
Convertible senior notes	—	(16,405)
Intangibles	(16,864)	(14,664)
Total deferred tax liabilities	(48,803)	(54,472)
Net deferred tax asset (liability)	$ 4,047	$ (1,329)

As of December 31, 2021, the Company has federal, state and foreign net operating loss carryforwards of $138.0 million, $81.2 million and $21.7 million, respectively. Approximately $12.6 million of the federal net operating loss carryforwards will begin to expire in 2033 and $125.4 million do not expire. The state net operating loss carryforwards will begin to expire in 2029, if not utilized. The foreign net operating losses do not expire.

As of December 31, 2021, the Company has federal and state research and development credit carryforwards of $15.6 million and $4.7 million, respectively. The federal and state research and development credits will begin to expire in 2025 and 2034, respectively, if not utilized.

The use of certain loss and credit carryforwards is subject to an annual limitation, which may cause them to expire unused. Management has determined that the annual limitation will result in the expiration of approximately $13.2 million and $0.8 million of net operating losses and research and development carryforwards, respectively.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's ability to realize its deferred tax assets, in each jurisdiction, is dependent upon the generation of future taxable income. The Company has a valuation allowance of $47.3 million and $7.4 million as of December 31, 2021 and 2020, respectively, related to loss and credit carryforwards. The increase in valuation allowance is primarily due to acquiring and generating net operating loss carryforwards and the decrease in objectively verifiable future taxable income for convertible senior notes upon early adoption of ASU 2020-06.

The following table reconciles the Company’s effective tax rate to the federal statutory tax rate:

	Year Ended December 31,		
	2021	2020	2019
U.S. federal taxes at statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	5.0	5.4	4.1
Foreign tax rate differentials	(0.4)	(1.0)	(0.8)
Foreign tax on earnings	(1.7)	(4.4)	(5.2)
Research and development credits	7.8	19.4	14.4
Nondeductible officer compensation	(3.5)	(0.5)	(0.9)
Stock-based compensation	13.6	11.5	16.9
Change in valuation allowance	(38.7)	(16.3)	(11.3)
Other	(3.4)	(3.7)	(3.1)
Total	(0.3)%	31.4 %	35.1 %

The reconciliation of unrecognized tax benefits is as follows:

	Year Ended Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Beginning Balance	$ 2,506	$ 2,307	$ 2,287
Additions based on tax positions related to prior year	—	31	—
Reductions based on tax positions related to prior year	(1,078)	(229)	(204)
Additions based on tax positions related to current year	1,025	397	224
Ending Balance	$ 2,453	$ 2,506	$ 2,307

Included in the balance of unrecognized tax benefits as of December 31, 2021, 2020 and 2019 is $0.8 million, $2.5 million and $2.3 million, respectively, of tax benefits that, if recognized, would affect the Company's effective tax rate.

The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the years ended December 31, 2021, 2020 and 2019 the Company did not record any material interest or penalties.

The Company files income tax returns in the U.S. federal, states, and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years before 2018 and is no longer subject to state, local and foreign income tax examinations by tax authorities for years before 2015. The Company is currently under audit for income tax in a single foreign jurisdiction. The audit is ongoing and is not expected to materially impact the consolidated financial statements.

The global intangible low-taxed income (“GILTI”) provisions will be applied providing an incremental tax on low taxed foreign income. The GILTI provisions require us to include in our U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. For the years ended December 31, 2021 and 2020, the

Company determined it was in an aggregated net loss position with respect to its controlled foreign corporations. Thus, there is no GILTI tax liability as of December 31, 2021 or 2020.

16. Net Loss Per Share Attributable to Common Stockholders

Basic and diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using our weighted average outstanding common shares including the dilutive effect of stock awards and shares related to the Notes. In periods when the Company recognizes a net loss, the Company excludes the impact of outstanding stock awards and shares related to the Notes from the diluted loss per share calculation as their inclusion would have an anti-dilutive effect.

The following table sets forth the calculation of basic and diluted net loss per share for the periods presented:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share data)		
Numerator			
Net loss	$ (61,634)	$ (10,763)	$ (8,500)
Net loss available to common stockholders	$ (61,634)	$ (10,763)	$ (8,500)
Denominator			
Weighted average shares outstanding			
Basic	92,664	90,512	88,907
Diluted	92,664	90,512	88,907
Net loss attributable to common stockholders per share			
Basic	$ (0.67)	$ (0.12)	$ (0.10)
Diluted	$ (0.67)	$ (0.12)	$ (0.10)

The following weighted average outstanding shares of common stock equivalents were excluded from the computation of the diluted net loss per share attributable to common stockholders for the periods presented because their effect would have been anti-dilutive:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Stock options to purchase common stock	2,245	2,738	3,037
RSUs issued and outstanding	3,536	3,027	1,899
ESPP	84	115	15
Convertible senior notes	10,182	1,311	—
Total	16,047	7,191	4,951

As we expect to settle the principal amount of the Notes in cash and any excess in shares of the Company's common stock, the Company uses the if-converted method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The conversion spread of approximately 13.7 million shares will have a dilutive impact on diluted net income per share of common stock when the average market price of our common stock for a given period exceeds the conversion price of $28.42 per share.

The denominator for diluted net income per share does not include any effect from the Capped Call Transactions the Company entered into concurrently with the issuance of the Notes as this effect would be anti-dilutive. In the event of conversion, if shares are delivered to the Company under the capped call, they will offset the dilutive effect of the shares that the Company would issue under the Notes.

17. Geographic Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. Our chief operating decision makers allocate resources and assess performance based on financial information presented at a consolidated level. Accordingly, the Company determined that we operate as one reportable segment.

The following is a summary of consolidated revenues within geographic areas for the periods presented:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
United States	$ 302,524	$ 263,332	$ 204,500
EMEA [1]	80,838	62,249	54,315
Rest of the World [1]	55,592	39,673	29,700
Total revenue	$ 438,954	$ 365,254	$ 288,515

(1) No single country outside of the United states represented more than 10% of our revenue.

18. Employee Benefit Plans

The Company has established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). The 401(k) Plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a percentage of their annual compensation as defined in the 401(k) Plan. The Company matches portions of employees' voluntary contributions. Additional employer contributions in the form of profit sharing may also be made at the Company's discretion. The Company recorded expense of $2.2 million for matching contributions to the 401(k) Plan for the year ended December 31, 2021.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive officer ("PEO") and principal financial officer ("PFO"), to allow timely decisions regarding disclosure. Our management, with the participation of our PEO and PFO, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021 and, based on such evaluation, our PEO and PFO have concluded that our disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

In connection with the preparation of this Annual Report, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on such assessment, our management concluded that, as of December 31, 2021, our internal control over financial reporting was effective based on those criteria.

Grant Thornton LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting. This report is included within Part II, Item 8 of this Annual Report under the heading "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(d) and 15d-15(d) during the quarter ended December 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this item will be included in our definitive proxy statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

Item 11. Executive Compensation

The information called for by this item will be included in our definitive proxy statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this item will be included in our definitive proxy statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this item will be included in our definitive proxy statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information called for by this item will be included in our definitive proxy statement with respect to our 2022 Annual Meeting of Stockholders to be filed with the SEC and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report:

1. Financial Statements

Our consolidated financial statements are listed in the “Index to Consolidated Financial Statements” under Part II, Item 8 of this Annual Report.

2. Financial Statement Schedules

All schedules have been omitted as the required information is either included in the consolidated financial statements or notes thereto, or not required, or not applicable.

3. See Item 15(b)

(b) Exhibits:

Exhibit Number	Description
2.1***	Agreement and Plan of Merger, by and among SailPoint Technologies, Inc., Whaler Merger Sub, Inc., Orkus, Inc., and Aspect Ventures II, L.P., dated as of October 7, 2019 (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K, filed with the SEC on October 16, 2019).
2.2***	Agreement and Plan of Merger, by and among SailPoint Technologies, Inc., Osprey Merger Sub, Inc., Overwatch.ID, Inc., and Shareholder Representative Services LLC, dated as of October 10, 2019 (incorporated by reference to Exhibit 2.2 to the Company’s Current Report on Form 8-K, filed with the SEC on October 16, 2019).
3.1	Third Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017).
3.2	Second Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017).
4.1	Form of common stock certificate of the Company (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
4.2	Indenture, dated as of September 24, 2019, between SailPoint Technologies Holdings, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 25, 2019).
4.3	Form of 0.125% Convertible Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 25, 2019).
4.4	Description of Securities of the Company (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019).
10.1	Lease, dated October 2, 2017, by and between BDN Four Points Land LP and SailPoint Technologies, Inc. (incorporated by reference to Exhibit 10.24 to the Company’s Registration Statement on Form S-1, filed with the SEC on October 20, 2017).
10.2+	Form of Indemnification Agreement between the Company and each of its directors and executive officers (incorporated by reference to Exhibit 10.3 to the Company’s Registration Statement on Form S-1, filed with the SEC on October 20, 2017).
10.3+	SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan. (incorporated by reference to Exhibit 10.10 to the Company’s Registration Statement on Form S-1, filed with the SEC on May 21, 2018).
10.4+	Form of Notice of Grant of Stock Option under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 2 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 6, 2017).

Exhibit Number	Description
10.5+	Form of Stock Option Agreement under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.8 the Company's Annual Report on Form 10-K for the year ended December 31, 2018).
10.6+	Form of Notice of Stock Option Exercise under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.8 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.7+	Form of Notice of Grant of Restricted Stock Units under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.8+	Form of Restricted Stock Unit Agreement under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.11 the Company's Annual Report on Form 10-K for the year ended December 31, 2018).
10.9+	Amended and Restated Senior Management and Restricted Stock Agreement, dated November 5, 2017, by and among SailPoint Technologies Holdings, Inc., SailPoint Technologies, Inc. and Mark McClain (incorporated by reference to Exhibit 10.12 to Amendment No. 3 to the Company's Registration Statement on Form S-1, filed with the SEC on November 14, 2017).
10.10+	Amendment No. 1 to Amended and Restated Senior Management and Restricted Stock Agreement, dated as of April 2, 2019, by and among the Company, SailPoint Technologies, Inc. and Mark McClain (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.11+	Form of Amended and Restated Restricted Stock Agreement by and among SailPoint Technologies Holdings, Inc. and [Purchaser] (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017).
10.12+	Form of Early Exercise Incentive Stock Option Agreement under the SailPoint Technologies, Holdings, Inc. Amended and Restated 2015 Stock Option Plan (incorporated by reference to Exhibit 10.17 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.13+	SailPoint Technologies Holdings, Inc. Amended and Restated 2015 Stock Option and Grant Plan (incorporated by reference to Exhibit 10.19 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.14+	Form of Non-qualified Stock Option Agreement under the SailPoint Technologies Holdings, Inc. 2015 Stock Option and Grant Plan (Time and Performance Vesting) (incorporated by reference to Exhibit 10.20 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.15+	Form of Non-qualified Stock Option Agreement under the SailPoint Technologies Holdings, Inc. 2015 Stock Option and Grant Plan (Time-Based Vesting) (incorporated by reference to Exhibit 10.25 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.16+	Form of Incentive Stock Option Agreement under the SailPoint Technologies Holdings, Inc. 2015 Stock Option and Grant Plan (Time and Performance Vesting) (incorporated by reference to Exhibit 10.26 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.17+	Form of Incentive Stock Option Agreement under the SailPoint Technologies Holdings, Inc. 2015 Stock Option and Grant Plan (Time-Based Vesting) (incorporated by reference to Exhibit 10.27 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.18+	Form of Restricted Stock Agreement under the SailPoint Technologies Holdings, Inc. 2015 Stock Option and Grant Plan (Time-Based Vesting) (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.19+	SailPoint Technologies Holdings, Inc. 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.30 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).

Exhibit Number	Description
10.20+	Form of Notice of Option Grant under the SailPoint Technologies Holdings, Inc. 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.21+	Form of Notice of Grant of Restricted Share Units under the SailPoint Technologies Holdings, Inc. 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018).
10.22+	Form of Restricted Share Unit Agreement under the SailPoint Technologies Holdings, Inc. 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018).
10.23+	SailPoint Technologies Holdings, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020).
10.24+	Form of Notice of Grant of Restricted Stock Units (Non-Employee Directors) under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.35 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.25+	Form of Restricted Stock Unit Agreement (Non-Employee Directors) under the SailPoint Technologies Holdings, Inc. 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.36 to Amendment No. 2 to the Company's Registration Statement on Form S-1, filed with the SEC on November 6, 2017).
10.26+*	Summary of Non-Employee Director Compensation.
10.27+*	SailPoint Technologies Holdings, Inc. Severance Pay Plan, dated November 6, 2018.
10.28	Credit Agreement, dated as of March 11, 2019, among the Company, SailPoint Technologies, Inc., the other loan parties party thereto, the lenders party thereto, Citibank, N.A., as administrative agent, sole lead arranger and sole bookrunner, and Royal Bank of Canada and Bank of America, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 15, 2019).
10.29	Amendment No. 1 to Credit Agreement, dated as of September 18, 2019, among the Company, SailPoint Technologies, Inc., the other loan parties party thereto, the lenders party thereto, Citibank, N.A., as administrative agent, and certain lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 18, 2019).
10.30	Form of Capped Call Confirmation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 25, 2019).
10.31+	Form of Confidential Separation Agreement and General Release of Claims, by and between SailPoint Technologies, Inc. and [Officer] (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020).
10.32+	Offer Letter, dated May 3, 2019, by and between SailPoint Technologies, Inc. and Jason Ream (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).
10.33+	Offer Letter, dated August 19, 2019, by and between SailPoint Technologies, Inc. and Matt Mills (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
10.34+*	Offer Letter, dated March 6, 2020, by and between SailPoint Technologies, Inc. and Grady Summers.
10.35+*	Offer Letter, dated February 1, 2017, by and between SailPoint Technologies, Inc. and Chris Schmitt.
10.36+*	Offer Letter, dated August 30, 2021, by and between SailPoint Technologies, Inc. and Cam McMartin.

Exhibit Number	Description
21.1*	List of subsidiaries of the Company.
23.1*	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** Furnished herewith (such certification shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates it by reference).
*** Certain schedules and exhibits have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC on request.
\+ Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		SailPoint Technologies Holdings, Inc.,
Date: February 28, 2022	By:	/s/ Mark McClain
		Mark McClain **Chief Executive Officer and Director**
Date: February 28, 2022	By:	/s/ Cam McMartin
		Cam McMartin **Interim Chief Financial Officer and Director**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Mark McClain **Mark McClain**	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2022
/s/ Cam McMartin **Cam McMartin**	Interim Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	February 28, 2022
/s/ William Gregory Bock **William Gregory Bock**	Director	February 28, 2022
/s/ Ronald J. Green **Ronald J. Green**	Director	February 28, 2022
/s/ Heidi Melin **Heidi Melin**	Director	February 28, 2022
/s/ Tracey E. Newell **Tracey E. Newell**	Director	February 28, 2022
/s/ James Michael Pflaging **James Michael Pflaging**	Director	February 28, 2022
/s/ Sudhakar Ramakrishna **Sudhakar Ramakrishna**	Director	February 28, 2022
/s/ Michael J. Sullivan **Michael J. Sullivan**	Director	February 28, 2022