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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from ____________ to ____________

Commission file number 001-39790

MATTERPORT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**85-1695048**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

352 East Java Drive
Sunnyvale, California 94089
(Address of Principal Executive Offices, including zip code)

(650) 641-2241
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value of $0.0001 per share	**MTTR**	**The Nasdaq Global Market**

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

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

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

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

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

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

The registrant had 322,895,329 shares of Class A common stock outstanding as of November 5, 2024.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Report, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements in this Report are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this document, including the inability to consummate the proposed transaction with CoStar Group, Inc. ("CoStar Group") within the anticipated time period, or at all, due to any reason, including the failure to obtain required regulatory approvals or to satisfy the other conditions to the consummation of the proposed transaction with CoStar Group; the risk that the proposed transaction with CoStar Group disrupts Matterport's current plans and operations or diverts management's attention from its ongoing business; the effects of the proposed transaction with CoStar Group on Matterport's business, operating results, and ability to retain and hire key personnel and maintain relationships with customers, suppliers and others with whom Matterport does business; the risk that Matterport's stock price may decline significantly if the proposed transaction with CoStar Group is not consummated; the nature, cost and outcome of any legal proceedings related to the proposed transaction; our ability to grow market share in our existing markets or any new markets we may enter; our ability to respond to general economic conditions; our ability to manage our growth effectively; our success in retaining or recruiting our officers, key employees or directors, or changes required in the retention or recruitment of our officers, key employees or directors; the impact of the regulatory environment and complexities with compliance related to such environment; our ability to remediate our material weakness, or any other material weakness that we may identify in the future that could result in material misstatements in our financial statements; our ability to achieve and maintain profitability in the future; our ability to access sources of capital; our ability to maintain and enhance our products and brand, and to attract customers; our ability to manage, develop and refine our technology platform; the success of our strategic relationships with third parties; our history of losses and whether we will continue to incur continuing losses for the foreseeable future; our ability to protect and enforce our intellectual property rights; our ability to implement business plans, forecasts, and other expectations and identify and realize additional opportunities; our ability to attract and retain new subscribers; the size of the total addressable market for our products and services; the continued adoption of spatial data; any inability to complete acquisitions and integrate acquired businesses; general economic uncertainty and the effect of general economic conditions in our industry; environmental uncertainties and risks related to adverse weather conditions and natural disasters; the volatility of the market price and liquidity of our Class A common stock, and other securities; the increasingly competitive environment in which we operate; and other factors detailed under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") filed with the Securities and Exchange Commission (the "SEC") on February 27, 2024, and subsequently filed Quarterly Reports on Form 10-Q.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Report will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Part I- Financial Information

Item 1. Financial statements

MATTERPORT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(In thousands, except per share data)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,358	$ 82,902
Restricted cash	95,182	—
Short-term investments	206,818	305,264
Accounts receivable, net of allowance of $1,119 and $1,155, as of September 30, 2024 and December 31, 2023, respectively	14,918	16,925
Inventories	7,582	9,115
Prepaid expenses and other current assets	9,145	8,635
Total current assets	397,003	422,841
Property and equipment, net	30,356	32,471
Operating lease right-of-use assets	226	625
Long-term investments	39,824	34,834
Goodwill	69,593	69,593
Intangible assets, net	7,792	9,120
Other assets	8,129	7,671
Total assets	$ 552,923	$ 577,155
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 7,812	$ 7,586
Deferred revenue	26,885	23,294
Accrued expenses and other current liabilities	108,308	13,354
Total current liabilities	143,005	44,234
Warrants liability	1,185	290
Deferred revenue, non-current	1,969	3,141
Other long-term liabilities	—	206
Total liabilities	146,159	47,871
Commitments and contingencies (Note 7)		
Redeemable convertible preferred stock, $0.0001 par value; 30,000 shares authorized as of September 30, 2024 and December 31, 2023, respectively; nil shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Stockholders' equity:		
Common stock, $0.0001 par value; 640,000 shares authorized as of September 30, 2024 and December 31, 2023, respectively; and 322,880 shares and 310,061 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	32	31
Additional paid-in capital	1,400,614	1,307,324
Accumulated other comprehensive income	707	403
Accumulated deficit	(994,589)	(778,474)
Total stockholders' equity	406,764	529,284
Total liabilities and stockholders' equity	$ 552,923	$ 577,155

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Subscription	$ 25,365	$ 22,878	$ 73,535	$ 63,647
Services	11,085	9,936	31,069	29,324
Product	7,343	7,828	21,277	25,232
Total revenue	43,793	40,642	125,881	118,203
Costs of revenue:				
Subscription	8,236	7,379	24,124	21,576
Services	7,445	6,725	21,748	20,978
Product	6,412	6,641	19,337	23,377
Total costs of revenue	22,093	20,745	65,209	65,931
Gross profit	21,700	19,897	60,672	52,272
Operating expenses:				
Research and development	15,261	15,577	45,521	52,711
Selling, general, and administrative	50,464	53,719	150,069	164,660
Litigation expense	—	—	95,000	—
Total operating expenses	65,725	69,296	290,590	217,371
Loss from operations	(44,025)	(49,399)	(229,918)	(165,099)
Other income (expense):				
Interest income	3,211	1,573	8,098	4,525
Change in fair value of warrants liability	169	513	(895)	564
Other income	2,311	2,669	6,762	5,075
Total other income	5,691	4,755	13,965	10,164
Loss before provision for income taxes	(38,334)	(44,644)	(215,953)	(154,935)
Provision for income taxes	67	110	162	197
Net loss	$ (38,401)	$ (44,754)	$ (216,115)	$ (155,132)
Net loss per share, basic and diluted	$ (0.12)	$ (0.15)	$ (0.68)	$ (0.52)
Weighted-average shares used in per share calculation, basic and diluted	321,151	303,432	317,002	298,226

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net loss	$ (38,401)	$ (44,754)	$ (216,115)	$ (155,132)
Other comprehensive income (loss), net of taxes:				
Unrealized gain on available-for-sale securities, net of tax	1,211	514	304	4,435
Other comprehensive income	$ 1,211	$ 514	$ 304	$ 4,435
Comprehensive loss	$ (37,190)	$ (44,240)	$ (215,811)	$ (150,697)

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, unaudited)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2023	310,061	$ 31	$ 1,307,324	$ 403	$ (778,474)	$ 529,284
Net loss	—	—	—	—	(36,128)	(36,128)
Other comprehensive loss	—	—	—	(619)	—	(619)
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	4,446	—	259	—	—	259
Stock-based compensation	—	—	30,211	—	—	30,211
Balance as of March 31, 2024	314,507	$ 31	$ 1,337,794	$ (216)	$ (814,602)	$ 523,007
Net loss	—	—	—	—	(141,586)	(141,586)
Other comprehensive loss	—	—	—	(288)	—	(288)
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	4,499	1	1,072	—	—	1,073
Stock-based compensation	—	—	30,753	—	—	30,753
Balance as of June 30, 2024	319,006	$ 32	$ 1,369,619	$ (504)	$ (956,188)	$ 412,959
Net loss	—	—	—	—	(38,401)	(38,401)
Other comprehensive income	—	—	—	1,211	—	1,211
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	3,874	—	312	—	—	312
Stock-based compensation	—	—	30,683	—	—	30,683
Balance as of September 30, 2024	322,880	$ 32	$ 1,400,614	$ 707	$ (994,589)	$ 406,764

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2022	290,541	$ 29	$ 1,168,313	$ (5,034)	$ (579,397)	$ 583,911
Net loss	—	—	—	—	(53,842)	(53,842)
Other comprehensive income	—	—	—	2,223	—	2,223
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	4,910	1	356	—	—	357
Issuance of common stock in connection with acquisitions	249	—	3,921	—	—	3,921
Stock-based compensation	—	—	33,510	—	—	33,510
Balance as of March 31, 2023	295,700	$ 30	$ 1,206,100	$ (2,811)	$ (633,239)	$ 570,080
Net loss	—	—	—	—	$ (56,536)	(56,536)
Other comprehensive income	—	—	—	1,698	—	1,698
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	4,871	—	1,509	—	—	1,509
Stock-based compensation	—	—	34,751	—	—	34,751
Balance as of June 30, 2023	300,571	$ 30	$ 1,242,360	$ (1,113)	$ (689,775)	$ 551,502
Net loss	—	—	—	—	$ (44,754)	(44,754)
Other comprehensive income	—	—	—	514	—	514
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	4,875	1	1,113	—	—	1,114
Issuance of common stock in connection with acquisitions	116	—	1,827	—	—	1,827
Stock-based compensation	—	—	29,853	—	—	29,853
Balance as of September 30, 2023	305,562	$ 31	$ 1,275,153	$ (599)	$ (734,529)	$ 540,056

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(In thousands, unaudited)

	Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (216,115)	$ (155,132)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,284	14,130
Accretion of discounts, net of amortization of investment premiums	(7,049)	(5,511)
Stock-based compensation, net of amounts capitalized	84,821	90,674
Cease use of certain leased facilities	—	123
Change in fair value of warrants liability	895	(564)
Deferred income taxes	—	(185)
Allowance for doubtful accounts	525	150
Loss from excess inventory and purchase obligation	—	1,592
Other	(61)	(60)
Changes in operating assets and liabilities, net of effects of businesses acquired:		
Accounts receivable	1,482	3,489
Inventories	1,532	(6,833)
Prepaid expenses and other assets	656	2,491
Accounts payable	226	263
Deferred revenue	2,419	6,527
Accrued expenses and other liabilities	94,750	529
Net cash used in operating activities	(18,635)	(48,317)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(170)	(112)
Capitalized software and development costs	(6,846)	(7,528)
Purchase of investments	(157,522)	(368,119)
Maturities of investments	257,106	388,201
Business acquisitions, net of cash acquired	—	(4,116)
Net cash provided by investing activities	92,568	8,326
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from the sales of shares through employee equity incentive plans	1,644	3,309
Payments for taxes related to net settlement of equity awards	—	(329)
Net cash provided by financing activities	1,644	2,980
Net change in cash, cash equivalents, and restricted cash	75,577	(37,011)
Effect of exchange rate changes on cash	61	25
Cash, cash equivalents, and restricted cash at beginning of year	82,902	117,128
Cash, cash equivalents, and restricted cash at end of period	$ 158,540	$ 80,142
Supplemental disclosures of non-cash investing and financing information		
Common stock issued in connection with acquisition	$ —	$ 5,748

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

MATTERPORT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Matterport, Inc., together with its subsidiaries (“Matterport” or the “Company”), is leading the digitization and datafication of the built world. Matterport’s pioneering technology has set the standard for digitizing, accessing and managing buildings, spaces and places online. Matterport’s platform, comprised of innovative software, spatial data-driven data science, and 3D capture technology has broken down the barriers that have kept the largest asset class in the world, buildings and physical spaces, offline and underutilized for so long. The Company was incorporated in the state of Delaware in 2011. The Company is headquartered at Sunnyvale, California.

On July 22, 2021 (the “Gores Closing Date”), the Company consummated the merger (collectively with the other transactions described in the Gores Merger Agreement, the “Gores Merger”, “Gores Closing”, or “Gores Transactions”) pursuant to an Agreement and Plan of Merger, dated February 7, 2021 (the “Gores Merger Agreement”), by and among the Company (formerly known as Gores Holdings VI, Inc.), the pre-Merger Matterport, Inc. (now known as Matterport Operating, LLC) (“Legacy Matterport”), Maker Merger Sub, Inc. (“Gores First Merger Sub”), a direct, wholly owned subsidiary of the Company, and Maker Merger Sub II, LLC (“Gores Second Merger Sub”), a direct, wholly owned subsidiary of the Company, pursuant to which Gores First Merger Sub merged with and into Legacy Matterport, with Legacy Matterport continuing as the surviving corporation (the “Gores First Merger”), and immediately following the Gores First Merger and as part of the same overall transaction as the Gores First Merger, Legacy Matterport merged with and into Gores Second Merger Sub, with Gores Second Merger Sub continuing as the surviving entity as a wholly owned subsidiary of the Company, under the new name “Matterport Operating, LLC”. Upon the closing of the Gores Merger, we changed our name to Matterport, Inc. Unless the context otherwise requires, the “Company” refers to the combined company and its subsidiaries following the Gores Merger, “Gores” refers to the Company prior to the Gores Merger and “Legacy Matterport” refers to Matterport, Inc. prior to the Gores Merger.

CoStar Group Merger Agreement

On April 21, 2024, the Company entered into an Agreement and Plan of Merger and Reorganization (the “CoStar Group Merger Agreement”) with CoStar Group, Inc., a Delaware corporation (“CoStar Group”), Matrix Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of CoStar Group (“CoStar Group Merger Sub I”), and Matrix Merger Sub II LLC, a Delaware limited liability company and a wholly owned subsidiary of CoStar Group (“CoStar Group Merger Sub II” and, together with CoStar Group Merger Sub I, the “CoStar Group Merger Subs”). Pursuant to the CoStar Group Merger Agreement, CoStar Group Merger Sub I will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of CoStar Group (the “Costar Group First Merger”). Immediately thereafter, subject to the terms of the CoStar Group Merger Agreement and, in certain circumstances, at the discretion of CoStar Group, the Company will merge with and into CoStar Group Merger Sub II, which will survive the merger as a wholly owned subsidiary of CoStar Group (the “CoStar Group Second Merger” and, together with the CoStar Group First Merger, the “CoStar Group Mergers”).

Subject to the terms and conditions set forth in the CoStar Group Merger Agreement, at the effective time of the CoStar Group First Merger (the “First Effective Time”), each share of Class A common stock, par value $0.0001 per share, of the Company (each a “Matterport Share” and collectively, the “Matterport Shares”) issued and outstanding immediately prior to the First Effective Time (other than Matterport Shares held by the Company (including in treasury), CoStar Group or their respective subsidiaries and Matterport Shares that are held by stockholders who have perfected and not withdrawn a demand for appraisal rights pursuant to Delaware law) will be converted into the right to receive (i) $2.75 in cash (the “Per Share Cash Consideration”) plus (ii) a number of shares of CoStar Group common stock, par value $0.01 per share (the “CoStar Group Shares”), equal to the Exchange Ratio (as defined in the CoStar Group Merger Agreement), subject to a right to receive cash in lieu of fractional shares (such cash and shares collectively, the “CoStar Group Merger Consideration”).

The consummation of the CoStar Group Mergers are subject to various conditions, including, among others, (i) the expiration of the applicable waiting period (or extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of other approvals under specified antitrust and foreign investment laws, (ii) absence of any law or order prohibiting the CoStar Group Mergers, (iii) the accuracy of the parties' respective representations and warranties in the CoStar Group Merger Agreement, (iv) compliance and performance by the parties with their respective covenants in the CoStar Group Merger Agreement in all material respects, and (v) the absence of a material adverse effect (as defined in the CoStar Group Merger Agreement) with respect to Matterport or CoStar Group on or after the date of the CoStar Group Merger Agreement.

On July 3, 2024, Matterport and CoStar Group each received a request for additional information and documentary materials (the "Second Request") from the Federal Trade Commission (the "FTC") in connection with the FTC's review of the transaction. The effect of the Second Request is to extend the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), until 30 days after Matterport and CoStar Group have each substantially complied with their respective second requests, unless that period is extended or terminated sooner by the FTC. Each of Matterport and CoStar Group expect to respond promptly to the Second Request and to continue to work cooperatively with the FTC in its review of the transaction. The CoStar Group Mergers, which are expected to be consummated in the fourth quarter of 2024 or the first quarter of 2025, were approved by Matterport stockholders at a special meeting held on July 26, 2024, but remains subject to the receipt of regulatory approvals and other customary closing conditions as described above. If the transaction is consummated, the Common Stock will be delisted from the NASDAQ Global Market and deregistered under the Securities Exchange Act of 1934, as amended.

The CoStar Group Merger Agreement contains termination rights for either or each of CoStar Group and the Company, including if the consummation of the CoStar Group Mergers does not occur on or before January 21, 2025, subject to three extensions of three months if on such date all of the closing conditions except those relating to regulatory approvals have been satisfied or waived. The Merger Agreement requires the CoStar Group to pay an $85 million fee to the Company in the event the Merger Agreement is terminated under specified circumstances, including, among others: if certain antitrust approvals are not obtained or a governmental order related to antitrust or competition matters prohibits the consummation of the transaction.

During the three and nine months ended September 30, 2024, other than CoStar Group Mergers-related expenses incurred, the terms of the CoStar Group Merger Agreement did not materially affect the results reported in our unaudited interim condensed consolidated financial statements. CoStar Group Mergers-related expenses in the three and nine months ended September 30, 2024 were approximately $4.3 million and $12.2 million, respectively, and were primarily included in "Selling, general, and administrative expenses" on our condensed consolidated statement of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in "Note 2 – Summary of Significant Accounting Policies" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which was filed with the SEC on February 27, 2024. There have been no significant changes to these policies during the three and nine months ended September 30, 2024.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the SEC, regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in the Company's 2023 Form 10-K for the fiscal year ended December 31, 2023, which provides a more complete discussion of the Company's accounting policies and certain other information.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of September 30, 2024, and its results of operations for the three and nine months ended September 30, 2024 and 2023, and cash flows for the nine months ended September 30, 2024 and 2023. The condensed consolidated balance sheet as of December 31, 2023, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

Reclassification

Certain prior-period amounts have been reclassified in the accompanying Condensed Consolidated Financial Statements and Notes thereto in order to conform to the current period presentation.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements and accompanying notes. Significant estimates include assumptions used to measure stock-based compensation, fair value of assets acquired and liabilities assumed in business combinations, fair value of identified intangibles, goodwill impairment, valuation of deferred tax assets, the estimate of net realizable value of inventory, allowance for doubtful accounts, the fair value of warrants liability, loss contingencies, and the determination of stand-alone selling price of various performance obligations. As a result, many of the Company's estimates and assumptions require increased judgment and these estimates may change materially in future periods.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and various other factors, including the current economic environment, which management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company adjusts such estimates and assumptions when dictated by facts and circumstances. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the condensed consolidated financial statements in future periods. Actual results may differ materially from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash and cash equivalents include cash on hand and amounts on deposit with financial institutions.

Restricted cash consists of cash deposited as collateral related to a litigation bond in a third-party insured account. Refer to Note 7. Commitments and Contingencies for additional information.

Loss Contingencies and Litigation Expense

The Company is subject to the possibility of losses from various contingencies including certain legal proceedings. Significant judgment is necessary to estimate the probability and amount of a loss, if any, from such contingencies. An accrual is made when it is probable that a liability has been incurred or an asset has been impaired, and the amount of loss can be reasonably estimated. In accounting for the resolution of contingencies, significant judgment may be necessary to estimate amounts pertaining to periods prior to the resolution that are charged to operations in the period of resolution and amounts related to future periods. If only a range of estimated losses can be determined, the Company records an amount within the range that, in its judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, the Company records the low end of the range. Any such accrual would be charged to expense in the appropriate period. The Company recognizes litigation expense in the period in which the litigation services were provided.

Segment Information

The Company has a single operating segment and reportable segment. The Company's chief operating decision-maker ("CODM") is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. Refer to Note 3 for information regarding the Company's revenue by geography. Substantially all of the Company's long-lived assets are located in the United States.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. The Company maintains its cash balances in accounts held by major banks and financial institutions located in the United States. Such bank deposits from time to time may be exposed to credit risk in excess of the Federal Deposit Insurance Corporation insurance limit, and the Company considers such risk to be minimal.

The Company invests only in high-quality credit instruments and maintain our cash and cash equivalents and available-for-sale investments in fixed income securities. Management believes that the financial institutions that hold our investments are financially sound and, accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

The Company's accounts receivable is derived from customers located both inside and outside the United States. The Company mitigates its credit risks by performing ongoing credit evaluations of the financial condition of its customers and requires advance payment from customers in certain circumstances. The Company generally does not require collateral from its customers.

No customer accounted for more than 10% of the Company's total accounts receivable at September 30, 2024 and December 31, 2023. No customer accounted for more than 10% of the Company's total revenue for the three and nine months ended September 30, 2024 and 2023.

Accounting Pronouncements – Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). The amendments in this ASU require disclosures, on an annual and interim basis, of significant segment expenses that are regularly provided to the CODM, as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss, the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss. This ASU will be applied retrospectively and is effective for public entities for annual periods beginning after December 15, 2023 and for interim reporting periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently assessing the impact the guidance will have on the Company's annual financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvement to Income Tax Disclosures ("ASU 2023-09")* to enhance the transparency, effectiveness and decision usefulness of income tax disclosures primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption and retrospective application are permitted. The Company is currently assessing the impact the guidance will have on the Company's financial statements and disclosures.

In November 2024, the FASB issued ASU No.2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("ASU 2024-03")* to require public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating whether this standard will have a material impact on our consolidated financial statements.

3. REVENUE

Disaggregated Revenue—The following table shows the revenue by geography for the three and nine months ended September 30, 2024 and 2023, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
United States	$ 27,729	$ 26,667	$ 81,433	$ 76,130
International	16,064	13,975	44,448	42,073
Total revenue	$ 43,793	$ 40,642	$ 125,881	$ 118,203

No country other than the United States accounted for more than 10% of the Company's revenue for the three and nine months ended September 30, 2024 and 2023, respectively. The geographical revenue information is determined by the ship-to address of the products and the billing address of the customers of the services.

The following table shows over time versus point-in-time revenue for the three and nine months ended September 30, 2024 and 2023, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Over time revenue	$ 36,450	$ 32,786	$ 104,604	$ 92,889
Point-in-time revenue	7,343	7,856	21,277	25,314
Total	$ 43,793	$ 40,642	$ 125,881	$ 118,203

Contract Asset and Liability Balances—Contract assets consist of unbilled accounts receivable and are recorded when revenue is recognized in advance of scheduled billings. Scheduled billings in advance of revenue recognized results in the timing of revenue recognition differing from the timing of invoicing to customers, and this timing difference results in contract liabilities (deferred revenue) on the Company's condensed consolidated balance sheets. The accounts receivable and contract balances as of September 30, 2024 and December 31, 2023 were as follows (in thousands):

	September 30, 2024	December 31, 2023
Accounts receivable, net	$ 12,546	$ 15,094
Unbilled accounts receivable	$ 2,372	$ 1,831
Deferred revenue	$ 28,854	$ 26,435

During the nine months ended September 30, 2024 and 2023, the Company recognized revenue of $21.4 million and $13.3 million that was included in the deferred revenue balance at the beginning of the fiscal year, respectively. Contracted but unsatisfied performance obligations were $73.0 million at the end of September 30, 2024 and consisted of deferred revenue and backlog.

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As of September 30, 2024, the contracted but unsatisfied or partially unsatisfied performance obligations expected to be recognized are as follows (in thousands):

	Amount
Remaining 2024	$ 19,781
2025	33,064
2026	14,739
2027	3,753
2028	1,616
Thereafter	—
Total	$ 72,953

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill—As of September 30, 2024 and December 31, 2023, goodwill was $69.6 million. The Company did not recognize any impairment losses on goodwill during the three and nine months ended September 30, 2024 and 2023, respectively.

Purchased Intangible Assets—The following table presents details of the Company's purchased intangible assets as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Developed technology	$ 5,400	$ (2,955)	$ 2,445	$ 5,400	$ (2,146)	$ 3,254
Customer relationships	6,900	(1,553)	5,347	6,900	(1,034)	5,866
Total	$ 12,300	$ (4,508)	$ 7,792	$ 12,300	$ (3,180)	$ 9,120

The Company recognized amortization expense of $0.4 million and $0.4 million for the three months ended September 30, 2024 and 2023, respectively, and $1.3 million and $1.3 million for the nine months ended September 30, 2024 and 2023, respectively. The Company did not recognize any impairment losses on intangible assets or other long-lived assets during the three and nine months ended September 30, 2024 and 2023, respectively.

The following table summarizes estimated future amortization expense for the Company's intangible assets as of September 30, 2024 (in thousands):

	Amount
Remaining 2024	$ 442
2025	1,770
2026	1,770
2027	705
2028	690
2029 and thereafter	2,415
Total future amortization expense	$ 7,792

5. BALANCE SHEET COMPONENTS

Allowance for Doubtful Accounts—Allowance for doubtful accounts as of September 30, 2024 and 2023 and the rollforward for three and nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance—beginning of period	$ (1,243)	$ (933)	$ (1,155)	$ (1,212)
Increase in reserves	(260)	(101)	(525)	(150)
Write-offs	384	137	561	465
Balance—end of period	$ (1,119)	$ (897)	$ (1,119)	$ (897)

Inventories—Inventories as of September 30, 2024 and December 31, 2023, consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Finished goods	$ 4,865	$ 6,179
Work in process	526	826
Purchased parts and raw materials	2,191	2,110
Total inventories	$ 7,582	$ 9,115

Property and Equipment, Net—Property and equipment as of September 30, 2024 and December 31, 2023, consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Machinery and equipment	$ 4,198	$ 4,087
Furniture and fixtures	376	355
Leasehold improvements	751	713
Capitalized software and development costs	88,794	75,123
Total property and equipment	94,119	80,278
Accumulated depreciation and amortization	(63,763)	(47,807)
Total property and equipment, net	$ 30,356	$ 32,471

Depreciation and amortization expense of property and equipment were $5.5 million and $4.6 million for the three months ended September 30, 2024 and 2023, respectively, and $16.0 million and $12.8 million for the nine months ended September 30, 2024 and 2023, respectively.

Additions to capitalized software and development costs, inclusive of stock-based compensation in the three months ended September 30, 2024 and 2023 were $4.7 million and $4.7 million, respectively. Additions to capitalized software and development costs, inclusive of stock-based compensation in the nine months ended September 30, 2024 and 2023 were $13.7 million and $15.0 million, respectively. These are recorded as part of property and equipment, net on the condensed consolidated balance sheets.

Amortization expense related to capitalized internal-use software development costs was $5.3 million and $4.4 million for three months ended September 30, 2024 and 2023, respectively, of which $4.9 million and $4.0 million was recorded to cost of revenue related to subscription and $0.4 million and $0.4 million to selling, general and administrative in the condensed consolidated statements of operations, respectively. Amortization expense was $15.4 million and $12.2 million for the nine months ended September 30, 2024 and 2023, respectively, of which $14.1 million and $11.2 million was recorded to cost of revenue related to subscription and $1.3 million and $1.0 million to selling, general and administrative in the condensed consolidated statements of operations, respectively.

Accrued Expenses and Other Current Liabilities—Accrued expenses and other current liabilities as of September 30, 2024 and December 31, 2023, consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Accrued compensation	$ 4,748	$ 4,362
Tax payable	733	1,107
ESPP contribution	663	243
Short-term operating lease liabilities	514	1,277
Accrued loss on firm inventory purchase commitments	36	36
Litigation expense	95,000	—
Other current liabilities	6,614	6,329
Total accrued expenses and other current liabilities	$ 108,308	$ 13,354

6. FAIR VALUE MEASUREMENTS

We categorize assets and liabilities recorded or disclosed at fair value on our condensed consolidated balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

Level 1—Inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs require significant management judgment or estimation.

The Company's financial assets and liabilities that were measured at fair value on a recurring basis were as follows (in thousands):

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 43,725	$ —	$ —	$ 43,725
Total cash equivalents	$ 43,725	$ —	$ —	$ 43,725
Short-term investments:				
U.S. government and agency securities	$ 118,150	$ —	$ —	$ 118,150
Non-U.S. government and agency securities	—	9,771	—	9,771
Corporate debt securities	—	78,897	—	78,897
Total short-term investments	$ 118,150	$ 88,668	$ —	$ 206,818
Long-term investments:				
U.S. government and agency securities	$ 14,069	$ —	$ —	$ 14,069
Corporate debt securities	—	25,755	—	25,755
Total long-term investments	$ 14,069	$ 25,755	$ —	$ 39,824
Total assets measured at fair value	$ 175,944	$ 114,423	$ —	$ 290,367
Financial Liabilities:				
Private warrants liability	$ —	$ —	$ 1,185	$ 1,185
Total liabilities measured at fair value	$ —	$ —	$ 1,185	$ 1,185

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	December 31, 2023							
	Level 1		Level 2		Level 3		Total	
Financial Assets:								
Cash equivalents:								
Money market funds	$	61,090	$	—	$	—	$	61,090
Total cash equivalents	$	61,090	$	—	$	—	$	61,090
Short-term investments:								
U.S. government and agency securities	$	245,447	$	—	$	—	$	245,447
Non-U.S. government and agency securities		—		19,950		—		19,950
Corporate debt securities		—		23,030		—		23,030
Commercial paper		—		16,837		—		16,837
Total short-term investments	$	245,447	$	59,817	$	—	$	305,264
Long-term investments:								
U.S. government and agency securities	$	21,323	$	—	$	—	$	21,323
Corporate debt securities		—		13,511		—		13,511
Total long-term investments	$	21,323	$	13,511	$	—	$	34,834
Total assets measured at fair value	$	327,860	$	73,328	$	—	$	401,188
Financial Liabilities:								
Private warrants liability	$	—	$	—	$	290	$	290
Total liabilities measured at fair value	$	—	$	—	$	290	$	290

Available-for-sale Debt Securities

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of our available-for-sale debt securities as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024							
	Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Investments:								
U.S. government and agency securities	$	131,907	$	313	$	(1)	$	132,219
Non-U.S. government and agency securities		9,738		33		—		9,771
Corporate debt securities		104,238		414		—		104,652
Total available-for-sale investments	$	245,883	$	760	$	(1)	$	246,642

	December 31, 2023							
	Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value	
Investments:								
U.S. government and agency securities	$	266,339	$	444	$	(13)	$	266,770
Non-U.S. government and agency securities		19,958		—		(8)		19,950
Corporate debt securities		36,507		69		(35)		36,541
Commercial paper		16,839		6		(8)		16,837
Total available-for-sale investments	$	339,643	$	519	$	(64)	$	340,098

As of September 30, 2024 and December 31, 2023, total unrealized losses related to available-for-sale debt securities were immaterial.

Unrealized losses related to these securities are due to interest rate fluctuations as opposed to credit quality. In addition, we do not intend to sell and it is not likely that we would be required to sell these securities before recovery of their amortized cost basis, which may be at maturity. We did not recognize any credit losses related to our available-for-sale debt securities during the three and nine months ended September 30, 2024 and 2023.

The following table summarizes the amortized cost and fair value of our available-for-sale debt securities as of September 30, 2024, by contractual years-to-maturity (in thousands):

	September 30, 2024	
	Amortized Cost	Fair Value
Due within one year	$ 206,287	$ 206,818
Due between one and three years	39,596	39,824
Total	$ 245,883	$ 246,642

7. COMMITMENTS AND CONTINGENCIES

Purchase Obligation—The Company has purchase obligations, which includes agreements and issued purchase orders containing non-cancelable payment terms to purchase goods and services.

As of September 30, 2024, future minimum purchase obligations are as follows (in thousands):

	Purchase Obligations
Remainder of 2024	$ 5,860
2025	1,416
2026	53
Thereafter	—
Total	$ 7,329

Litigation—The Company is named from time to time as a party to lawsuits and other types of legal proceedings and claims in the normal course of business. The Company accrues for contingencies when it believes that a loss is probable and that it can reasonably estimate the amount of any such loss.

On July 23, 2021, plaintiff William J. Brown, a former employee and a stockholder of Matterport, Inc. (now known as Matterport Operating, LLC) (“Legacy Matterport”), sued Legacy Matterport, Gores Holdings VI, Inc. (now known as Matterport, Inc.), Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors R.J. Pittman, David Gausebeck, Matt Bell, Peter Hebert, Jason Krikorian, Carlos Kokron and Michael Gustafson (collectively, the “Brown Defendants”) in the Court of Chancery of the State of Delaware (the “Delaware Court of Chancery”). On September 3, 2021, the plaintiff filed an amended complaint advancing three counts. The plaintiff’s complaint claimed that the Brown Defendants imposed invalid transfer restrictions on his shares of Matterport stock in connection with the Gores Merger transactions between Matterport, Inc. and Legacy Matterport (the “Transfer Restrictions”), and that Legacy Matterport’s board of directors violated their fiduciary duties in connection with a purportedly misleading letter of transmittal. The complaint sought damages and costs, as well as a declaration from the court that he may freely transfer his shares of Class A common stock of Matterport received in connection with the Gores Merger transactions. An expedited trial regarding the facial validity of the Transfer Restrictions took place in December 2021. On January 11, 2022, the court issued a ruling that the Transfer Restrictions did not apply to the plaintiff. The opinion did not address the validity of the Transfer Restrictions more broadly or whether Brown suffered any damages as a result of the Transfer Restrictions. Matterport filed a notice of appeal of the court’s ruling on February 8, 2022, and a hearing was held in front of the Delaware Supreme Court on July 13, 2022, after which the appellate court affirmed the lower court’s ruling. Separate proceedings regarding the plaintiff’s remaining claims, including the amount of any damages suffered by Brown were the subject of the second phase of the case. The Company's position was that Brown did not suffer any damages as he would have sold his shares as soon as possible after the Gores Merger transaction closed had the Company not prevented him from trading based on its application of the Transfer Restrictions. The plaintiff filed a Third Amended Complaint on September 16, 2022, which asserted the causes of action described above but omitted as defendants Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors David Gausebeck, Matt Bell, and Carlos Kokron, and added an additional cause of action alleging that Matterport, Inc. violated the Delaware Uniform Commercial Code by failing to timely register the plaintiff's requested transfer of Matterport, Inc. shares. The remaining defendants' answer to the Third Amended Complaint was filed on November 9, 2022. Trial was held in November 2023 and a post-trial hearing was held on February 22, 2024. On May 28, 2024, the court ruled that Matterport had a reasonable basis to deny the plaintiff's November 2021 demand that the transfer restrictions be removed from his shares and that the plaintiff lacked standing as to whether the transfer restrictions complied with Delaware law. However, the court awarded the plaintiff $79.1 million plus pre- and post-judgment interest as damages for losses caused by Matterport's initial refusal to issue freely transferable shares (the "Brown Judgment"). The Company recorded an aggregate litigation expense of $95.0 million in its consolidated statement of operations for the nine months ended September 30, 2024. On July 29, 2024, the Company filed a notice of appeal of the court's ruling to the Delaware Supreme Court. Brown filed a notice of cross appeal on August 12, 2024. On August 14, 2024, the litigation bond was posted and the Company transferred $95.0 million in cash as collateral into a designated insured account. On September 13, 2024, the Company filed its opening brief with the Delaware Supreme Court. On October 14, 2024, Brown filed its answering brief on appeal and opening brief on cross-appeal. The cash collateral of $95.0 million was classified as restricted cash on the Company's condensed consolidated financial statements as of September 30, 2024.

Since the Brown judgment, other former Legacy Matterport stockholders have filed similar complaints (the "Post-Brown Complaints") in the Delaware Court of Chancery alleging that such stockholders were prevented from trading their Matterport shares through invalid transfer restrictions, and seeking damages for the harm to the plaintiffs. These complaints were filed as follows: on July 19, 2024 by Damien Leostic and William Schmitt; on August 16, 2024 by Greg Coombe; on September 19, 2024 by Build Legacy LLC, Build the Future Trust under agreement dated November 16, 2023, Penchant Capital LLC, Penchant Trust, and iRobot Corporation. On September 16, 2024, Kimberly Burdi-Dumas, a former Matterport employee, filed a putative class action complaint on behalf of all persons or entities who were stockholders of Legacy Matterport as of July 21, 2021, and who, pursuant to the Gores Transaction, were thereafter issued and held Matterport shares that were improperly restricted from being sold until January 18, 2022. The Company has not yet answered the Post-Brown Complaints. Given the early stage of the cases, the Company is unable to estimate the reasonably possible loss or range of loss that may result from the matters.

On February 1, 2024, two stockholders, Laurie Hanna and Vasana Smith (collectively "Plaintiffs") filed a complaint derivatively on behalf of Matterport, Inc. against R.J. Pittman, Michael Gustafson, Peter Hebert, James Krikorian, James Daniel Fay, David Gausebeck, Japjit Tulsi, Judi Otteson, Jay Remley, and numerous stockholders of Matterport, Inc. (collectively "Hanna and Smith Defendants") in the Delaware Court of Chancery. The complaint alleges that the issuance of 23,460,000 earn-out shares worth $225 million was a breach of fiduciary duty and an act of corporate waste, which unjustly enriched recipients of the earn-out shares at the expense of Matterport and its common stockholders. Specifically, the Plaintiffs allege that issuance of the earn-out shares violated the February 7, 2021 Agreement and Gores Merger Agreement pursuant to which Legacy Matterport and Gores Holding VI, a publicly listed special purpose acquisition company, and two Gores subsidiaries merged, providing Legacy Matterport stockholders with shares of the surviving public company which took the name Matterport. The complaint seeks disgorgement of all unjust enrichment by the Hanna and Smith Defendants, an award of compensatory damages to Matterport, an award of costs and disbursements to the Plaintiffs, as well as a declaration that Plaintiffs may maintain the action on behalf of Matterport and that Plaintiffs are adequate representatives of Matterport, and a finding that demand on the Matterport board is excused as futile. On June 24, 2024, the Plaintiffs filed an amended complaint, which alleges, inter alia, that the members of the Matterport board breached their fiduciary duties by issuing a proxy statement which failed to disclose certain information concerning Matterport's prior issuance of certain earn-out shares previously issued and the subsequent impact on the amount of the CoStar Group Merger Consideration that would have been received by the plaintiffs and other stockholders if those earn-out shares had not been issued. The amended complaint sought an injunction to enjoin the stockholder vote relating to the Company's proposed transaction with CoStar Group, and seeks, among other things, damages, and an award of plaintiffs' costs of the action, including reasonable attorneys' and experts' fees. The Plaintiffs in the Hanna Action filed a motion for a preliminary injunction seeking to enjoin the stockholder vote and a motion for expedited proceedings regarding the motion for a preliminary injunction. On July 11, 2024, the court denied Plaintiffs' motion to expedite.

On June 3, 2024, a purported Matterport stockholder filed a complaint in the U.S. District Court for the Northern District of California, captioned Andrew Rose v. Matterport, Inc., et al., naming Matterport and each member of the Matterport board as defendants (the "Rose Complaint"). The complaint alleged that CoStar Group's Form S-4 Registration Statement filed with the SEC on May 21, 2024 was materially misleading and omitted certain purportedly material information relating to the sales process, financial projections of Matterport and CoStar Group, the valuation analyses performed by Qatalyst Partners, and negotiations over the terms of post-transaction employment of certain Matterport employees. The complaint asserted violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder against all defendants, and violations of Section 20(a) of the Exchange Act against the Company's board. The complaint sought, among other things, an injunction enjoining consummation of the CoStar Group Mergers, an order directing the individual defendants to issue a new Registration Statement, and an award of plaintiff's costs of the action, including plaintiff's reasonable attorneys' and experts' fees. On August 6, 2024, the Rose Complaint was voluntarily dismissed.

Additionally, on July 9, and July 11, 2024, purported Matterport stockholders filed complaints in the New York Supreme Court, captioned Hamilton v. Matterport, Inc., et al., Case No. 653458/2024 (the "Hamilton Action") and Scott v. Matterport, Inc., et al., Case No. 653515/2024 (the "Scott Action"), respectively. These complaints name Matterport and each member of the Matterport board as defendants and allege, inter alia, that the notice of special meeting of stockholders and definitive proxy statement on Schedule 14A, dated June 10, 2024 misrepresents or omits certain purportedly material information relating to financial projections for Matterport, the valuation analyses performed by Qatalyst Partners, and potential conflicts of interest faced by Matterport insiders. The complaints assert claims for common law negligent misrepresentation and common law negligence. The complaints seek, among other things, an injunction enjoining consummation of the CoStar Group Mergers, damages, and an award of plaintiff's costs of the action, including plaintiff's reasonable attorneys' and experts' fees. In addition to the Hamilton and Scott Actions, Matterport has received additional demand letters alleging similar deficiencies or omissions regarding the disclosures made in the Registration Statement, and requesting relevant books and records. On July 25, 2024, one such purported Matterport stockholder filed suit in the Delaware Court of Chancery, captioned Layton v. Matterport, Inc., Case No. 2024-0792 (the "Layton Action"). On July 29, 2024, the Delaware Court of Chancery stayed the action at the request of plaintiff's counsel during the pendency of the CoStar Group Mergers. Matterport notes that: (i) the Hanna Action, the Hamilton Action, the Scott Action, or the Layton Action may be amended; (ii) additional, similar complaints may be filed; or (iii) additional demand letters may be delivered. These events could prevent or delay completion of the Mergers and result in additional costs to Matterport. Matterport believes that the Hanna Action, the Hamilton Action, the Scott Action, the Layton Action and the demand letters are without merit and intends to vigorously defend against them.

On May 11, 2020, Redfin Corporation ("Redfin") was served with a complaint by Appliance Computing, Inc. III, d/b/a Surefield ("Surefield"), filed in the United States District Court for the Western District of Texas, Waco Division. In the complaint, Surefield asserted that Redfin's use of Matterport's 3D-Walkthrough technology infringes four of Surefield's patents. Redfin has asserted defenses in the litigation that the patents in question are invalid and have not been infringed upon. We have agreed to indemnify Redfin for this matter pursuant to our existing agreements with Redfin. The parties have vigorously defended against this litigation. The matter went to jury trial in May 2022 and resulted in a jury verdict finding that Redfin had not infringed upon any of the asserted patent claims and that all asserted patent claims were invalid. Final judgment was entered on August 15, 2022. On September 12, 2022, Surefield filed post trial motions seeking to reverse the jury verdict. Redfin has filed oppositions to the motions. In addition, on May 16, 2022, the Company filed a declaratory judgment action against Appliance Computing III, Inc., d/b/a Surefield, seeking a declaratory judgment that the Company had not infringed upon the four patents asserted against Redfin and one additional, related patent. The matter is pending in the Western District of Washington and captioned Matterport, Inc. v. Appliance Computing III, Inc. d/b/a Surefield, Case No. 2:22-cv-00669 (W.D. Wash.). Surefield has filed a motion to dismiss or in the alternative transfer the case to the United States District Court for the Western District of Texas. The Company filed an opposition to the motion. On August 28, 2023, the Court denied Surefield's motion to dismiss the Washington case but stayed the action pending the resolution of the Texas case. On October 7, 2024, the Texas court appointed a technical advisor to assist the court with post-trial motions.

On July 24, 2024, Vinatha Kutagula, the Company's former Chief Customer Officer, filed a complaint against the Company in the Superior Court of the State of California, County of Santa Clara alleging unlawful retaliation and wrongful termination. On September 13, 2024, the Company filed a motion to compel arbitration. On August 30, 2024, the Company received notice that Ms. Kutagula had filed a complaint with the U.S. Department of Labor with similar allegations. The Company responded to the Department of Labor on October 17, 2024.

The Company monitors developments in these legal matters that could affect the estimate if the Company had previously accrued. As of September 30, 2024 and December 31, 2023, there were no amounts accrued that the Company believes would be material to its financial position, except as noted above, as the range of reasonably possible losses in excess of accrued liabilities currently cannot be reasonably estimated.

Indemnification—In the ordinary course of business, the Company enters into certain agreements that provide for indemnification by the Company of varying scope and terms to customers, vendors, directors, officers, employees and other parties with respect to certain matters. Indemnification includes losses from breach of such agreements, services provided by the Company, or third-party intellectual property infringement claims. These indemnities may survive termination of the underlying agreement and the maximum potential amount of future indemnification payments, in some circumstances, are not subject to a cap.

8. STOCKHOLDERS' EQUITY

The Company had reserved shares of common stock for future issuance as of September 30, 2024 as follows (in thousands):

	September 30, 2024
Private warrants to purchase common stock	1,708
Common stock options outstanding and unvested RSUs under the Amended and Restated 2011 Stock Incentive Plan	53,977
Shares available for future grant under 2021 Employee Stock Purchase Plan	13,718
Shares available for future grant under 2021 Incentive Award Plan	14,843
Total shares of common stock reserved	84,246

Accumulated Other Comprehensive Income (loss)

The following table summarizes the changes in accumulated other comprehensive income (loss) by component, net of tax (in thousands):

	Foreign Currency Translation, Net of Tax	Unrealized Gains on Available-for-Sale Debt Securities, Net of Tax	Total
Balance at December 31, 2023	$ (52)	$ 455	$ 403
Net unrealized gain	—	304	304
Balance at September 30, 2024	$ (52)	$ 759	$ 707

	Foreign Currency Translation, Net of Tax	Unrealized Losses on Available-for-Sale Debt Securities, Net of Tax	Total
Balance at December 31, 2022	$ (52)	$ (4,982)	$ (5,034)
Net unrealized gain	—	4,435	4,435
Balance at September 30, 2023	$ (52)	$ (547)	$ (599)

9. PRIVATE WARRANTS

Prior to the Gores Closing, Gores issued 6,900,000 Public Warrants and 4,450,000 Private Warrants pursuant to the warrant agreement between Gores and Continental Stock Transfer & Trust Company (the “Warrant Agreement”). Each whole warrant entitles the holder to purchase one share of the Company’s Class A common stock at a price (the “Warrants Price”) of $11.50 per share, subject to adjustments. The Warrants became exercisable on December 15, 2021 and will expire on July 22, 2026, which is five years after the Closing. On January 14, 2022, the Public Warrants ceased trading on the Nasdaq Global Market. The Public Warrants were either exercised or redeemed as of January 14, 2022 and no Public Warrants remained outstanding thereafter. A total of 1.7 million Private Warrants remained outstanding as of September 30, 2024 and December 31, 2023. No Private Warrants have been exercised during the three and nine months ended September 30, 2024.

The CoStar Group Merger Agreement provides that, following the date of the CoStar Group Merger Agreement, Matterport shall use commercially reasonable efforts to cause the holders of each outstanding and unexercised Private Warrants exercisable for shares of Matterport Common Stock to execute a conditional exchange agreement (the “Conditional Exchange Agreement”). Pursuant to the Conditional Exchange Agreement, holders of each Private Warrants agree to exchange their Private Warrants for merger consideration upon the closing of CoStar Group Mergers. The warrant price applicable to the Conditional Exchange Agreements would be calculated in accordance with the terms of the Warrant Agreement. The warrant price applicable to the Conditional Exchange Agreements (“Conditional Warrant Price”) would be equal to the warrant price in effect as of the closing of CoStar Group Mergers, reduced by an amount (in dollars), calculated at the closing, equal to the difference of (i) the warrant price in effect prior to the closing minus (ii) (A) the Per Share Consideration minus (B) the Black-Scholes Warrant Value, which is the value of a Warrant immediately prior to the consummation of the CoStar Group Mergers based on the Black-Scholes Warrant Model for a Capped American Call on Bloomberg Financial Markets (“Bloomberg”).

Prior to the entry into the CoStar Group Merger Agreement, the Company used a Black-Scholes model to determine the fair value of the Private Warrants as Level 3 financial instruments. Since the Company entered into the CoStar Group Merger Agreement in April 2024, it has been using a probability-weighted scenario-based methodology to estimate the fair value of Private Warrants based upon an analysis of future values for the Private Warrants, assuming various outcomes of the pending CoStar Group Mergers. We considered two different scenarios: (a) continue using a Black-Scholes model to determine the fair value of the Private Warrants as Level 3 financial instruments as if the Company remains a standalone public company during the remaining warrant life term, and (b) the intrinsic present value of the Private Warrants upon exercise under the Conditional Warrant Price, assuming the CoStar Group Mergers are consummated as of December 31, 2024. The primary significant unobservable input used to evaluate the fair value measurement of the Company’s Private Warrants is the expected volatility of the Company’s Common Stock. A significant increase or decrease in the expected volatility in isolation would result in a significant change in fair value measurement. The Private Warrants were valued at $0.69 per unit as of September 30, 2024.

The following table provides the assumptions used to estimate the fair value of the Private Warrants as of September 30, 2024:

	September 30, 2024
Current stock price	$ 4.50
Strike price	$ 11.50
Expected term (in years)	1.56 - 1.81
Expected volatility	62.0 - 69.4%
Risk-free interest rate	3.7 - 3.8%
Expected dividend yield	—%

The Private Warrants are measured for fair value at the end of each quarter. The following table presents the changes in the warrants liability as of September 30, 2024 (in thousands):

	Total Warrants Liability
Fair value at December 31, 2023	$ 290
Change in fair value	895
Fair value at September 30, 2024	$ 1,185

10. STOCK PLAN

2021 Incentive Award Plan

In connection with the Gores Closing on July 22, 2021, the Company approved the 2021 Incentive Award Plan (the “2021 Plan”), an incentive compensation plan for the benefit of eligible employees, consultants, and directors of the Company and its subsidiaries. The Company concurrently assumed the Amended and Restated 2011 Stock Incentive Plan (the “2011 Plan”) and all outstanding awards thereunder, effective as of the Gores Closing, and no further awards shall be granted under the 2011 Plan. The 2021 Plan provides that the initial aggregate number of shares of Class A common stock, available for issuance pursuant to awards thereunder shall be the sum of (a) 24.2 million shares of Class A common stock (the “Initial Plan Reserve”), (b) any shares of Class A common stock subject to outstanding equity awards under the amended and restated 2011 Plan which, following the effective date of the 2021 Plan, became available for issuance under the 2021 Plan and (c) an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031 equal to a number of shares equal to 5% of the aggregate number of shares of Class A common stock outstanding on the final day of the immediately preceding calendar year. The maximum aggregate number of shares of common stock that may be issued under the 2021 Plan upon the exercise of ISOs is 181.5 million shares of Class A common stock.

Shares forfeited due to employee termination or expiration are returned to the share pool. Similarly, shares withheld upon exercise to provide for the exercise price and/or taxes due and shares repurchased by the Company are also returned to the pool. As of September 30, 2024, a total of 14.8 million shares remained available for future grant under the Company’s 2021 Plan.

2021 Employee Stock Purchase Plan

In connection with the Gores Closing on July 22, 2021, the Company approved the 2021 Employee Stock Purchase Plan (“2021 ESPP”). The 2021 ESPP provides that the aggregate number of shares of Class A common stock available for issuance pursuant to awards under the 2021 ESPP shall be the sum of (a) 7.3 million shares of Class A common stock (the “Initial ESPP Reserve”), and (b) an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031 equal to the lesser of (i) 1% of the aggregate number of shares of Class A common stock outstanding on the last day of the immediately preceding fiscal year and (ii) such smaller number of shares of common stock as may be determined by the Company’s board of directors; provided, however, that the number of shares of common stock that may be issued or transferred pursuant to the rights granted under the 2021 ESPP shall not exceed 36.9 million shares.

Our 2021 ESPP permits eligible employees to acquire shares of our common stock at 85% of the lower of the fair market value of our common stock on the first trading day of each offering period or on the purchase date. If the fair market value of our common stock on the purchase date is lower than the first trading day of the offering period, the current offering period will be canceled after purchase and a new 24-month offering period will begin. Participants may purchase shares of common stock through payroll deductions of up to 15% of their eligible compensation, subject to purchase limits of 3,000 shares per purchase period, 12,000 per offering period, and $25,000 worth of stock for each calendar year.

The 2021 ESPP provides for consecutive offering periods that will typically have a duration of approximately 24 months in length, and is comprised of four purchase periods of approximately six months in length. The offering periods are scheduled to start on the first trading day on or after June 1 and December 1 of each year, except for the first offering period commenced on July 23, 2021 and ended on May 31, 2023. Since June 1, 2024, given the pending CoStar Group Mergers, the Company no longer provides new offerings under the 2021 ESPP. As of September 30, 2024, a total of 13.7 million shares of our common stock remained available for sale under our 2021 ESPP.

For the three and nine months ended September 30, 2024, there were nil and 0.4 million shares of common stock purchased under the 2021 ESPP.

Stock Option Activities—The following table summarizes the stock option activities under the Company's stock plans for nine months ended September 30, 2024 (in thousands, except for per share data):

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—December 31, 2023	27,910	$ 0.66	5.3	$ 56,638
Expired or canceled	(7)	1.14		
Exercised	(1,780)	0.47		$ 5,013
Balance—September 30, 2024	26,123	$ 0.67	4.7	$ 99,953
Options vested and exercisable—September 30, 2024	26,071	$ 0.67	4.7	$ 99,779

As of September 30, 2024, unrecognized stock-based compensation expense related to unvested options was not material, which is expected to be fully amortized as of December 31, 2024.

RSU and PRSU Activities—The following table summarizes the RSU activity under the Company's stock plans for the nine months ended September 30, 2024 (in thousands, except per share data):

	RSUs and PRSUs	
	Number of Shares	Weighted-Average Grant-Date Fair Value Price Per Share
Balance—December 31, 2023	26,349	$ 8.81
Granted	14,083	2.49
Vested	(10,334)	9.08
Canceled or forfeited	(2,244)	4.12
Balance—September 30, 2024	27,854	$ 5.89

Stock-based compensation expense for awards with only service conditions are recognized on a straight-line basis over the requisite service period of the related award. The performance-based RSU ("PRSU") awards have both service-based and performance-based vesting conditions. The service-based vesting condition for these awards is typically satisfied over four years with a cliff vesting period of one year and continued vesting quarterly thereafter. The performance-based vesting condition is satisfied upon the occurrence of a liquidity event, as defined in the Amended and Restated 2011 Plan. The performance based vesting condition was deemed satisfied upon the Closing.

As of September 30, 2024, unrecognized compensation costs related to unvested RSUs and PRSUs were $140.4 million and $0.1 million, respectively. The remaining unrecognized compensation costs for RSUs and PRSUs are expected to be recognized over a weighted-average period of 1.7 years and 0.4 years, respectively, excluding additional stock-based compensation expense related to any future grants of share-based awards.

Employee Stock Purchase Plan—The fair value of shares issued under our 2021 ESPP are estimated on the grant date using the Black-Scholes option pricing model. The following table summarizes the assumptions used to determine fair value of our 2021 ESPP:

	Nine Months Ended September 30,	
	2024	2023
Expected term	0.5 – 2.0 years	0.5 - 2.0 years
Expected volatility	33.8 – 43.9%	36.1 - 47.3%
Risk-free interest rate	4.3 – 5.1%	0.6 - 5.4%
Expected dividend yield	0%	0%

The expected volatility is based on the average volatility of a peer group of representative public companies with sufficient trading history over the expected term. The expected term represents the term from the first day of the offering period to the purchase dates within each offering period. The dividend yield assumption is based on our expectations about our anticipated dividend policy. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with maturities that approximate the expected term. As of September 30, 2024, unrecognized compensation cost related to the 2021 ESPP was $0.4 million, which is expected to be recognized over the remaining weighted-average service period of 0.9 years.

Stock-based Compensation— The Company recognizes stock-based compensation expense for awards with only service conditions on a straight-line basis over the requisite service period of the related award and recognizes stock-based compensation expenses for awards with performance conditions on a straight-line basis over the requisite service period for each separate vesting portion of the awards when it is probable that the performance condition will be achieved. The stock-based compensation expenses of Earn-out Awards were recognized on a straight-line basis over the derived services period during which the market conditions are expected to be met. Forfeitures are accounted for in the period in which they occur.

The amount of stock-based compensation related to stock-based awards to employees in the Company's condensed consolidated statements of operations for the three and nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Costs of revenue	$ 606	$ 782	$ 2,234	$ 2,468
Research and development	6,013	5,731	18,334	20,984
Selling, general, and administrative	21,773	20,908	64,253	67,222
Stock-based compensation, net of amounts capitalized	28,392	27,421	84,821	90,674
Capitalized stock-based compensation	2,291	2,432	6,826	7,440
Total stock-based compensation	$ 30,683	$ 29,853	$ 91,647	$ 98,114

11. INCOME TAXES

The income tax provision for interim periods is determined using an estimate of the Company’s annual effective tax rate as adjusted for discrete items arising in that quarter.

Given the Company has a full valuation allowance recorded against its domestic net deferred tax assets and operating losses in the US, and its foreign subsidiaries are in operating profit, the Company has applied the exception to use a worldwide effective tax rate under ASC 740-270-30-36. The Company used the foreign jurisdiction’s statutory rate as an estimate for the annual effective tax rate (“AETR”). The quarterly tax provision, and estimate of the Company’s annual effective tax rate, is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, changes in how we do business, and tax law developments. The tax expense for the three and nine months ended September 30, 2024 and 2023 was primarily attributable to foreign income taxes. The Company records deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, the Company considered all available positive and negative evidence and continued to conclude that as of September 30, 2024, it is not more likely than not that the Company will realize the benefits of its remaining net deferred tax assets.

12. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic net loss per share attributable to common stockholders was computed by dividing net loss by the weighted-average number of common shares outstanding for the three and nine months ended September 30, 2024 and 2023 (in thousands, except for per share data). Diluted net loss per share gives effect to all potential shares of common stock, including common stock issuable for stock options, RSUs and PRSUs to the extent these are dilutive. We calculated basic and diluted net loss per share attributable to common stockholders as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator :				
Net loss attributable to common stockholders	$ (38,401)	$ (44,754)	$ (216,115)	$ (155,132)
Denominator:				
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	321,151	303,432	317,002	298,226
Net loss per share attributable to common stockholders, basic and diluted	$ (0.12)	$ (0.15)	$ (0.68)	$ (0.52)

Basic net loss per share is the same as diluted net loss per share for the period we reported a net loss. The following potentially dilutive outstanding securities were excluded from the computation of diluted net loss per share attributable to common stockholders, basic and diluted, because their effect would have been anti-dilutive or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the period (shares in thousands):

	Three and Nine Months Ended September 30,	
	2024	2023
Private warrants	1,708	1,708
Common stock options outstanding	26,123	29,393
Unvested RSUs	27,854	29,932
ESPP shares	—	1,734
Total potentially dilutive common stock equivalents	55,685	62,767

13. RESTRUCTURING

July 2023 Restructuring Plan

In July 2023, the Company announced a restructuring plan (the "2023 Plan") to improve the Company's operational cost structure and accelerate the timeline to achieving profitability. As part of the 2023 Plan, the Company executed a workforce reduction of approximately 30%. The Company also recorded accelerated amortization costs of its operating lease right-of-use assets, which was primarily related to the cease use of certain leased office spaces. The Company completed all actions under the 2023 Plan as of December 31, 2023.

Total restructuring costs associated with the 2023 Plan impacted cost of revenue and operating expenses in the condensed consolidated statement of operations. No significant restructuring charges were incurred during the three and nine months ended September 30, 2024. Restructuring charges during the three and nine months ended September 30, 2023 were as follows (in thousands):

	Severance and Other Personnel Costs	Office Space Reductions[1]	Total
Cost of revenue - Subscription	$ 5	$ —	$ 5
Cost of revenue - Services	152	—	152
Cost of revenue - Product	151	—	151
Cost of revenue	308	—	308
Research and development	600	—	600
Selling, general, and administrative	2,116	123	2,239
Total restructuring charge	$ 3,024	$ 123	$ 3,147

(1) Office space reductions primarily represent the accelerated amortization expense related to operating lease right-of-use assets.

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

The following discussion and analysis provides information that Matterport's management believes is relevant to an assessment and understanding of Matterport's condensed consolidated results of operations and financial condition. The discussion should be read together with our unaudited interim condensed consolidated financial statements, the respective notes thereto, and other financial information included elsewhere within this Report. The discussion and analysis should also be read together with the audited consolidated financial statements for the year ended December 31, 2023 and the related notes in the 2023 Form 10-K. This discussion contains forward-looking statements based upon Matterport's current expectations, estimates and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed under "Risk Factors", "Forward-Looking Statements" and other disclosures included in this Form 10-Q.

Overview

Matterport is leading the digitization and datafication of the built world. We were incorporated in 2011 and are headquartered in Sunnyvale, California. Matterport's website address is www.matterport.com.

Matterport's pioneering technology platform uses spatial data collected from a wide variety of digital capture devices to transform physical buildings and spaces into dimensionally accurate, photorealistic digital twins that provide our subscribers access to valuable building information and insights. For more than a decade, our platform has set the standard for digitizing, accessing and managing buildings, spaces and places online. This has resulted in the world's largest and most accurate library of spatial data with more than 47.3 billion square feet digitized to date. We deliver value to our customers by leveraging proprietary artificial intelligence ("AI") insights to enhance customer experiences, improve operational efficiency, lower costs associated with promoting and operating buildings and accelerate business. We believe the digitization and datafication of the built world will fundamentally change the way people interact with buildings and the physical spaces around them.

The world is rapidly moving from offline to online. Digital transformation has made a powerful and lasting impact across every business and industry today. Nevertheless, the global building stock remains largely offline today, and we estimate that less than 0.1% is penetrated by digital transformation. We were among the first to recognize the increasing need for digitization of the built world and the power of spatial data, the unique details underlying buildings and spaces, in facilitating the understanding of buildings and spaces. With approximately 13.6 million spaces under management as of September 30, 2024, we are continuing to penetrate the estimated $327 trillion global building stock and expand our footprint across various end markets, including residential and commercial real estate, facilities management, retail, architecture, engineering and construction ("AEC"), insurance and repair, and travel and hospitality. We estimate our total addressable market to be more than four billion buildings and 20 billion spaces globally, yielding a more than $240 billion market opportunity.

We believe the total addressable market for the digitization and datafication of the built world could expand beyond $1 trillion as our spatial data platform continues to grow, powered by the following:

- **Bringing offline buildings online:** Traditionally, our customers needed to conduct site visits in-person to understand and assess their buildings and spaces. With the AI-powered capabilities of Cortex, our proprietary AI software engine, the world's building stock can move from offline to online and be accessible to our customers real-time and on demand from anywhere.
- **Driven by spatial data:** Cortex uses the breadth of the billions of data points we have accumulated over the years to improve the 3D accuracy of our digital twins. Our sophisticated algorithms also deliver significant commercial value to our subscribers by generating data-based insights that allow them to confidently make assessments and decisions about their properties. With approximately 13.6 million spaces under management as of September 30, 2024, our spatial data library is the clearinghouse for information about the built world.
- **Powered by AI and ML:** Artificial intelligence ("AI") and machine learning ("ML") technologies effectively utilize spatial data to create a robust virtual experience that is dynamic, realistic, interactive, informative and permits multiple viewing angles. AI and ML also make costly cameras unnecessary for everyday captures—subscribers can now capture their spaces by simply tapping a button on their smartphones. As a result, Matterport is a device agnostic platform, helping us more rapidly scale and drive towards our mission of digitizing and indexing the built world.

We believe that Matterport has tremendous growth potential ahead. After securing market-leading positions in a variety of geographies and vertical markets, we have demonstrated our repeatable value proposition and the ability of our sales growth model to scale. The magnitude of our total addressable market is so large that even with leading market share, we believe our penetration rates today are a small fraction of the opportunity for Matterport. With a mature and tested go-to-market playbook and team in place, we are focused on scaling execution across a carefully selected set of growth vectors, including: scaling the enterprise across industry verticals, expanding internationally, investing in R&D, and expanding partner integrations and third-party developer platforms.

Overview of Transaction with CoStar Group

On April 21, 2024, the Company entered into an Agreement and Plan of Merger and Reorganization (the “CoStar Group Merger Agreement”) with CoStar Group, Inc., a Delaware corporation (“CoStar Group”), Matrix Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of CoStar Group (“CoStar Group Merger Sub I”), and Matrix Merger Sub II LLC, a Delaware limited liability company and a wholly owned subsidiary of CoStar Group (“CoStar Group Merger Sub II” and, together with CoStar Group Merger Sub I, the “CoStar Group Merger Subs”). Pursuant to the CoStar Group Merger Agreement, CoStar Group Merger Sub I will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of CoStar Group (the “Costar Group First Merger”). Immediately thereafter, subject to the terms of the CoStar Group Merger Agreement and, in certain circumstances, at the discretion of CoStar Group, the Company will merge with and into CoStar Group Merger Sub II, which will survive the merger as a wholly owned subsidiary of CoStar Group (the “CoStar Group Second Merger” and, together with the CoStar Group First Merger, the “CoStar Group Mergers”).

Subject to the terms and conditions set forth in the CoStar Group Merger Agreement, at the effective time of the CoStar Group First Merger (the “First Effective Time”), each share of Class A common stock, par value $0.0001 per share, of the Company (each a “Matterport Share” and collectively, the “Matterport Shares”) issued and outstanding immediately prior to the First Effective Time (other than Matterport Shares held by the Company (including in treasury), CoStar Group or their respective subsidiaries and Matterport Shares that are held by stockholders who have perfected and not withdrawn a demand for appraisal rights pursuant to Delaware law) will be converted into the right to receive (i) $2.75 in cash (the “Per Share Cash Consideration”) plus (ii) a number of shares of CoStar Group common stock, par value $0.01 per share (the “CoStar Group Shares”), equal to the Exchange Ratio (as defined in the CoStar Group Merger Agreement), subject to a right to receive cash in lieu of fractional shares (such cash and shares collectively, the “CoStar Group Merger Consideration”).

The consummation of the CoStar Group Mergers are subject to various conditions, including, among others, (i) the expiration of the applicable waiting period (or extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of other approvals under specified antitrust and foreign investment laws, (ii) absence of any law or order prohibiting the CoStar Group Mergers, (iii) the accuracy of the parties’ respective representations and warranties in the CoStar Group Merger Agreement, (iv) compliance and performance by the parties with their respective covenants in the CoStar Group Merger Agreement in all material respects, and (v) the absence of a material adverse effect (as defined in the CoStar Group Merger Agreement) with respect to Matterport or CoStar Group on or after the date of the CoStar Group Merger Agreement.

On July 3, 2024, Matterport and CoStar Group each received a request for additional information and documentary materials (the “Second Request”) from the Federal Trade Commission (the “FTC”) in connection with the FTC’s review of the CoStar Group Mergers. The effect of the Second Request is to extend the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), until 30 days after Matterport and CoStar Group have each substantially complied with their respective second requests, unless that period is extended or terminated sooner by the FTC. Each of Matterport and CoStar Group expect to respond promptly to the Second Request and to continue to work cooperatively with the FTC in its review of the CoStar Group Mergers. The CoStar Group Mergers, which are expected to be consummated in the fourth quarter of 2024 or the first quarter of 2025, were approved by Matterport stockholders at a special meeting held on July 26, 2024, but remains subject to the receipt of regulatory approvals and other customary closing conditions. If the CoStar Group Mergers are consummated, the Common Stock will be delisted from the NASDAQ Global Market and deregistered under the Securities Exchange Act of 1934, as amended.

Impacts of Macroeconomic and Geopolitical Conditions and Other Factors on our Business

We are being impacted by uncertain macroeconomic and geopolitical conditions. These conditions include but are not limited to inflation, foreign currency fluctuations, slowing of economic activity around the globe, unstable global credit markets and financial conditions, in part due to rising interest rates, and cautious consumer spending. In addition, the escalating tensions between Taiwan and China, the war in Ukraine and the Israeli-Palestinian military conflict have further increased existing global economic challenges, including supply chain, logistics, and inflationary challenges. Such global or regional economic and political conditions adversely affect demand for our products. These conditions could have an impact on our suppliers, causing increases in cost of materials and higher shipping and transportation rates, and as a result impact the pricing of our products. We purchase certain products and key hardware components from a limited number of sources, including in some cases only a single supplier for some products and components, and depend on the supply chain, including freight, to receive components, transport finished goods and deliver our products across the world. The industry-wide global supply chain challenges, including with respect to manufacturing, transportation and logistics, could impact our operational and financial performance adversely, including impacts on our subscribers and their spending habits, could impact our marketing efforts, and affect our suppliers. If macroeconomic and geopolitical conditions do not improve or if they worsen, then our results of operations may be negatively impacted. Our cost-restructuring efforts are helping us to improve our operational excellence and to mitigate the impact of these macroeconomic and geopolitical conditions.

In July 2023, we initiated a restructuring plan to improve our operational cost structure and accelerate the timeline to profitability. This included a workforce reduction of approximately 30%, and the cease use of certain lease office spaces. The Company completed all actions under the 2023 Plan as of December 31, 2023.

Total restructuring costs associated with the 2023 Plan impacted cost of revenue and operating expenses in the condensed consolidated statement of operations. No significant restructuring charges were incurred during the three and nine months ended September 30, 2024.

Restructuring charges during the three and nine months ended September 30, 2023 were as follows (in thousands):

	Severance and Other Personnel Costs	Office Space Reductions	Total
Cost of revenue - Subscription	$ 5	$ —	$ 5
Cost of revenue - Services	152	—	152
Cost of revenue - Product	151	—	151
Cost of revenue	308	—	308
Research and development	600	—	600
Selling, general, and administrative	2,116	123	2,239
Total restructuring charge	$ 3,024	$ 123	$ 3,147

Refer to Note 13 to our condensed consolidated statements for further information on our restructuring charges.

Our Business Model

We generate revenue by selling subscriptions to our AI-powered spatial data platform to customers, licensing our data to third parties, selling capture devices (including our Pro3 and Pro2 cameras) and by providing services to customers from our technicians and through in-application purchases. We are focused on driving substantial annual growth in subscription revenue and maintaining modest growth in license, product and services revenue.

We serve customers of all sizes, at every stage of maturity, from individuals to large enterprises, and we see opportunities for growth across all of our customer segments. We are particularly focused on increasing sales efficiency, driving customer growth and recurring revenue growth from large enterprises.

Subscription Revenue

Our AI-powered spatial data platform creates high-fidelity and high-accuracy digital twins of physical spaces and generates valuable data analytics and insights for customers. We derive subscription revenue from the sale of subscription plans to subscribers of all sizes ranging from individuals to large enterprises.

Our subscription plans are priced from free to custom plans tailored to meet the needs of larger-scale businesses. Our standard subscription plans for individuals and small businesses range from a free online Matterport account with a single user and a single active space that can be captured with an iPhone or an Android smartphone to multiple-user accounts that provide for the capture of unlimited active spaces. The pricing of our subscription plans increases as the number of users and active spaces increase. The wide variety and flexibility of our subscription plans enable us to retain existing subscribers and grow our subscriber base across diverse end markets, with particular focus on large enterprise subscribers. Subscription revenue accounted for approximately 58% and 56% of our total revenue for the three months ended September 30, 2024 and 2023, respectively, and approximately 58% and 54% of our total revenue for the nine months ended September 30, 2024 and 2023, respectively.

The majority of our subscription services are billed either monthly or annually in advance and are typically non-refundable and non-cancellable. Consequently, for month-to-month subscriptions, we recognize the revenue monthly, and for annual or longer subscriptions, we record deferred revenue on our condensed consolidated balance sheet and recognize the deferred revenue ratably over the subscription term.

Services Revenue

Most of our customers are able to utilize the Pro3 Camera, Pro2 Camera or other compatible capture devices to capture digital twins without external assistance, as the camera is relatively easy to configure and requires minimal training. However, our customers sometimes may also request professional assistance with the data capture process. We generate professional services revenue from Matterport Capture Services, a fully managed solution for enterprise subscribers worldwide that require on-demand scheduling of experienced and reliable Matterport professionals to capture their properties. In addition, we derive services revenue from in-app purchases made by subscribers using our smartphone applications or by logging in to their subscriber account. In July 2022, we completed the acquisition of VHT, Inc., known as VHT Studios (“VHT”), a U.S.-based real estate marketing company that offers brokerages and enterprise digital solutions to promote and sell properties, which expands Matterport Capture Services by bringing together Matterport digital twins with professional photography, drone capture, and marketing services. Services revenue accounted for approximately 25% and 24% of our total revenue for the three months ended September 30, 2024 and 2023, respectively, and approximately 25% and 25% of our total revenue for the nine months ended September 30, 2024 and 2023, respectively.

Product Revenue

We offer a comprehensive set of solutions designed to provide our customers with access to state-of-the-art capture technology that produces the high-quality data necessary to process images into dimensionally accurate digital twins. We derive product revenue from sales of our innovative 3D capture product. Our product line includes the Pro3 Camera, Pro2 Camera, and Matterport Axis.

Pro3 Camera: In August 2022, we launched and began shipment of our Pro3 Camera along with major updates to our industry-leading digital twin cloud platform. The Matterport Pro3 Camera is an advanced 3D capture device, which includes faster boot time, swappable batteries, and a lighter design. The Pro3 camera can perform both indoors and outdoors and is designed for speed, fidelity, versatility, and accuracy. Along with our Pro2 Camera, we expect that future sales of our Pro3 Camera will continue to drive increased adoption of our solutions.

Pro2 Camera: The Pro 2 Camera has played an integral part in shaping the 3D building and property visualization ecosystem, which has driven adoption of our solutions and has generated the unique high-quality and scaled data set that has enabled Cortex to become the pioneering software engine for digital twin creation.

Matterport Axis: A cost-effective, hands-free motor-mount accessory for smartphones.

Product revenue accounted for approximately 17% and 19% of our total revenue for the three months ended September 30, 2024 and 2023, respectively, and approximately 17% and 21% of our total revenue for the nine months ended September 30, 2024 and 2023, respectively.

Key Metrics

We monitor the following key metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions. The calculation of the key metrics discussed below may differ from other similarly titled metrics used by other companies, analysts, investors and other industry participants.

Spaces Under Management

We track the number of spaces that have been captured and filed on the Matterport platform, which we refer to as spaces under management, because we believe that the number of spaces under management is an indicator of market penetration and the growth of our business. A space can be a single room or building, or any one contiguous capture of a discrete area, and is composed of a collection of imagery and spatial data that is captured and reconstructed in a dimensionally accurate digital twin of the captured space. For tracking purposes, we treat each captured and filed space as a unique file or model. We have a history of growing the number of our spaces under management and, as of September 30, 2024, we had approximately 13.6 million spaces under management. The scale of our spaces under management allows us to directly monetize each space managed for our paid subscribers as well as increase our ability to offer new and enhanced services to subscribers, which in turn provides us with an opportunity to convert subscribers from free subscription plans to paid plans. We believe our spaces under management will continue to grow as our business expands with our current customers and as we add new free and paid subscribers.

The following chart shows our spaces under management for each of the periods presented (in millions):

	Nine Months Ended September 30,	
	2024	2023
Spaces under management	13.6	11.1

Total Subscribers

We believe that our ability to increase the number of subscribers on our platform is an indicator of market penetration, growth of our business and future revenue trends. For purposes of our business, a “subscriber” is an individual or entity that has signed up for a Matterport account during the applicable measurement period. We include both free and paid subscribers in our total subscriber count. We refer to a subscriber that has signed up for a free account and typically captures only one free space allocated to the account as a “free subscriber.” We refer to a subscriber that has signed up for one of our paid subscription levels and typically captures at least one space as a “paid subscriber.” Our paid subscribers typically enter into monthly subscriptions with us. We generally consider a single organization to be a single subscriber if the organization has entered into a discrete enterprise agreement with us, even if the organization includes multiple divisions, segments or subsidiaries that utilize our platform. If multiple individuals, divisions, segments or subsidiaries within an organization have each entered into a discrete subscription with us, we consider each individual account to be a separate subscriber.

We believe the number of paid subscribers on our platform is an important indicator of future revenue trends, and we believe the number of free subscribers on our platform is important because free subscribers may over time become paid subscribers on our platform and are therefore another indicator of our future revenue trend. We continue to demonstrate strong growth in the number of free and paid subscribers on our platform as indicated by our results for the three and nine months ended September 30, 2024.

The following chart shows the number of our free subscribers, paid subscribers and total subscribers for each of the periods presented (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Free subscribers	1,029	816
Paid subscribers	76	71
Total subscribers	1,105	887

Factors Affecting Our Performance

We believe that our growth and financial performance are dependent upon many factors, including the key factors described below, which are in turn subject to significant risks and challenges.

Penetrating a Largely Undigitized Global Property Market

Despite the rapid pace of digital transformation in today’s world, the massive global building stock, estimated by Savills to be $327 trillion in total property value, remains largely undigitized today, and we estimate that less than 0.1% is penetrated by digital transformation. As a first mover in digital twin creation and spatial data library construction, we see significant opportunities to continue leading the digitization and datafication of the built world. We estimate that there are more than 4 billion buildings and 20 billion spaces in the world globally, yielding a more than $240 billion market opportunity. We believe that as Matterport’s unique spatial data library and property data services continue to grow, this opportunity could increase to more than $1 trillion based on the size of the building stock and the untapped value creation available to buildings worldwide. Property digitization and datafication are expected to accelerate on a global basis in both frequency and magnitude as the visually immersive and dimensionally accurate digital twins help increase productivity and reduce costs for our customers with the solutions that we have developed for diverse markets over the past decade.

Through providing a comprehensive set of solutions from cutting-edge capture technology and high-accuracy digital twins to valuable property insights, our AI-powered platform delivers value across the property lifecycle to subscribers from various end markets, including residential and commercial real estate, facilities management and retail, AEC, insurance and repair, and travel and hospitality. As of September 30, 2024, we had over 1,100,000 subscribers on our platform and approximately 13.6 million spaces under management and we aim to continue scaling our platform and strengthen our foothold in various end markets and geographies to deepen our market penetration. With the acquisition of VHT (“VHT Acquisition”) completed in July 2022, we were able to service more property listings and position ourselves to increase adoption of digital twin technology and expand further into the residential real estate industry while adding marketing services for other vertical markets such as commercial real estate, travel and hospitality, and the retail sector. We believe that the breadth and depth of the Matterport platform along with the strong network effect from our growing spatial data library will lead to increased adoption of our solutions across diverse end markets, enabling us to drive further digital transformation of the built world.

Adoption of our Solutions by Enterprise Subscribers

We are pioneering the transformation of the built world from offline to online. We provide a complete, data-driven set of solutions for the digitization and datafication of the built world across a diverse set of use cases and industries. We take a largely offline global property market to the online world using a data-based approach, creating a digital experience for subscribers to interact with buildings and spaces and derive actionable insights. Our Cortex AI-driven engine and software platform uses the breadth of the billions of data points we have accumulated over the years to improve the 3D accuracy of our digital twin models. Our ML algorithms also deliver significant commercial value to our subscribers by generating data-based insights that allow them to confidently make assessments and decisions about their properties. We provide enterprise subscribers with a comprehensive solution that includes all of the capture, design, build, promote, insure, inspect and manage functionality of our platform.

We believe that our scale of data, superior capture technology, continued focus on innovation and considerable brand recognition will drive a continued adoption of our all-in-one platform by enterprise subscribers.

We are particularly focused on acquiring and retaining large enterprise subscribers because of the significant opportunities to expand our integrated solutions to different parts of an organization and utilize digital twins for more use cases within an organization. In January 2023, we announced that our customer selected Matterport's digital twin platform and 3D capture technology to build a virtual Operations Center for remote management of over 60 facilities across North America, South America, Europe and Asia. Matterport's platform creates simulated digital replicas of the manufacturing facilities, where teams can remotely track progress, plan for site changes, and collaborate remotely. In September 2023, we announced our latest collaboration with a leading global provider of construction management software, expanding Matterport's platform ecosystem support for design and construction management software services. Users can now use features directly within Matterport's photorealistic 3D digital twins, creating a visual system-of-record for site conditions, centralizing record-keeping and enabling better progress tracking, quality control, and more efficient closeout processes. In November 2023, we announced a new partnership intended to deliver 3D digital twin-powered connectivity solutions for facilities management across industrial automation, smart buildings, and broadband with a leading global supplier of network infrastructure and digitization solutions. We also announced a multi-year partnership with a leading vacation rental management platform to leverage Matterport's Digital Twin Platform and Capture Services to more efficiently and effectively capture, document and promote each of its listings. In April 2024, we announced our partnership with one of the largest fitness companies in North America to use Matterport's leading digital twin and photography services to ensure brand consistency across marketing materials for its U.S. franchise locations. In May 2024, we announced that one of the largest banks in North America has leveraged Matterport's digital twin platform to streamline site visits across its physical footprint. In June 2024, we announced our partnership with the leading innovator of Multiple Listing Service ("MLS") technology to introduce listing-completion features, automatically populating property data and media assets from digital twins, and leapfrogging the current listing process. As September 30, 2024, many of the Fortune 1000 companies use Matterport to manage their enterprise facilities, real estate portfolios, factories, offices, and retail locations. We will continue improving our proprietary spatial data library and AI-powered platform to strengthen our long-term relationships and commitments with large enterprise customers streamlining our sales and marketing resources to enhance enterprise adoption of our solutions.

Retention and Expansion of Existing Subscribers

Our ability to increase revenue depends in part on retaining our existing subscribers and expanding their use of our platform. We offer an integrated, comprehensive set of solutions including spatial data capturing, digital twin creation, publication, vertical-market specific content, and property analytics. We have a variety of subscription plans to meet the needs of every subscriber, including free subscription plans and several standard paid subscription plans, and we are able to provide customized subscription plans tailored to the specific needs of large enterprises. As we seek to develop long-term subscriber relationships, our value proposition to subscribers is designed to serve the entirety of the property lifecycle, from design and build to maintenance and operations, promotion, insure, repair, restore, secure and finance. As a result, we believe we are uniquely positioned to grow our revenue with our existing subscribers as our platform helps them discover opportunities to drive both short and long term returns on their property investments.

Given the all-in-one nature of our platform and its ease of use, we are also able to drive adoption of our solutions across various parts of an organization. For example, we established our long-term relationship with large commercial real estate clients which included being engaged to create digital twins for available office spaces for promotion and leasing, working with the subscriber's construction team to redesign office spaces through integrating our digital twins with the construction team's design software, and conducting due diligence of potential real property acquisitions. As a result of our long-term focus and expansion strategy, we have been able to retain our subscribers and drive increased usage of our platform.

Scaling Across Various Industry Verticals

Matterport's fundamental go-to-market model is built upon a subscription first approach. We have invested aggressively to unlock a scalable and cost-effective subscription flywheel for customer adoption. With our large spatial data library and pioneering AI-powered capabilities, we pride ourselves on our ability to deliver value across the property lifecycle to subscribers from various end markets, including residential and commercial real estate, facilities management and retail, AEC, insurance and repair, and travel and hospitality. We focus on industry-specific sales and marketing initiatives to increase sales efficiency and drive subscriber and recurring revenue growth. We will continue to improve our spatial data library and AI-powered platform to address the workflows of the industries we serve, while expanding our solutions and reaching new real estate segments.

International Expansion

We are focused on continuing to expand our AI-powered spatial data platform to all corners of the world. Given that the global building stock remains largely undigitized today and with the vast majority of the world's buildings located outside of the United States, we expect significant opportunities in pursuing the digitization and datafication of the building stock worldwide. We use a "land and expand" model to capitalize on the potential for geographic expansion. We continue to seek to further penetrate our existing geographies in order to add their spatial data to our platform. In June 2023, we partnered with one of the largest value-added distributors ("VAD"), significantly expanding our presence in Latin America. With a network of more than 2,000 resellers, this partnership will provide Matterport's digital twin solutions to two of the largest property markets in the region, Mexico and Colombia. In July 2023, we partnered with a distributor of global technologies and managed security services to offer Matterport's digital twin platform to Government, Enterprise and SMB customers out of its offices in the United Arab Emirates, India, Oman, Saudi Arabia, and South Africa. Subscribers outside the United States accounted for approximately 45% and 44% of our subscription revenues for the three and nine months ended September 30, 2024, respectively. Given the flexibility and ease of use of our platform and capture device agnostic data capture strategy, we believe that we are well-positioned to further penetrate existing and additional geographies with our existing multiple sales attachment points and a global marketing effort in place.

Investing in Research and Innovation for Growth

We continuously evaluate our focus in research and development to improve Cortex, expand our solutions portfolio, and support seamless integration of our platform with third-party software applications. We plan to concentrate on in-house innovation and expect to consider acquisitions on an opportunistic basis. Since the launch of Matterport for iPhone, we have been continuously developing a robust pipeline of new product releases, including releasing the Android Capture app, collaborating with Facebook AI (now known as Meta) to release the world's largest dataset of 3D spaces, and launching Notes and Matterport for Mobile. In February 2023, we launched Digital Pro, an all-in-one marketing solution for real estate agents. Digital Pro combines the innovation of Matterport's 3D digital twin technology with integrated marketing and content production services to create the industry's most affordable, comprehensive marketing package to help real estate professionals manage more listings and sell homes faster. In June 2023, we announced Genesis, a new initiative that aims to deliver generative AI across its digital twin platform for customers looking to bolster the efficiency and profitability of their property portfolios worldwide. Genesis combines Matterport's stable of DL and computer vision innovations, including Cortex AI and Property Intelligence, with generative AI to deliver a new generation of digital twins. Combining generative AI and property insights, Matterport's digital twin platform aims to reshape the real estate landscape, optimizing interior design, space utilization, energy efficiency, safety, and accessibility while transforming property marketing strategies. In September 2023, we announced the launch of a beta program for the next generation of intelligent digital twins with powerful new capabilities fueled by the Company's rapid advancements in AI and data science. Customers can access automated measurements, layouts, editing, and reporting capabilities generated from their digital twins. Property Intelligence is now available worldwide. In October 2024, we unveiled a suite of new tools designed to enhance the way professionals design, build, and market properties ("Fall 2024 Release"). Our customers can use these tools to help defurnish a home and generate property descriptions automatically. The Fall 2024 Release included additional new features, such as 3D model merge, field tags, and bill-back processing.

While we plan to concentrate on in-house innovation, we may also pursue acquisitions of products, teams and technologies on an opportunistic basis to further expand the functionality of and use cases for our platform. Our philosophy is to adopt a long-term perspective in the evaluation of acquisition opportunities in order to ensure sustainable value creation for our customers.

Expanding Partner Integrations and Third-Party Developer Platform

We aim to foster a strong network of partners and developers around our Matterport platform. Through integration with our open, scalable and secure enterprise platform, organizations across numerous industries have been able to automate workflows, enhance subscriber experiences and create custom extensions for high-value vertical applications. In March 2023, we announced a new integration with Autodesk Construction Cloud, a portfolio of software and services that combines advanced technology, a builders network and predictive insights for construction teams, making it easier for project teams using Matterport and Autodesk Build ® to collaborate within critical project management workflows. This new integration allows project stakeholders to enhance the "Request for Information" (RFI) process in Autodesk Build, moving from traditional methods of communication to immersive digital twin technology, powered by Matterport. In April 2023, we announced the general availability of new integrations with IoT TwinMaker, enabling enterprise customers to seamlessly connect Internet of Things (IoT) data into visually immersive and dimensionally accurate Matterport digital twins. Our solution that is integrated with Amazon Web Services (AWS) IoT TwinMaker makes it easier for developers to create digital twins of real-world systems such as buildings, factories, industrial equipment, and production lines. The offering from Matterport supports enterprise digital transformation efforts by providing customers with an efficient and cost-effective solution to remotely optimize building operations, increase production output, improve equipment performance, and increase environmental health and safety at their facilities. In November 2023, we announced in advance of Autodesk University, a new Computer-Aided Design ("CAD") file add-on that will enable the simple creation of CAD files directly from Matterport digital twins to speed up design workflows using Matterport. The Matterport CAD file add-on is now available. We achieved AWS IoT competency status in July 2024.

We believe that our future growth and scale depend partially upon our ability to develop a strong ecosystem of partners and developers which can augment the value of our platform. Going forward, we plan to establish additional strategic partnerships with leading software providers through the Matterport Platform Partner Program, in which our industry partners and developers can build, develop, and integrate with our spatial data library. We will also invest in the Matterport Developer Program to enlarge our marketplace of value-added third-party applications built on top of the Matterport platform. We expect that monetization opportunities from partner integrations and the third-party developer marketplace will allow us to drive subscriber growth and develop a more loyal subscriber base, and the revenue derived from the marketplace will grow over time.

Components of Results of Operations

Revenue

Our revenue consists of subscription revenue, license revenue, services revenue and product revenue.

Subscription revenue — We provide our software as a service on our Matterport platform. Subscribers use our platform under different subscription levels based on the number of active spaces. We typically bill our subscribers monthly or annually in advance based on their subscription level and recognize revenue from subscriptions for our services over the term of the subscription.

Services revenue — Services revenue consists of capture services and add-on services. Capture services consist of professional services in which a Matterport-qualified third-party technician will provide on-site digital capture services for the customer. Our extensive capture solutions also include photos, videos, drone imaging and digital marketing services. Under the capture service arrangements, we pay the third-party technician and bill the customer directly. Add-on services consist of additional software features that the customer can purchase. These services are typically provided by third parties under our direction and oversight, and we pay the third party and bill the subscriber directly for the provisions of such services.

Product revenue — Product revenue consists of revenue from the sale of capture devices, including our Pro3 and Pro2 Cameras, Matterport Axis, and out-of-warranty repair fees. Customers place orders for our products, and we fulfill the orders and ship the devices directly to the customer or, in some cases, we arrange for the shipment of devices from third parties directly to the customer. We recognize product revenue associated with a sale in full at the time of shipment of the product. In some cases, customers prepay for the ordered device and, in other cases we bill the customer upon shipment of the device. Customers purchasing capture devices from us also typically subscribe to the Matterport platform for use with their captured spaces. However, we do not require Pro3 or Pro2 Camera owners to have a subscription when purchasing a

Pro3 or Pro2 Camera. We will also repair Pro3 and Pro2 Cameras for a fee if the nature of the repair is outside the scope of the applicable warranty.

Cost of Revenue

Cost of revenue consists of cost of subscription revenue, cost of license revenue, cost of services revenue, and cost of product revenue. Restructuring costs are also included in cost of revenue in the individual categories.

Cost of subscription revenue—Cost of subscription revenue consists primarily of costs associated with hosting and delivery services for our platform to support our subscribers and other users of our subscribers' spatial data, along with our customer support operations. Cost of subscription revenue also includes amortization of internal-use software and stock-based compensation.

Cost of services revenue — Cost of services revenue consists primarily of costs associated with capture services and costs for add-on features. Costs for capture services are primarily attributable to services rendered by third-party technicians that digitally capture spaces on behalf of the applicable customer, as well as administration and support costs associated with managing the program. Costs for add-on features are primarily attributable to services rendered by third-party contractors that develop the floor plans or other add-ons applications purchased by our subscribers as well as support costs associated with delivering the applications.

Cost of product revenue — Cost of product revenue consists primarily of costs associated with the manufacture of our Pro3 and Pro2 Cameras, warranty and repair expenses relating to Pro3 and Pro2 Cameras and personnel-related expenses associated with manufacturing employees including salaries, benefits, bonuses, overhead and stock-based compensation. Cost of product revenue also includes depreciation of property and equipment, costs of acquiring third-party capture devices, and costs associated with shipping devices to customers.

Operating Expenses

Our operating expenses consist primarily of research and development expenses, selling, general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, stock-based compensation, and sales commissions. Operating expenses also include overhead costs and restructuring costs.

Research and development expenses — Research and development expenses consist primarily of personnel-related expenses associated with our research and development employees, including salaries, benefits, bonuses, and stock-based compensation. Research and development expenses also include third-party contractor or professional services fees, and software and subscription services dedicated for use by our research and development organization. In addition, research and development expenses that qualify as internal-use software development costs are capitalized.

Selling, general and administrative expenses — Selling, general, and administrative expenses consist primarily of personnel-related expenses associated with our sales and marketing, finance, legal, information technology, human resources, facilities, and administrative employees, including salaries, benefits, bonuses, sales commissions, and stock-based compensation. We capitalize and amortize commissions associated with attracting new paid subscribers and services revenue over a period of three years, which is the estimated period for which we expect to benefit from the sales commissions. Selling, general and administrative expenses also include external legal, accounting, and other professional services fees, software and subscription services, and other corporate expenses.

Litigation expense — Litigation expense consists of a litigation contingent liability and charges related to a former employee and shareholder of the Company who filed the initial, the second amended and the third amended complaint in July 2021, September 2021, and September 2022, respectively, for the share transfer restriction of his shares of Class A common stock of Matterport received in connection with the Gores Merger, and for damages as a result of the share transfer restrictions.

Interest Income

Interest income consists of interest income earned on our cash and cash equivalents and investments.

Change in Fair Value of Warrants Liability

The private warrants are subject to fair value remeasurement at each balance sheet date if outstanding, or upon the time immediately before the exercise or redemption. As of September 30, 2024, there were 1.7 million Private Warrants outstanding. Matterport expects to incur incremental income (expense) in the condensed consolidated statements of operations for the fair value change for the outstanding private warrants liability going forward at the end of each reporting period or through the exercise of such warrants.

Other Income, net

Other income, net consists primarily of accretion of discounts, net of amortization related to investment premiums.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign and state jurisdictions in which we conduct business. We record income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the financial statement and income tax basis of existing assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences are expected to reverse. We recognize the effect on deferred income taxes of a change in tax rates in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets and liabilities to the net amount that we believe is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods presented based on our condensed consolidated statements of operations data (in thousands, except percentages). The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Subscription	$ 25,365	$ 22,878	$ 73,535	$ 63,647
Services	11,085	9,936	31,069	29,324
Product	7,343	7,828	21,277	25,232
Total revenue	43,793	40,642	125,881	118,203
Costs of revenue:				
Subscription	8,236	7,379	24,124	21,576
Services	7,445	6,725	21,748	20,978
Product	6,412	6,641	19,337	23,377
Total costs of revenue	22,093	20,745	65,209	65,931
Gross profit	21,700	19,897	60,672	52,272
Gross margin	*50%*	*49%*	*48%*	*44%*
Operating expenses:				
Research and development	15,261	15,577	45,521	52,711
Selling, general, and administrative	50,464	53,719	150,069	164,660
Litigation expense	—	—	95,000	—
Total operating expenses	65,725	69,296	290,590	217,371
Loss from operations	(44,025)	(49,399)	(229,918)	(165,099)
Other income (expense):				
Interest income	3,211	1,573	8,098	4,525
Change in fair value of warrants liability	169	513	(895)	564
Other income	2,311	2,669	6,762	5,075
Total other income	5,691	4,755	13,965	10,164
Loss before provision for income taxes	(38,334)	(44,644)	(215,953)	(154,935)
Provision for income taxes	67	110	162	197
Net loss	$ (38,401)	$ (44,754)	$ (216,115)	$ (155,132)

Revenues

Total revenue increased by $3.2 million, or 8%, to $43.8 million during the three months ended September 30, 2024, from $40.6 million during the three months ended September 30, 2023. The increase in revenue is attributable to growth primarily driven by subscription and services revenue, partially offset by a decrease in product revenue.

Total revenue increased by $7.7 million, or 6%, to $125.9 million during the nine months ended September 30, 2024, from $118.2 million during the nine months ended September 30, 2023. The increase in revenue is attributable to growth primarily driven by subscription and services revenue, partially offset by a decrease in product revenue.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Change		2024	2023	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Subscription	$ 25,365	$ 22,878	$ 2,487	11 %	$ 73,535	$ 63,647	$ 9,888	16 %
Services	11,085	9,936	1,149	12 %	31,069	29,324	1,745	6 %
Product	7,343	7,828	(485)	(6)%	21,277	25,232	(3,955)	(16)%
Total revenue	$ 43,793	$ 40,642	$ 3,151	8 %	$ 125,881	$ 118,203	$ 7,678	6 %

Subscription revenue increased for the three and nine months ended September 30, 2024 compared to the same periods in 2023, primarily due to higher volume of subscription plans from new subscribers, expanded use of the subscription by existing subscribers, and a subscription price increase implemented since the third quarter of fiscal year 2023. Of the $2.5 million increase for the three months ended September 30, 2024, approximately $2.8 million was attributable to the higher volume of subscription plans from new subscribers, partially offset by a decrease of approximately $0.3 million from existing customers during that period. Of the $9.9 million increase for the nine months ended September 30, 2024, approximately $8.2 million was attributable to the higher volume of subscription plans from new subscribers and approximately $1.7 million was attributable to sales to existing customers during that period.

Services revenue increased for the three and nine months ended September 30, 2024 compared to the same periods in 2023. The increase was primarily attributable to increased sales of capture services and up-scaled add-on services, primarily driven by our investment in growing our capture services business and the increase in the number of our subscribers.

Product revenue decreased for the three and nine months ended September 30, 2024 compared to the same periods in 2023. The decrease was primarily due to lower sales volume of our Pro2 and Pro3 cameras.

Cost of Revenue

Our cost of revenue consists of cost of subscription revenue, cost of license revenue, cost of services revenue and cost of product revenue.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Change		2024	2023	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Cost of subscription revenue	$ 8,236	$ 7,379	$ 857	12 %	$ 24,124	$ 21,576	$ 2,548	12 %
Cost of services revenue	7,445	6,725	720	11 %	21,748	20,978	770	4 %
Cost of products revenue	6,412	6,641	(229)	(3)%	19,337	23,377	(4,040)	(17)%
Total cost of revenue	$ 22,093	$ 20,745	$ 1,348	6 %	$ 65,209	$ 65,931	$ (722)	(1)%

Total cost of revenue increased for the three months ended September 30, 2024 compared to the same period in 2023, primarily attributable to an increase in subscription services provided and capture services sold, partially offset by a decrease in cost of products revenue. Total cost of revenue decreased for the nine months ended September 30, 2024 compared to the same period in 2023, primarily attributable to the decrease in cost of products revenue.

Cost of subscription revenue increased for the three and nine months ended September 30, 2024 compared to the same periods in 2023, primarily attributable to increased spending in hosting and delivery services for our platform to enhance our processing efficiency and better support our expanding digital twins for subscription services provided.

Cost of services revenue increased for the three and nine months ended September 30, 2024 compared to the same periods in 2023, primarily attributable to the increase in volume of the capture services rendered.

Cost of products revenue decreased for the three and nine months ended September 30, 2024 compared to the same periods in 2023. The decrease was primarily attributable to the lower volume of our Pro2 and Pro3 cameras.

Gross Profit and Gross Margin

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Gross profit	$ 21,700	$ 19,897	$ 60,672	$ 52,272
Gross margin	*50%*	*49%*	*48%*	*44%*

Gross margin increased to 50% during the three months ended September 30, 2024 from 49% during the three months ended September 30, 2023, primarily driven by the improved margin in subscription revenue due to cost efficiencies resulting from the 2023 restructuring plan implemented in the second half of fiscal year 2023. Gross margin increased to 48% during the nine months ended September 30, 2024 from 44% during the nine months ended September 30, 2023, primarily driven by the improved margin in subscription revenue due to cost efficiencies resulting from the 2023 restructuring plan implemented in the second half of fiscal year 2023.

Research and Development Expenses

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023			2024	2023		
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Research and development expenses	$ 15,261	$ 15,577	$ (316)	(2)%	$ 45,521	$ 52,711	$ (7,190)	(14)%

Research and development expenses decreased by $0.3 million, or 2%, to $15.3 million and by $7.2 million, or 14%, to $45.5 million for the three and nine months ended September 30, 2024, respectively, from $15.6 million and $52.7 million for the three and nine months ended September 30, 2023, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to a decrease of $0.6 million in restructuring charges from the 2023 restructuring plan implemented in the second half of fiscal year 2023, partially offset by a $0.3 million increase in stock-based compensation. The decrease for the nine months ended September 30, 2024 was primarily attributable to a $3.5 million decrease in salary compensation expenses, a $2.7 million decrease in stock-based compensation, and a $0.6 million decrease in restructuring charges from the 2023 restructuring plan.

Selling, General and Administrative Expenses

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023			2024	2023		
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Selling, general and administrative expenses	$ 50,464	$ 53,719	$ (3,255)	(6)%	$ 150,069	$ 164,660	$ (14,591)	(9)%

Selling, general and administrative expenses decreased by $3.3 million, or 6%, to $50.5 million and by $14.6 million, or 9%, to $150.1 million for the three and nine months ended September 30, 2024, respectively, from $53.7 million and $164.7 million for the three and nine months ended September 30, 2023, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to a $5.1 million decrease in professional services as we continue to mitigate our spending and drive efficiency, a $2.1 million decrease in restructuring charges from the 2023 restructuring plan implemented in the second half of fiscal year 2023, and a $1.9 million decrease in personnel-related cost, partially offset by a $4.3 million increase in transaction costs of the planned acquisition, a $0.9 million increase in stock-based compensation, and a $0.9 million increase in marketing programs. The decrease for the nine months ended September 30, 2024 was primarily attributable to a $13.2 million decrease in professional services, a $10.1 million decrease in personnel-related cost, a $3.0 million decrease in stock-based compensation, and a $2.1 million decrease in restructuring charges from the 2023 restructuring plan, partially offset by a $12.2 million increase in transaction costs related to the planned acquisition and a $2.3 million increase in marketing programs.

Litigation Expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023			2024	2023		
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Litigation expense	$ —	$ —	$ —	100 %	$ 95,000	$ —	$ 95,000	100 %

Litigation expense increased for the nine months ended September 30, 2024 compared to the same period in 2023. A former employee and a stockholder of the Company, William J. Brown, filed the initial, the second amended and the third amended complaint in July 2021, September 2021, and September 2022, respectively, for the share transfer restriction of his shares of Class A common stock of Matterport received in connection with the Gores Merger, and for damages as a result of the share transfer restrictions. Information with respect to this item may be found in Note 7 - “Commitments and Contingencies” in the accompanying notes to the condensed consolidated financial statements included in Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q, under “Litigation.” The Company recorded an aggregate legal expense of $95.0 million in our condensed consolidated statement of operations for the nine months ended September 30, 2024.

Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Interest income	$ 3,211	$ 1,573	$ 8,098	$ 4,525

Interest income increased for the three and nine months ended September 30, 2024 compared to the same period in 2023 primarily attributable to interest earned on our cash equivalents, restricted cash, and investments.

Change in Fair Value of Warrants Liability

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Change in fair value of warrants liability	$ 169	$ 513	$ (895)	$ 564

We recognized a decrease in fair value of warrants liability during the three months ended September 30, 2024 and an increase in fair value during the nine months ended September 30, 2024 due to the change in the fair value of our outstanding Private Warrants primarily driven by the underlying stock price and volatility. As of September 30, 2024, there were 1.7 million Private Warrants outstanding.

Other Income, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Other income, net	$ 2,311	$ 2,669	$ 6,762	$ 5,075

Other income decreased for the three months ended September 30, 2024 compared to the same period in 2023. The decrease was primarily due to amortization related to investment premiums, net of accretion discounts. Other income increased for the nine months ended September 30, 2024 compared to the same period in 2023. The increase was primarily due to accretion of discounts, net of amortization related to investment premiums.

Provision for Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Provision for income taxes	$ 67	$ 110	$ 162	$ 197

For the three and nine months ended September 30, 2024, our provision for income taxes reflects an effective tax rate of (0.2)% and (0.1)%, respectively. Our provision for income taxes for the three and nine months ended September 30, 2023 reflects an effective tax rate of (0.2)% and (0.1)%, respectively. Our effective tax rates for the periods presented differ from the U.S. federal statutory tax rate of 21% primarily due to losses that cannot be benefited from as a result of the valuation allowance on the U.S. entity's deferred tax assets and liabilities, foreign earnings being taxed at different tax rates and stock-based compensation activities.

Non-GAAP Financial Measures

In addition to our results of operations below, we report certain financial measures that are not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). These measures have limitations as analytical tools when assessing our operating performance and should not be considered in isolation or as a substitute for GAAP measures, including gross profit and net income. We may calculate or present our non-GAAP financial measures differently than other companies who report measures with similar titles and, as a result, the non-GAAP financial measures we report may not be comparable with those of companies in our industry or in other industries.

Non-GAAP Loss from Operations

We calculate non-GAAP loss from operations as GAAP loss from operations excluding share-based compensation related charges (including share-based payroll tax expense), restructuring charges, acquisition transaction costs related to the planned acquisition, amortization of acquired intangible assets, and litigation expense, which we do not consider to be indicative of our overall operating performance. We believe this measure provides our management and investors with consistency and comparability with our past financial performance and is an important indicator of the performance and profitability of our business.

The following table presents our non-GAAP loss from operations for each of the periods presented (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
GAAP loss from operations	$ (44,025)	$ (49,399)	$ (229,918)	$ (165,099)
Add back: stock based compensation expense, net	31,445	29,721	93,793	97,281
Add back: restructuring charges	—	3,147	—	3,147
Add back: acquisition-related costs	4,271	—	12,194	—
Add back: amortization expense of acquired intangible assets	443	443	1,329	1,329
Add back: litigation expense	—	—	95,000	—
Non-GAAP loss from operations	$ (7,866)	$ (16,088)	$ (27,602)	$ (63,342)

Free Cash Flow

We calculate free cash flow as net cash used in operating activities less purchases of property and equipment and capitalized software and development costs. We believe this metric provides our management and investors with an important indicator of the ability of our business to generate additional cash from our business operations or our need to access additional sources of cash, in order to fund our operations and investments.

The following table presents our free cash flow for each of the periods presented (in thousands):

	Nine months ended September 30,	
	2024	2023
Net cash used in operating activities	$ (18,635)	$ (48,317)
Less: purchases of property and equipment	170	112
Less: capitalized software and development costs	6,846	7,528
Free cash flow	$ (25,651)	$ (55,957)

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Our capital requirements will depend on many factors, including the growth and expansion of our paid subscribers, development of our technology and software platform (including research and development efforts), expansion of our sales and marketing activities and sales, general and administrative expenses. As of September 30, 2024, our principal sources of liquidity were cash, cash equivalents, restricted cash, and marketable securities investment of approximately $405.2 million, which were held for working capital purposes and for investment in growth opportunities. Our marketable securities generally consist of U.S. government agency securities, treasury bills, corporate bonds, corporate and other debt securities. On August 14, 2024, the litigation bond related to the Brown case was posted and the Company transferred $95.0 million in cash as collateral into a designated insured account. The cash collateral of $95.0 million was classified as restricted cash on the Company’s condensed consolidated financial statements as of September 30, 2024. To date, our principal sources of liquidity have been proceeds received from the issuance of equity, proceeds from the Gores Merger and proceeds from warrant and option exercises for cash.

	September 30, 2024	December 31, 2023
	(dollars in thousands)	
Cash, cash equivalents, restricted cash, and investments:		
Cash and cash equivalents	$ 63,358	$ 82,902
Restricted cash	95,182	—
Investments	246,642	340,098
Total cash, cash equivalents, restricted cash, and investments	$ 405,182	$ 423,000

We have incurred negative cash flows from operating activities and significant losses from operations in the past. We expect to continue to incur operating losses at least for the next 12 months due to the investments that we intend to make in our business. Cash used in operations has improved but could also be affected by various risks and uncertainties, including, but not limited to, the impact of litigation expense. As a result, we may require additional capital resources to grow our business. Our future capital requirements will depend on many factors, including an increase in our customer base, the timing and extent of spend to support the expansion of sales, marketing and development activities. Management believes that its current financial resources are sufficient to continue operating activities for at least one year past the issuance date of the financial statements.

Other commitments

There have been no material changes to our material cash requirements or non-cancellable contractual commitments. We lease office space under operating leases for our U.S. headquarters and other locations in the United States that expire at various dates through 2025. In addition, we have purchase obligations, which include contracts and issued purchase orders containing non-cancellable payment terms to purchase third-party goods and services. As of September 30, 2024, our 12-month lease obligations (through September 30, 2025) totaled approximately $0.5 million. Our non-cancellable purchase obligations as of September 30, 2024 totaled approximately $7.3 million and are due through the year ending December 31, 2026.

Cash Flows

The following table set forth a summary of our cash flows for the nine months ended September 30, 2024 and 2023 (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Cash provided by (used in):		
Operating activities	$ (18,635)	$ (48,317)
Investing activities	$ 92,568	$ 8,326
Financing activities	$ 1,644	$ 2,980

Net Cash Used in Operating Activities

Net cash used in operating activities was $18.6 million for the nine months ended September 30, 2024. This amount primarily consisted of a net loss of $216.1 million, offset by non-cash charges of $96.4 million, and a change in net operating assets and liabilities of $101.1 million. The non-cash charges primarily consisted of $84.8 million of stock-based compensation expense and $17.3 million of depreciation and amortization expense, partially offset by $7.0 million accretion of discounts, net of amortization premiums. Changes in net operating assets and liabilities primarily consisted of an increase in accruals and other liabilities, deferred revenue and accounts payable and a decrease in inventories, accounts receivable, and prepaid expenses and other assets.

Net cash used in operating activities was $48.3 million for the nine months ended September 30, 2023. This amount primarily consisted of a net loss of $155.1 million, offset by non-cash charges of $100.3 million, and a change in net operating assets and liabilities of $6.5 million. The non-cash charges primarily consisted of $90.7 million of stock-based compensation expense and $14.1 million of depreciation and amortization expense, partially offset by $5.5 million accretion of discounts, net of amortization premiums. Changes in net operating assets and liabilities primarily consisted of an increase in deferred revenue and accruals and other liabilities and a decrease in accounts receivable and prepaid expenses and other assets, partially offset by an increase in inventories.

Net Cash Provided by Investing Activities

Net cash provided by investing activities was $92.6 million for the nine months ended September 30, 2024. This amount primarily consisted of maturities of marketable securities investments of $257.1 million, partially offset by investments in available-for-sale securities of $157.5 million, capitalized software and development costs of $6.8 million, and purchases of property and equipment of $0.2 million.

Net cash provided by investing activities was $8.3 million for the nine months ended September 30, 2023. This amount primarily consisted of maturities of marketable securities investments of $388.2 million, partially offset by investments in available-for-sale securities of $368.1 million, capitalized software and development costs of $7.5 million, consideration paid (net of cash acquired) for business acquisitions of $4.1 million, and purchases of property and equipment of $0.1 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $1.6 million for the nine months ended September 30, 2024. This amount primarily consisted of $1.6 million of proceeds from the sale of shares through employee equity incentive plans.

Net cash provided by financing activities was $3.0 million for the nine months ended September 30, 2023. This amount primarily consisted of $3.3 million of proceeds from the sale of shares through employee equity incentive plans, partially offset by a $0.3 million payment for taxes related to the net settlement of equity awards.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. We evaluated the development and selection of our critical accounting policies and estimates and believe that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position and are therefore discussed as critical.

We believe that the critical accounting estimates discussed under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our 2023 Form 10-K for the fiscal year ended December 31, 2023 reflect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. There have been no material changes to our critical accounting estimates as filed in such report. Refer to Note 2. “Summary of Significant Accounting Policies” in Part I, Item 1 of this Report for more information on our adoption of new accounting guidance.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements, refer to “Accounting Pronouncements” in Note 2, “Summary of Significant Accounting Policies” in Part I, Item 1 of this Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Matterport is subject to market risk, primarily relating to potential losses arising from adverse changes in foreign currency exchange rates.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Currently, our revenue is primarily 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, the United Kingdom (U.K.), Japan and Singapore. However, there has been, and may continue to be, significant volatility in global stock markets and foreign currency exchange rates that result in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. The strengthening of the U.S. dollar may potentially decrease our revenue given our prices are fixed in foreign currencies for some of our end-customers outside of the United States, and to the extent that our customers pay for our products and services in currencies other than the U.S. dollar. If the U.S. dollar continues to strengthen, this could adversely affect our operations and cash flows in the future. In addition, the increase of non-U.S. dollar denominated contracts and the growth of our international entities in the future may result in greater foreign currency denominated sales, which would increase our foreign currency risk. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our consolidated financial statements as of September 30, 2024. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to managing the risk relating to fluctuations in currency rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and operating results.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a–15(e) and Rule 15d–15(e) under the Exchange Act that are designed to provide reasonable assurance that the information required to be disclosed by us 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 SEC’s rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, with sufficient time to allow management to make timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the quarter ended September 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective as of September 30, 2024 because of a material weakness in our internal control over financial reporting, as described in further detail below. In light of the material weakness described below, the Company performed additional analyses and other post-evaluation procedures and determined that its consolidated financial statements have been prepared in accordance with U.S.GAAP. Accordingly, management concluded that the financial statements included in this report fairly present in all material respects the Company’s financial condition, results of operations and cash flows for the periods presented.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management identified a material weakness in our internal control over financial reporting. Specifically, management determined we did not design and maintain appropriate controls to ensure allegations received outside of the whistleblower program are evaluated and communicated to those responsible for financial reporting and those charged with governance in a timely fashion. The material weakness was determined to have existed as of December 31, 2023, and remains unremediated as of September 30, 2024. While the Company has determined that this material weakness did not result in a misstatement to the Company’s consolidated financial statements, until remediated, this material weakness could result in a misstatement of one or more accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Plan

Management is actively engaged in the planning for, and implementation of, remediation efforts to address the material weakness identified above. Our remediation plan includes enhancing the design of controls and procedures related to communicating allegations received outside of the whistleblower program to those responsible for oversight of the Company's financial reporting and those charged with governance.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the three-month period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their respective costs. Inherent limitations in all control systems include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error, mistake or otherwise. Additionally, controls can be circumvented by the individual acts of some persons, by the collusion of two or more people or by an override of the controls by management. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost–effective control system, misstatements due to error or fraud may occur and not be detected even with a well conceived and operated control system.

Part II - Other Information

None.

Item 1. Legal Proceedings

On July 23, 2021, plaintiff William J. Brown, a former employee and a stockholder of Matterport, Inc. (now known as Matterport Operating, LLC) (“Legacy Matterport”), sued Legacy Matterport, Gores Holdings VI, Inc. (now known as Matterport, Inc.), Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors R.J. Pittman, David Gausebeck, Matt Bell, Peter Hebert, Jason Krikorian, Carlos Kokron and Michael Gustafson (collectively, the “Brown Defendants”) in the Court of Chancery of the State of Delaware (the “Delaware Court of Chancery”). On September 3, 2021, the plaintiff filed an amended complaint advancing three counts. The plaintiff’s complaint claimed that the Brown Defendants imposed invalid transfer restrictions on his shares of Matterport stock in connection with the Gores Merger transactions between Matterport, Inc. and Legacy Matterport (the “Transfer Restrictions”), and that Legacy Matterport’s board of directors violated their fiduciary duties in connection with a purportedly misleading letter of transmittal. The complaint sought damages and costs, as well as a declaration from the court that he may freely transfer his shares of Class A common stock of Matterport received in connection with the Gores Merger transactions. An expedited trial regarding the facial validity of the Transfer Restrictions took place in December 2021. On January 11, 2022, the court issued a ruling that the Transfer Restrictions did not apply to the plaintiff. The opinion did not address the validity of the Transfer Restrictions more broadly or whether Brown suffered any damages as a result of the Transfer Restrictions. Matterport filed a notice of appeal of the court’s ruling on February 8, 2022, and a hearing was held in front of the Delaware Supreme Court on July 13, 2022, after which the appellate court affirmed the lower court’s ruling. Separate proceedings regarding the plaintiff’s remaining claims, including the amount of any damages suffered by Brown were the subject of the second phase of the case. The Company’s position was that Brown did not suffer any damages as he would have sold his shares as soon as possible after the Gores Merger transaction closed had the Company not prevented him from trading based on its application of the Transfer Restrictions. The plaintiff filed a Third Amended Complaint on September 16, 2022, which asserted the causes of action described above but omitted as defendants Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors David Gausebeck, Matt Bell, and Carlos Kokron, and added an additional cause of action alleging that Matterport, Inc. violated the Delaware Uniform Commercial Code by failing to timely register the plaintiff’s requested transfer of Matterport, Inc. shares. The remaining defendants’ answer to the Third Amended Complaint was filed on November 9, 2022. Trial was held in November 2023 and a post-trial hearing was held on February 22, 2024. On May 28, 2024, the court ruled that Matterport had a reasonable basis to deny the plaintiff’s November 2021 demand that the transfer restrictions be removed from his shares and that the plaintiff lacked standing as to whether the transfer restrictions complied with Delaware law. However, the court awarded the plaintiff $79.1 million plus pre- and post-judgment interest as damages for losses caused by Matterport’s initial refusal to issue freely transferable shares (the “Brown Judgment”). The Company recorded an aggregate litigation expense of $95.0 million in its consolidated statement of operations for the nine months ended September 30, 2024. On July 29, 2024, the Company filed a notice of appeal of the court’s ruling to the Delaware Supreme Court. Brown filed a notice of cross appeal on August 12, 2024. On August 14, 2024, the litigation bond was posted and the Company transferred $95.0 million in cash as collateral into a designated insured account. On September 13, 2024, the Company filed its opening brief with the Delaware Supreme Court. On October 14, 2024, Brown filed its answering brief on appeal and opening brief on cross-appeal. The cash collateral of $95.0 million was classified as restricted cash on the Company’s condensed consolidated financial statements as of September 30, 2024.

Since the Brown judgment, other former Legacy Matterport stockholders have filed similar complaints (the “Post-Brown Complaints”) in the Delaware Court of Chancery alleging that such stockholders were prevented from trading their Matterport shares through invalid transfer restrictions and seeking damages for the harm to the plaintiffs. These complaints were filed as follows: on July 19, 2024 by Damien Leostic and William Schmitt; on August 16, 2024 by Greg Coombe; on September 19, 2024 by Build Legacy LLC, Build the Future Trust under agreement dated November 16, 2023, Penchant Capital LLC, Penchant Trust, and iRobot Corporation. On September 16, 2024, Kimberly Burdi-Dumas, a former Matterport employee, filed a putative class action complaint on behalf of all persons or entities who were stockholders of Legacy Matterport as of July 21, 2021, and who, pursuant to the Gores Transaction, were thereafter issued and held Matterport shares that were improperly restricted from being sold until January 18, 2022. The Company has not yet answered the Post-Brown Complaints. Given the early stage of the cases, the Company is unable to estimate the reasonably possible loss or range of loss that may result from the matters.

On February 1, 2024, two stockholders, Laurie Hanna and Vasana Smith (collectively “Plaintiffs”) filed a complaint derivatively on behalf of Matterport, Inc. against R.J. Pittman, Michael Gustafson, Peter Hebert, James Krikorian, James Daniel Fay, David Gausebeck, Japjit Tulsi, Judi Otteson, Jay Remley, and numerous stockholders of Matterport, Inc. (collectively “Hanna and Smith Defendants”) in the Delaware Court of Chancery. The complaint alleges that the issuance of 23,460,000 earn-out shares worth $225 million was a breach of fiduciary duty and an act of corporate waste, which unjustly enriched recipients of the earn-out shares at the expense of Matterport and its common stockholders. Specifically, the Plaintiffs allege that issuance of the earn-out shares violated the February 7, 2021 Agreement and Gores Merger Agreement pursuant to which Legacy Matterport and Gores Holding VI, a publicly listed special purpose acquisition company, and two Gores subsidiaries merged, providing Legacy Matterport stockholders with shares of the surviving public company which took the name Matterport. The complaint seeks disgorgement of all unjust enrichment by the Hanna and Smith Defendants, an award of compensatory damages to Matterport, an award of costs and disbursements to the Plaintiffs, as well as a declaration that Plaintiffs may maintain the action on behalf of Matterport and that Plaintiffs are adequate representatives of Matterport, and a finding that demand on the Matterport board is excused as futile. On June 24, 2024, the Plaintiffs filed an amended complaint, which alleges, inter alia, that the members of the Matterport board breached their fiduciary duties by issuing a proxy statement which failed to disclose certain information concerning Matterport's prior issuance of certain earn-out shares previously issued and the subsequent impact on the amount of the CoStar Group Merger Consideration that would have been received by the plaintiffs and other stockholders if those earn-out shares had not been issued. The amended complaint sought an injunction to enjoin the stockholder vote relating to the Company's proposed transaction with CoStar Group, and seeks, among other things, damages, and an award of plaintiffs' costs of the action, including reasonable attorneys' and experts' fees. The Plaintiffs in the Hanna Action filed a motion for a preliminary injunction seeking to enjoin the stockholder vote and a motion for expedited proceedings regarding the motion for a preliminary injunction. On July 11, 2024, the court denied Plaintiffs' motion to expedite.

On June 3, 2024, a purported Matterport stockholder filed a complaint in the U.S. District Court for the Northern District of California, captioned Andrew Rose v. Matterport, Inc., et al., naming Matterport and each member of the Matterport board as defendants (the "Rose Complaint"). The complaint alleged that CoStar Group's Form S-4 Registration Statement filed with the SEC on May 21, 2024 was materially misleading and omitted certain purportedly material information relating to the sales process, financial projections of Matterport and CoStar Group, the valuation analyses performed by Qatalyst Partners, and negotiations over the terms of post-transaction employment of certain Matterport employees. The complaint asserted violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder against all defendants, and violations of Section 20(a) of the Exchange Act against the Company's board. The complaint sought, among other things, an injunction enjoining consummation of the CoStar Group Mergers, an order directing the individual defendants to issue a new Registration Statement, and an award of plaintiff's costs of the action, including plaintiff's reasonable attorneys' and experts' fees. On August 6, 2024, the Rose Complaint was voluntarily dismissed.

Additionally, on July 9, and July 11, 2024, purported Matterport stockholders filed complaints in the New York Supreme Court, captioned Hamilton v. Matterport, Inc., et al., Case No. 653458/2024 (the "Hamilton Action") and Scott v. Matterport, Inc., et al., Case No. 653515/2024 (the "Scott Action"), respectively. These complaints name Matterport and each member of the Matterport board as defendants and allege, inter alia, that the notice of special meeting of stockholders and definitive proxy statement on Schedule 14A, dated June 10, 2024 misrepresents or omits certain purportedly material information relating to financial projections for Matterport, the valuation analyses performed by Qatalyst Partners, and potential conflicts of interest faced by Matterport insiders. The complaints assert claims for common law negligent misrepresentation and common law negligence. The complaints seek, among other things, an injunction enjoining consummation of the CoStar Group Mergers, damages, and an award of plaintiff's costs of the action, including plaintiff's reasonable attorneys' and experts' fees. In addition to the Hamilton and Scott Actions, Matterport has received additional demand letters alleging similar deficiencies or omissions regarding the disclosures made in the Registration Statement, and requesting relevant books and records. On July 25, 2024, one such purported Matterport stockholder filed suit in the Delaware Court of Chancery, captioned Layton v. Matterport, Inc., Case No. 2024-0792 (the "Layton Action"). On July 29, 2024, the Delaware Court of Chancery stayed the action at the request of plaintiff's counsel during the pendency of the CoStar Group Mergers. Matterport notes that: (i) the Hanna Action, the Hamilton Action, the Scott Action, or the Layton Action may be amended; (ii) additional, similar complaints may be filed; or (iii) additional demand letters may be delivered. These events could prevent or delay completion of the Mergers and result in additional costs to Matterport. Matterport believes that the Hanna Action, the Hamilton Action, the Scott Action, the Layton Action and the demand letters are without merit and intends to vigorously defend against them.

On May 11, 2020, Redfin Corporation ("Redfin") was served with a complaint by Appliance Computing, Inc. III, d/b/a Surefield ("Surefield"), filed in the United States District Court for the Western District of Texas, Waco Division. In the complaint, Surefield asserted that Redfin's use of Matterport's 3D-Walkthrough technology infringes four of Surefield's patents. Redfin has asserted defenses in the litigation that the patents in question are invalid and have not been infringed upon. We have agreed to indemnify Redfin for this matter pursuant to our existing agreements with Redfin. The parties have vigorously defended against this litigation. The matter went to jury trial in May 2022 and resulted in a jury verdict finding that Redfin had not infringed upon any of the asserted patent claims and that all asserted patent claims were invalid. Final judgment was entered on August 15, 2022. On September 12, 2022, Surefield filed post trial motions seeking to reverse the jury verdict. Redfin has filed oppositions to the motions. In addition, on May 16, 2022, the Company filed a declaratory judgment action against Appliance Computing III, Inc., d/b/a Surefield, seeking a declaratory judgment that the Company had not infringed upon the four patents asserted against Redfin and one additional, related patent. The matter is pending in the Western District of Washington and captioned Matterport, Inc. v. Appliance Computing III, Inc. d/b/a Surefield, Case No. 2:22-cv-00669 (W.D. Wash.). Surefield has filed a motion to dismiss or in the alternative transfer the case to the United States District Court for the Western District of Texas. The Company filed an opposition to the motion. On August 28, 2023, the Court denied Surefield's motion to dismiss the Washington case but stayed the action pending the resolution of the Texas case. On October 7, 2024, the Texas court appointed a technical advisor to assist the court with post-trial motions.

On July 24, 2024, Vinatha Kutagula, the Company's former Chief Customer Officer, filed a complaint against the Company in the Superior Court of the State of California, County of Santa Clara alleging unlawful retaliation and wrongful termination. On September 13, 2024, the Company filed a motion to compel arbitration. On August 30, 2024, the Company received notice that Ms. Kutagula had filed a complaint with the U.S. Department of Labor with similar allegations. The Company responded to the Department of Labor on October 17, 2024.

Item 1A. Risk Factors

Our operating and financial results are subject to various risks and uncertainties including those described under the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (the "SEC") on February 27, 2024 and the updated risk factors described below, together with all of the other information in this report, including the Condensed Consolidated Financial Statements and the related notes included elsewhere in this report. The risks and uncertainties described in our 2023 Form 10-K and below are not the only ones that may impact our operating and financial results. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected, which could result in a decrease in the market price of our common stock.

There have been no material changes to the risk factors as previously disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, except as set forth below. The risk factors set forth below update, and should be read together with, the risk factors disclosed in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the period ended December 31, 2023.

Risk Factors Related to the Proposed CoStar Group Mergers

The proposed CoStar Group Mergers are subject to the satisfaction of closing conditions, including government approvals, some or all of which may not be satisfied or completed within the expected timeframe, if at all.

Completion of the CoStar Group Mergers is subject to a number of remaining closing conditions, including the expiration of the applicable waiting period (or extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of approvals under specified antitrust and foreign investment laws; the absence of any law or order prohibiting the Mergers; the approval for listing on Nasdaq of the CoStar Group Shares to be issued in connection with the CoStar Group Mergers; and other customary closing conditions. We can provide no assurance that all required approvals will be obtained or that all closing conditions will otherwise be satisfied (or waived, if applicable), and, even if all required approvals can be obtained and all closing conditions are satisfied (or waived, if applicable), we can provide no assurance as to the terms, conditions and timing of such approvals or the timing of the completion of the CoStar Group Mergers. Certain of the conditions to the completion of the CoStar Group Mergers are not within our control, and we cannot predict when or if these conditions will be satisfied (or waived, if applicable). Any adverse consequence of the pending CoStar Group Mergers could be exacerbated by any delays in completion of the CoStar Group Mergers or a termination of the CoStar Group Merger Agreement.

Each party's obligation to consummate the CoStar Group Mergers is also subject to the accuracy of the representations and warranties of the other party (subject to customary materiality qualifications) and compliance in all material respects with the covenants and agreements contained in the CoStar Group Merger Agreement as of the closing of the CoStar Group Mergers, including, with respect to us, covenants to conduct our business and operations in the ordinary course of business consistent with past practice and to not engage in certain kinds of material transactions prior to closing. In addition, the CoStar Group Merger Agreement may be terminated under certain specified circumstances, including, but not limited to, in connection with a change in the recommendation of our Board of Directors to enter into an agreement for a Superior Proposal (as defined in the CoStar Group Merger Agreement). The obligations of the financing parties are subject to a number of customary conditions that must be satisfied prior to the completion of the CoStar Group Mergers. As a result, we cannot assure you that the CoStar Group Mergers will be completed, even though our stockholders approved the CoStar Group Merger Agreement, or that, if completed, the CoStar Group Mergers will be exactly on the terms set forth in the CoStar Group Merger Agreement or within the expected time frame.

We may not complete the proposed CoStar Group Mergers within the time frame we anticipate or at all, which could have an adverse effect on our stock price as well as our business, financial results and/or operations.

The proposed CoStar Group Mergers may not be completed within the expected timeframe, or at all, as a result of various factors and conditions, some of which may be beyond our control. If the CoStar Group Mergers are not completed for any reason, then our stockholders will not receive any payment for their shares of our common stock in connection with the CoStar Group Mergers. Instead, we will remain a public company, our common stock will continue to be listed and traded on Nasdaq and registered under the Exchange Act of 1934, as amended, and we will be required to continue to file periodic reports with the SEC. Moreover, our ongoing business may be materially adversely affected, and we would be subject to risks, including the following:

- We may experience negative reactions from the financial markets, including reactions that could have a negative impact on our stock price, and it is uncertain when, if ever, the price of the shares would return to the price at which the shares currently trade;
- we may experience negative publicity, which could have an adverse effect on our ongoing operations including, but not limited to, retaining and attracting employees, customers, partners, suppliers and others with whom we do business;
- we will be required to pay certain significant costs relating to the CoStar Group Mergers, such as legal, accounting, financial advisory, printing and other professional services fees, which may relate to activities that we would not have undertaken other than in connection with the CoStar Group Mergers;
- we may be required to pay a cash termination fee to CoStar Group, as required under the CoStar Group Merger Agreement under certain circumstances;
- while the CoStar Group Merger Agreement is in effect, we are subject to restrictions on our business activities, including, among other things, restrictions on our ability to enter into, modify, amend, renew or terminate certain kinds of material contracts, which could prevent us from pursuing strategic business opportunities, taking actions with respect to our business that we may consider advantageous and responding effectively and/or timely to competitive pressures and industry developments, and may as a result materially adversely affect our business, results of operations and financial condition;
- matters relating to the CoStar Group Mergers require substantial commitments of time and resources by our management, which could result in the distraction of management from ongoing business operations and pursuing other opportunities that could have been beneficial to us; and
- we may commit significant time and resources to defending against any litigation that may be filed related to the CoStar Group Mergers.
- If the CoStar Group Mergers are not consummated, the risks described above may materialize, and they may have a material adverse effect on our business operations, financial results and stock price; particularly to the extent that the current market price of our common stock reflects an assumption that the CoStar Group Mergers will be completed.

We will be subject to various business uncertainties while the CoStar Group Mergers are pending that may cause disruption.

Our efforts to complete the CoStar Group Mergers could cause disruptions in, and create uncertainty surrounding, our business, which may materially adversely affect our results of operation and our business. Uncertainty as to whether the CoStar Group Mergers will be completed may affect our ability to recruit prospective employees or to retain and motivate existing employees. Employee retention may be particularly challenging while the CoStar Group Mergers are pending because employees may experience uncertainty about their roles following the CoStar Group Mergers. A substantial amount of our management's and key employees' attention is being directed toward the completion of the CoStar Group Mergers and thus is being diverted from our day-to-day operations. Uncertainty as to our future could adversely affect our business and our relationship with existing and potential customers, patients and suppliers. For example, customers, suppliers and other third parties may defer decisions concerning working with us or seek to change existing business relationships with us. Changes to or termination of existing business relationships could adversely affect our revenue, earnings and financial condition, as well as the market price of our common stock. The adverse effects of the pendency of the CoStar Group Mergers could be exacerbated by any delays in completion of the CoStar Group Mergers or termination of the CoStar Group Merger Agreement.

The CoStar Group Merger Agreement may be terminated under various circumstances, including in connection with a superior proposal, and we would incur fees and expenses in connection with such termination.

Under the terms of the CoStar Group Merger Agreement, we may be required to pay CoStar Group a termination fee under specified conditions, including in the event the Company terminates the CoStar Group Merger Agreement to enter into a Superior Proposal (as defined in the CoStar Group Merger Agreement). This payment could affect the structure, pricing and terms proposed by a third party seeking to acquire or merge with us and could discourage a third party from making a competing acquisition proposal, including a proposal that would be more favorable to our stockholders than the CoStar Group Mergers.

We have incurred, and will continue to incur, direct and indirect costs as a result of the CoStar Group Mergers.

We have incurred, and will continue to incur, significant costs and expenses, including regulatory costs, fees for professional services and other transaction costs in connection with the CoStar Group Mergers, for which we will have received little or no benefit if the CoStar Group Mergers are not completed. There are a number of factors beyond our control that could affect the total amount or the timing of these costs and expenses. Many of these fees and costs will be payable by us even if the CoStar Group Mergers are not completed and may relate to activities that we would not have undertaken other than to complete the CoStar Group Mergers.

Litigation challenging the CoStar Group Mergers may increase costs and prevent the CoStar Group Mergers from being completed within the expected timeframe, or from being completed at all.

CoStar Group, Matterport and members of their respective boards of directors are currently and may in the future be parties to various claims and litigation related to the CoStar Group Merger Agreement or the CoStar Group Mergers. One of the conditions to completion of the CoStar Group Mergers is the absence of any injunction, order or award restraining or enjoining, or otherwise prohibiting, the consummation of the CoStar Group Mergers. Accordingly, if any complaint that has been or is subsequently filed challenging the CoStar Group Mergers and a plaintiff is successful in obtaining an order enjoining completion of the CoStar Group Mergers, then such order may prevent the CoStar Group Mergers from being completed, or from being completed within the expected time frame.

For example, on June 3, 2024, a purported Matterport stockholder filed a complaint in the U.S. District Court for the Northern District of California, captioned Andrew Rose v. Matterport, Inc., et al., Case No. 5:24-cv-3313 (the “Rose Action”), naming Matterport and each member of the Matterport Board as defendants. The complaint alleged that CoStar Group’s Form S-4 Registration Statement filed with the SEC on May 21, 2024 was materially misleading and omitted certain purportedly material information relating to the sales process, financial projections of Matterport and CoStar Group, the valuation analyses performed by Qatalyst Partners, and negotiations over the terms of post-transaction employment of certain Matterport employees. The complaint asserted violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder against all defendants, and violations of Section 20(a) of the Exchange Act against the Company’s Board. The complaint sought, among other things, an injunction enjoining consummation of the CoStar Group Mergers, an order directing the individual defendants to issue a new Registration Statement, and an award of plaintiff’s costs of the action, including plaintiff’s reasonable attorneys’ and experts’ fees. On August 6, 2024, the Rose Complaint was voluntarily dismissed. Additionally, on July 9 and July 11, 2024, purported Matterport stockholders filed complaints in the New York Supreme Court, captioned Hamilton v. Matterport, Inc., et al., Case No. 653458/2024 (the “Hamilton Action”) and Scott v. Matterport, Inc., et al., Case No. 653515/2024 (the “Scott Action”), respectively. These complaints name Matterport and each member of the Matterport Board as defendants and allege, inter alia, that the proxy statement misrepresents or omits certain purportedly material information relating to financial projections for Matterport, the valuation analyses performed by Qatalyst Partners, and potential conflicts of interest faced by Matterport insiders. The complaints assert claims for common law negligent misrepresentation and common law negligence. The complaint seeks, among other things, an injunction enjoining consummation of the CoStar Group Mergers, damages, and an award of plaintiff’s costs of the action, including plaintiff’s reasonable attorneys’ and experts’ fees. Additionally, the plaintiffs in an already-pending action in the Delaware Court of Chancery, captioned Hanna, et al. v. Pittman, et al., Case No. C.A. No. 2024-0088-LWW (the “Hanna Action”) have filed an amended complaint, which alleges, inter alia, that the members of the Matterport Board breached their fiduciary duties by issuing a proxy statement which failed to disclose certain information concerning Matterport’s prior issuance of certain earn-out shares previously issued and the subsequent impact on the amount of the CoStar Group Merger Consideration that would have been received by the plaintiffs and other stockholders if those earn-out shares had not been issued. The amended complaint sought an injunction to enjoin the stockholder vote relating to the CoStar Group Mergers, and seeks, among other things, damages and an award of plaintiffs' costs of the action, including reasonable attorneys' and experts' fees. The Plaintiffs in the Hanna Action have also filed a motion for a preliminary injunction seeking to enjoin the stockholder vote and a motion for expedited proceedings regarding the motion for a preliminary injunction. On July 11, 2024, the court denied Plaintiffs' motion to expedite. Additionally, certain purported Matterport stockholders have delivered demand letters (the "Demands") and a draft complaint alleging similar deficiencies or omissions regarding the disclosures made in the Registration Statement, and/or requesting relevant books and records. On July 25, 2024, one such purported Matterport stockholder filed suit in the Delaware Court of Chancery, captioned Layton v. Matterport, Inc., Case No. 2024-0792 (the "Layton Action"). On July 29, 2024, the Delaware Court of Chancery stayed the action at the request of plaintiff's counsel during the pendency of the CoStar Group Mergers. Matterport notes that: (i) the Hanna Action, the Hamilton Action, the Scott Action, or the Layton Action may be amended; (ii) additional, similar complaints may be filed; or (iii) additional demand letters may be delivered. These events could prevent or delay completion of the CoStar Group Mergers and result in additional costs to Matterport. Matterport believes that the Rose Action, the Hanna Action, the Hamilton Action, the Scott Action, the Layton Action and the demand letters are without merit and intends to vigorously defend against them. Litigation could be time consuming and expensive, could divert the attention of CoStar Group's and Matterport's management away from their regular businesses, and, if adversely resolved against either CoStar Group or Matterport or their respective directors, could have a material adverse effect on CoStar Group's and Matterport's respective financial condition.

Risks Related to Our Common Stock

We have identified a material weakness in our internal control over financial reporting and if we are not able to remediate the material weakness, or if we identify additional material weaknesses in the future or otherwise fail to design and maintain effective internal control over financial reporting, then we may be unable to accurately report our results of operations, meet our reporting obligations or prevent misstatements due to fraud or error.

As disclosed in Part 1, Item 4 of this Quarterly Report on Form 10-Q, management identified a material weakness in its internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We have concluded that due to the material weakness, our disclosure controls and procedures were not effective at the reasonable assurance level to ensure that the information required to be disclosed in the reports required to be filed or submitted under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

If we fail to design and maintain effective internal control over financial reporting, there could be material misstatements in our consolidated financial statements that we may not be able to prevent or detect on a timely basis and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could limit our access to capital markets, adversely affect our results of operations and lead to a decline in the trading price of the ordinary shares. Additionally, ineffective internal control over financial reporting could expose us to an increased risk of fraud or misappropriation of assets and subject us to potential delisting from the stock exchange on which we list or to other regulatory investigations and civil or criminal sanctions.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended September 30, 2024, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

As noted in Item 4. Controls and Procedures above, management determined that the Company did not design and maintain effective disclosure controls and procedures due to a material weakness in internal control over financial reporting as the Company did not design and maintain appropriate controls to ensure allegations received outside of the whistleblower program are evaluated and communicated to those responsible for financial reporting and those charged with governance in a timely fashion. Based upon the foregoing, management concluded on November 12, 2024, that this control deficiency constitutes a material weakness that existed as of December 31, 2023, March 31, 2024, June 30, 2024 and remains unremediated as of September 30, 2024. As of the date of this filing, the Company has determined that this material weakness did not result in a misstatement to the Company's consolidated financial statements.

As a result, Management's Report on Internal Control Over Financial Reporting included in Item 9A. Controls and Procedures of the Form 10-K for the fiscal year ended December 31, 2023 should no longer be relied upon. The Company expects to file an amendment to its Annual Report on Form 10-K (the "Form 10-K/A") for the fiscal year ended December 31, 2023 to include disclosures concerning this material weakness and to indicate that the Company's disclosure controls and procedures were not effective as of that date. In addition, the Form 10-K/A will include an amended report of our independent registered public accounting firm to reflect an adverse opinion related to the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. The Form 10-K/A will not contain any revision to the Company's previously issued consolidated financial statements.

Item 6. Exhibits and Financial Statement Schedules.

The financial statements filed as part of this registration statement are listed in the index to the financial statements immediately preceding such financial statements, which index to the financial statements is incorporated herein by reference.

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1†	Agreement and Plan of Merger, dated as of February 7, 2021, by and among Gores Holdings VI, Inc., Maker Merger Sub, Inc., Maker Merger Sub II, LLC and Matterport, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the SEC on February 8, 2021).	8-K	001-39790	2.1	7/28/2021	
2.2†	Agreement and Plan of Merger and Reorganization, dated as of April 21, 2024, among CoStar Group, Inc., Matrix Merger Sub, Inc., Matrix Merger Sub II LLC and Matterport, Inc.	8-K	001-39790	2.2	4/21/2024	
3.1	Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).	8-K	001-39790	3.1	7/28/2021	
3.2	Amended and Restated Bylaws of the Company.	8-K	001-39790	3.2	7/28/2021	
4.1	Warrant Agreement, dated as of December 15, 2020, by and between Gores Holdings VI, Inc. and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-39790	4.1	12/16/2020	
4.2	Amendment to Warrant Agreement, dated as of July 22, 2021, by and among Matterport, Inc., Continental Stock Transfer & Trust Company and American Stock Transfer & Trust Company, as warrant agent.	8-K	001-39790	4.3	7/28/2021	
10.1	Form of Voting Agreement.	8-K	001-39790	10.1	4/21/2024	
10.2	Form of Severance Plan Letter Agreement.	8-K	001-39790	10.2	4/21/2024	
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
32.2	Certification of Principal Financial Officer 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.					*
Exhibit 104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					

* Filed herewith

† The schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Company agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon its request.

SIGNATURES

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

MATTERPORT, INC.

Date: November 12, 2024	By:	/s/ R.J. Pittman
		R.J. Pittman
		Chief Executive Officer
		(Duly Authorized Officer and Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, R.J. Pittman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Matterport, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

By: /s/ R.J. Pittman
R.J. Pittman
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, James D. Fay, certify that:

1. I have reviewed this Quarterly Report on Form-10-Q of Matterport, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

By: /s/ James D. Fay
James D. Fay
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Matterport, Inc. (the "Company") for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2024

By: /s/ R.J. Pittman
R.J. Pittman
Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Matterport, Inc. (the “Company”) for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2024	By:	/s/ James D. Fay
		James D. Fay
		Chief Financial Officer