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

FORM 8-K/A
(Amendment No. 2)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 22, 2021

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

Delaware	**001-39790**	**85-1695048**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

352 East Java Drive
Sunnyvale, CA 94089
(Address of principal executive offices, including zip code)

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

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 Stock Market LLC**
Warrants, each exercisable for one share of Class A Common Stock for $11.50 per share	**MTTRW**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

EXPLANATORY NOTE

This Current Report on Form 8-K/A (this "Amendment") amends the Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on July 28, 2021 (the "Original Form 8-K"), as amended by Amendment No. 1 on Form 8-K/A filed with the SEC on July 29, 2021 ("Amendment No. 1" and, together with the Original Form 8-K, the "Existing Form 8-K").

Matterport, Inc. (formerly known as Gores Holdings VI, Inc.) (the "Company") is filing this Amendment to the Existing Form 8-K to include (a) the unaudited condensed consolidated financial statements of Matterport Operating, LLC (formerly known as Matterport, Inc.) ("Legacy Matterport") and its subsidiaries as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 as Exhibit 99.2, (b) the Management's Discussion and Analysis of Financial Conditions and Results of Operations of Legacy Matterport for the three and six months ended June 30, 2021 and 2020 as Exhibit 99.3 and (c) the unaudited pro forma condensed combined financial information of the Company as of June 30, 2021, for the six months ended June 30, 2021, and for the year ended December 31, 2020 as Exhibit 99.4. Accordingly, the Existing Form 8-K is hereby amended solely to amend and restate Item 9.01. The Existing Form 8-K otherwise remains unchanged.

Item 9.01. Financial Statement and Exhibits.

(a) Financial statements of businesses acquired

The financial statements of the Company included in the Company's quarterly report on Form 10-Q filed on August 16, 2021 are incorporated herein by reference.

The financial statements of Legacy Matterport as of and for the years ended December 31, 2020 and 2019 are included in the Company's Proxy Statement, filed with the SEC on June 21, 2021, beginning on page F-39 and are incorporated herein by reference.

The unaudited condensed consolidated financial statements of Legacy Matterport, as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020, and the related notes thereto set forth in Exhibit 99.2 to this Current Report on Form 8-K are incorporated herein by reference.

(b) Pro Forma Financial Information

The information set forth in Exhibit 99.4 to this Current Report on Form 8-K, which includes the unaudited pro forma condensed combined financial information of the Company as of June 30, 2021 and for the six months ended June 30, 2021 and for the year ended December 31, 2020, is incorporated herein by reference.

(c) List of Exhibits.

Exhibit No.	Description
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 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 8, 2021).
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).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).

Exhibit No.	Description
4.1	Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-1, filed October 5, 2020).
4.2	Form of Warrant Agreement, dated as of December 15, 2020, by and between Gores Holdings VI, Inc., and Continental Stock Transfer & Trust Company, as warrant agent (incorporated by reference to Exhibit 4.4 to the Company's registration statement on Form S-1, filed October 5, 2020).
4.3	Amendment to Warrant Agreement, date as of July 22, 2021, by and between Matterport, Inc. and American Stock and Transfer Trust, as warrant agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
4.4	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-249312), filed with the Securities and Exchange Commission on October 5, 2020).
10.1	Amended and Restated Registration Rights Agreement, dated as of July 22, 2021, by and among the Company, Gores Sponsor VI LLC and certain other parties (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
10.2	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
10.3†	Matterport, Inc. 2021 Incentive Award Plan and related forms of award agreements (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
10.4†	Matterport, Inc. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
10.5†	Matterport, Inc. Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
10.6	Form of Individual Investor Subscription Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8 K, filed with the Securities and Exchange Commission on February 8, 2021).
10.7	Form of Institutional Investor Subscription Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 8, 2021).
16.1	Letter to the Securities and Exchange Commission from KPMG LLP, dated July 28, 2021 (incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).
99.1	Unaudited pro forma condensed consolidated combined financial information of Matterport, Inc., for the three months ended March 31, 2021 and for the year ended December 31, 2020 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).

Exhibit No.	Description
99.2	Unaudited condensed consolidated financial statements of Matterport, Inc., as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020.
99.3	Management's Discussion and Analysis of Financial Condition and Results of Operations for Matterport, Inc. for the three and six months ended June 30, 2021 and 2020.
99.4	Unaudited pro forma condensed consolidated combined financial information of Matterport, Inc., for the six months ended June 30, 2021 and for the year ended December 31, 2020.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

* 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.

† Indicates a management contract or compensatory plan, contract or arrangement.

SIGNATURE

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 hereunto duly authorized.

Matterport, Inc.

Date: August 16, 2021	By:	/s/ James D. Fay
	Name:	James D. Fay
	Title:	Chief Financial Officer

MATTERPORT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020
(unaudited)
(In thousands, except share and per share data)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,281	$ 51,850
Restricted cash	400	400
Accounts receivable, net of allowance of $32 and $799, as of June 30, 2021 and December 31, 2020, respectively	6,692	3,924
Inventories	2,622	3,646
Prepaid expenses and other current assets	3,810	2,453
Total current assets	55,805	62,273
Property and equipment, net	9,373	8,210
Other assets	6,352	1,369
Total assets	$ 71,530	$ 71,852
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 4,903	$ 3,434
Current portion of long-term debt	8,427	8,215
Deferred revenue	7,667	4,606
Accrued expenses and other current liabilities	10,739	6,995
Total current liabilities	31,736	23,250
Long-term debt	2,034	4,502
Deferred revenue, non-current	260	297
Other long-term liabilities	293	335
Total liabilities	34,323	28,384
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock, $0.001 par value; 30,443,413 shares authorized as of June 30, 2021 and December 31, 2020; 30,340,098 shares issued and outstanding as of June 30, 2021 and December 31, 2020; and liquidation preference of $166,131 as of June 30, 2021 and December 31, 2020.	164,168	164,168
Stockholder's deficit:		
Common stock, $0.001 par value; 56,500,000 shares and 56,000,000 shares authorized as of June 30, 2021 and December 31, 2020, respectively; and 10,135,510 shares and 9,463,182 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	10	10
Additional paid-in capital	11,948	9,153
Accumulated other comprehensive income	160	135
Accumulated deficit	(139,079)	(129,998)
Total stockholders' deficit	(126,961)	(120,700)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 71,530	$ 71,852

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue:				
Subscription	$ 15,281	$ 9,999	$ 29,081	$ 17,515
License	2,099	—	4,359	—
Services	2,879	2,232	5,568	3,157
Product	9,244	12,052	17,424	16,551
Total revenue	29,503	24,283	56,432	37,223
Costs of revenue:				
Subscription	3,384	2,905	6,635	5,318
License	—	—	—	—
Services	2,290	1,613	4,325	2,540
Product	6,015	6,902	10,930	9,970
Total costs of revenue	11,689	11,420	21,890	17,828
Gross profit	17,814	12,863	34,542	19,395
Operating expenses:				
Research and development	7,090	4,537	13,115	9,142
Selling, general, and administrative	16,501	10,476	29,559	20,273
Total operating expenses	23,591	15,013	42,674	29,415
Loss from operations	(5,777)	(2,150)	(8,132)	(10,020)
Other income (expense):				
Interest income	14	4	22	13
Interest expense	(277)	(471)	(585)	(858)
Other income (expense), net	(149)	(1,053)	(347)	(899)
Total other income (expense)	(412)	(1,520)	(910)	(1,744)
Loss before provision for income taxes	(6,189)	(3,670)	(9,042)	(11,764)
Provision for income taxes	20	20	39	34
Net loss	(6,209)	(3,690)	(9,081)	(11,798)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.62)	$ (0.47)	$ (0.92)	$ (1.51)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	10,037,669	7,844,667	9,829,416	7,822,539
Other comprehensive income, net of tax:				
Foreign currency translation gain (loss)	4	(21)	(63)	(119)
Unrealized gain on available-for-sale securities, net of tax	48	—	88	—
Comprehensive loss	$ (6,157)	$ (3,711)	$ (9,056)	$ (11,917)

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(unaudited)
(In thousands, except share data)

	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other Comprehensive Income (Loss)				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Foreign Currency Translation Adjustments	Unrealized Gain on Available-for-sale Securities	Total Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
Balance as of March 31, 2021	**30,340,098**	**$164,168**	**9,848,013**	**$ 10**	**$ 10,682**	**$ 68**	**$ 40**	**$ 108**	**$ (132,870)**	**$ (122,070)**
Net loss	—	—	—	—	—	—	—	—	(6,209)	(6,209)
Other comprehensive income (loss)	—	—	—	—	—	4	48	52	—	52
Issuance of common stock upon exercise of stock options	—	—	287,497	—	553	—	—	—	—	553
Stock-based compensation	—	—	—	—	713	—	—	—	—	713
Balance as of June 30, 2021	**30,340,098**	**$164,168**	**10,135,510**	**$ 10**	**$ 11,948**	**$ 72**	**$ 88**	**$ 160**	**$ (139,079)**	**$ (126,961)**

	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other Comprehensive Income (Loss)				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Available-for-Sale Securities	Total Accumulated Other Comprehensive loss	Accumulated Deficit	Total Stockholders' Deficit
Balance as of March 31, 2020	**23,922,109**	**$ 110,978**	**7,800,411**	**$ 8**	**$ 6,486**	**$ (62)**	**$ —**	**$ (62)**	**$ (123,647)**	**$ (117,215)**
Net loss	—	—	—	—	—	—	—	—	(3,690)	(3,690)
Other comprehensive loss	—	—	—	—	—	(21)	—	(21)	—	(21)
Conversion of convertible note to Series D redeemable convertible preferred stock	1,148,010	9,501	—	—	—	—	—	—	—	—
Issuance of Series D redeemable convertible preferred stocks net of issuance costs	5,269,979	43,689	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	86,108	—	51	—	—	—	—	51
Stock-based compensation	—	—	—	—	625	—	—	—	—	625
Balance as of June 30, 2020	**30,340,098**	**164,168**	**7,886,519**	**$ 8**	**$ 7,162**	**$ (83)**	**$ —**	**$ (83)**	**$ (127,337)**	**$ (120,250)**

	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other Comprehensive Income (Loss)				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Foreign Currency Translation Adjustment	Unrealized Gain on Available-for-Sale Securities	Total Accumulated Other Comprehensive loss	Accumulated Deficit	Total Stockholders' Deficit
Balance as of December 31, 2020	**30,340,098**	**$164,168**	**9,463,182**	**$ 9**	**$ 9,154**	**$ 135**	**$ —**	**$ 135**	**$ (129,998)**	**$ (120,700)**
Net loss	—	—	—	—	—	—	—	—	(9,081)	(9,081)
Other comprehensive income (loss)	—	—	—	—	—	(63)	88	25	—	25
Issuance of common stock upon exercise of stock options	—	—	672,328	1	1,341	—	—	—	—	1,342
Stock-based compensation	—	—	—	—	1,453	—	—	—	—	1,453
Balance as of June 30, 2021	**30,340,098**	**$164,168**	**10,135,510**	**$ 10**	**$ 11,948**	**$ 72**	**$ 88**	**$ 160**	**$ (139,079)**	**$ (126,961)**

	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other Comprehensive Income (Loss)				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Available-for-Sale Securities	Total Accumulated Other Comprehensive loss	Accumulated Deficit	Total Stockholders' Deficit
Balance as of December 31, 2019	**23,922,109**	**$110,978**	**7,800,411**	**$ 8**	**$ 5,866**	**$ 36**	**$ —**	**$ 36**	**$ (115,539)**	**$ (109,629)**
Net loss	—	—	—	—	—	—	—	—	(11,798)	(11,798)
Other comprehensive loss	—	—	—	—	—	(119)	—	(119)	—	(119)
Conversion of convertible note to Series D redeemable convertible preferred stock	1,148,010	9,501	—	—	—	—	—	—	—	—
Issuance of Series D redeemable convertible preferred stocks net of issuance costs	5,269,979	43,689	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	86,108	—	51	—	—	—	—	51
Stock-based compensation	—	—	—	—	1,245	—	—	—	—	1,245
Balance as of June 30, 2020	**30,340,098**	**$164,168**	**7,886,519**	**$ 8**	**$ 7,162**	**$ (83)**	**$ —**	**$ (83)**	**$ (127,337)**	**$ (120,250)**

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(unaudited)
(In thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (9,081)	$ (11,798)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,608	2,349
Amortization of debt discount	135	108
Stock-based compensation, net of amounts capitalized	1,259	1,164
Loss on extinguishment of debt and convertible notes	—	954
Allowance for doubtful accounts	151	241
Loss on disposal of property, plant, and equipment	7	—
Other	43	9
Changes in operating assets and liabilities:		
Accounts receivable	(2,918)	(4,421)
Inventories	1,024	248
Prepaid expenses and other assets	(1,269)	(673)
Accounts payable	1,466	2,980
Deferred revenue	3,024	3,054
Other liabilities	920	2,808
Net cash used in operating activities	(2,631)	(2,977)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(326)	(20)
Capitalized software and development costs	(3,256)	(2,454)
Investment in convertible notes	(1,000)	—
Net cash used in investing activities	(4,582)	(2,474)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	43,689
Proceeds from exercise of stock options	1,342	51
Proceeds from debt	—	5,302
Proceeds from convertible notes, net of issuance costs	—	8,457
Repayment of debt	(2,390)	(5,922)
Payment of deferred transaction costs	(1,204)	—
Other	—	(81)
Net cash (used in) provided by financing activities	(2,252)	51,496
Net change in cash, cash equivalents, and restricted cash	(9,465)	46,045
Effect of exchange rate changes on cash	(104)	(130)
Cash, cash equivalents, and restricted cash at beginning of year	52,250	10,152
Cash, cash equivalents, and restricted cash at end of period	$ 42,681	$ 56,067
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 579	$ 598
Supplemental disclosures of non-cash investing and financing information		
Unpaid deferred transaction costs	$ 2,773	$ —

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Matterport, Inc. and its subsidiaries (collectively, "Matterport" or the "Company") is the world's leading platform for 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 comprising 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 February 8, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Gores Holdings VI Inc. ("Gores"), Maker Merger Sub, Inc. ("First Merger Sub"), and Maker Merger Sub II, LLC ("Second Merger Sub"), which provides for, among other things: (a) the merger of First Merger Sub with and into the Company, with the Company continuing as the surviving corporation (the "First Merger"); and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of the Company with and into Second Merger Sub, with Second Merger Sub continuing as the surviving corporation and a wholly owned subsidiary of Gores (the "Second Merger" and, together with the First Merger and the other transactions contemplated by the Merger Agreement, the "Business Combination").

On July 22, 2021 (the "Closing Date" or "Closing"), the Company consummated the previously announced Business Combination, by and among the Company (at such time named Gores Holding VI, Inc.), First Merger Sub, Second Merger Sub, and the pre-Business Combination Matterport, Inc. ("Legacy Matterport"). In connection with the consummation of the Business Combination, the registrant changed its name from Gores Holdings VI, Inc. to Matterport, Inc. First Merger Sub merged with and into Legacy Matterport, with Legacy Matterport continuing as the surviving corporation (the "First Merger"), and immediately following the First Merger and as part of the same overall transaction as the First Merger, Legacy Matterport merged with and into Second Merger Sub, with Second Merger Sub continuing as the surviving entity as a wholly owned subsidiary of the Company, under the new name "Matterport Operating, LLC" (the "Mergers"). As a result of the Business Combination, the Company raised gross proceeds of $640.1 million, including the contribution of $345.1 million of cash held in Gores' trust account from its initial public offering and $295.0 million of additional PIPE at $10.00 per share of Gores' Class A Common Stock. The aggregate consideration paid to Legacy Matterport stockholders in connection with the Business Combination (excluding any potential Earn-Out Shares), was 218,875,000 shares. The Per Share Matterport Stock Consideration was equal to approximately 4.1193. See "Note 15 – Subsequent Events" for additional information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

No material changes have been made to the significant accounting policies disclosed in Note 2 of the audited consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 included in Matterport's proxy statement/prospectus filed with the SEC on June 21, 2021.

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 Securities and Exchange Commission, ("SEC"), regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes for the years ended December 31, 2020 and 2019.

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 June 30, 2021, and its results of operations for the three and six months ended June 30, 2021, and 2020, and cash flows for the six months ended June 30, 2021, and 2020. The condensed consolidated balance sheet as of December 31, 2020, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

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 related to the fair value of common stock and other assumptions used to measure stock-based compensation, valuation of deferred tax assets, net realizable value of inventories reserves, allowance for doubtful accounts, and the determination of stand-alone selling price ("SSP") of various performance obligations. As of June 30, 2021, future impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the pandemic, impact on the Company's subscribers and their spending habits, impact on the Company's marketing efforts, and effect on the Company's suppliers, all of which are uncertain and cannot be predicted with certainty. As a result, many of the Company's estimates and assumptions required 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 and the impact of COVID-19, 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 consolidated financial statements in future periods. Actual results may differ materially from those estimates.

Segment information

The Company has a single operating segment and reportable segment. The Company's chief operating decision-maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, 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 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'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. One customer accounted for more than 10% of the Company's total accounts receivable at June 30, 2021. No customer accounted for more than 10% of the Company's total accounts receivable at December 31, 2020. No customer accounted for more than 10% of the Company's total revenue for the three months and the six months ended June 30, 2021 and 2020.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and amounts on deposit with financial institutions. Amounts receivable from credit card processors of approximately $1.2 million and $0.8 million as of June 30, 2021 and December 31, 2020, respectively, are also considered cash equivalents because they are both short-term and highly-liquid in nature and are typically converted to cash approximately three to five business days from the date of the underlying transaction.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, and which, in aggregate, represent the amount reported on the condensed consolidated statements of cash flows (in thousands):

	June 30, 2021	December 31, 2020
Cash	$42,281	$ 51,850
Restricted cash	400	400
Total cash and restricted cash	$42,681	$ 52,250

The Company had restricted cash of $0.4 million as of June 30, 2021 and December 31, 2020. The restricted cash is cash deposits restricted under the 2020 Term Loan. Refer to Note 5. Debt for additional information.

Accounts Receivable, Net

Accounts receivable consists of current trade receivables due from customers recorded at the invoiced amount, net of allowances for doubtful accounts.

The Company's accounts receivable primarily represent amounts due from customers arising from revenue and are stated at the amount the Company expects to collect from outstanding balances. On a periodic basis, the Company evaluates accounts receivable estimated to be uncollectible and provides allowances, as necessary, for doubtful accounts. As of June 30, 2021 and December 31, 2020, the allowance for doubtful accounts was less than $0.1 million and $0.8 million, respectively.

Deferred transaction costs

Deferred transaction costs consist of direct legal, accounting and other fees relating to the Company's anticipated Business Combination. These costs are capitalized as incurred in other assets on the condensed consolidated balance sheets and will be offset against the proceeds within stockholders' equity (deficit). Deferred offering costs as of June 30, 2021 and December 31, 2020 were $4.0 million and $0.1 million, respectively.

Fair Value Measurement

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used for such measurements were as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) 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, and inputs that are observable for the asset or liability, either directly or indirectly, 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 Company's financial assets that were measured at fair value on a recurring basis were as follows (in thousands):

	June 30, 2021			
Description:	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash equivalents:				
U.S. Treasury securities	$28,133	$28,133	$ —	$ —
Other Assets:				
Convertible notes receivable	1,088	—	—	1,088
Total assets	$29,221	$28,133	$ —	$1,088

	December 31, 2020			
Description:	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash equivalents:				
U.S. Treasury securities	$43,116	$43,116	$ —	$ —
Total assets	$43,116	$43,116	$ —	$ —

Accounts receivable and accounts payable are carried at cost, which approximates fair value due to the short maturity of these instruments. Debt is carried at amortized cost, which approximates its fair value based on borrowing rates as of June 30, 2021 and December 31, 2020 available to the Company for loans with similar terms. The fair value of the Company's debt is determined based on Level 2 inputs using primarily observable markets.

The Company has investments in U.S. treasury securities measured at fair value on a recurring basis. The Company classifies the U.S. treasury bills within Level 1 because the Company uses quoted prices and models to determine their fair value.

In January 2021, the Company entered a convertible notes agreement with a privately held company as a strategic investment for a principal of $1.0 million. The notes bear an interest rate of 5.0% per annum and matures in January 2023. The convertible note receivable is accounted for as available-for-sale debt securities in other assets based on "Level 3" inputs, which consist of unobservable inputs and reflect management's estimates of assumptions that market participants would use in pricing the liability, with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income (loss). The fair value of the convertible note receivable was determined using a probability-weighted assessment of redemption and conversion scenarios upon the investee closing additional financing. The key inputs to determining fair values under that approach included probability of repayment and conversion scenarios, and discount rates. As of June 30, 2021, the Company applied a probability of 90% and 10% to the conversion and repayment scenario, respectively and a discount rate of 14.98% in the valuation. The unrealized gain or loss during the three and six months ended June 30, 2021 was less than $0.1 million and $0.1 million.

The following table sets forth a summary of the changes in the estimated fair value of the Company's Level 3 financial liabilities, consisting solely of convertible notes receivable, which is measured at fair value on a recurring basis (in thousands):

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Beginning balance	$ 1,040	$ —
Purchases	—	1,000
Unrealized gain	48	88
Ending balance	$ 1,088	$ 1,088

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general, and administrative in the condensed consolidated statements of operations and comprehensive loss. Advertising expense was $1.9 million and $0.9 million for the three months ended June 30, 2021 and 2020, and $3.5 million and $2.1 million for the six months ended June 30, 2021 and 2020, respectively.

Accounting Pronouncements

The Company is provided the option to adopt new or revised accounting guidance as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 either (1) within the same periods as those otherwise applicable to public business entities or (2) within the same time periods as nonpublic business entities, including early adoption when permissible. With the exception of standards the Company elected to early adopt, when permissible, the Company has elected to adopt new or revised accounting guidance within the same time period as non-public business entities, as indicated below. As a result, the Company's financial statements may not be comparable to companies that comply with public company effective dates because of this election.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU No. 2018-15, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which requires customers to apply internal-use software guidance to determine the implementation costs that are able to be capitalized. Under the new standard, capitalized implementation costs are generally amortized over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. All capitalized implementation amounts will be required to be presented in the same line items of the consolidated financial statements as the related hosting fees. The Company adopted ASU No. 2018-15 beginning January 1, 2021 on a prospective method. The adoption did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Standards Not yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU requires a lessee to recognize on the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. This

ASU is effective for public and private companies' fiscal years beginning after December 15, 2018, and December 15, 2021, respectively, with early adoption permitted. The Company expects to adopt ASU No. 2016-02 under the private company transition guidance beginning January 1, 2022, and is currently evaluating the impact on the Company's condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent related ASUs, which amends the guidance on the impairment of financial instruments by requiring measurement and recognition of expected credit losses for financial assets held. This ASU is effective for public and private companies' fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, and December 15, 2022, respectively. The Company expects to adopt ASU No. 2016-13 under the private company transition guidance beginning January 1, 2023, and is currently evaluating the impact on the Company's condensed consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU No. 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU No. 2019-12 will be effective for public entities for interim and annual periods beginning after December 15, 2020, with early adoption permitted. ASU No. 2019-12 will be effective for private entities for annual periods beginning after December 15, 2021, and interim periods beginning after December 15, 2022, with early adoption permitted. The Company expects to adopt ASU No. 2019-12 under the private company transition guidance beginning January 1, 2022, and is currently assessing the impact the guidance will have on the Company's condensed consolidated financial statements.

3. REVENUE

Disaggregated Revenue—The following table shows the revenue by geography for the three and six months ended June 30, 2021 and 2020, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States	$ 18,139	$ 15,747	$ 35,135	$ 24,345
International	11,364	8,536	21,297	12,878
Total revenue	$ 29,503	$ 24,283	$ 56,432	$ 37,223

No country other than the United States accounted for more than 10% of the Company's revenue for the three and six months ended June 30, 2021 and 2020, 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 six months ended June 30, 2021 and 2020, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Over time revenue	$ 18,160	$ 12,231	$ 34,649	$ 20,672
Point-in-time revenue	11,343	12,052	21,783	16,551
Total	$ 29,503	$ 24,283	$ 56,432	$ 37,223

Contract Balances—The timing of revenue recognition differs 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 contract balances as of June 30, 2021 and December 31, 2020 were as follows (in thousands):

	June 30, 2021	December 31, 2020
Accounts receivable, net	$4,810	$ 2,700
Unbilled accounts receivable	1,882	1,224
Deferred revenue	7,927	4,903

During the six months ended June 30, 2021 and 2020, the Company recognized revenue of $3.2 million and $1.5 million that was included in the deferred revenue balance at the beginning of the fiscal year, respectively. Contracted but unsatisfied performance obligations were $21.3 million at the end of June 30, 2021 and consisted of deferred revenue and backlog. The contracted but unsatisfied or partially unsatisfied performance obligations expected to be recognized over the next 12 months at the end of June 30, 2021 were $18.5 million, and the remaining thereafter.

4. BALANCE SHEET COMPONENTS

Allowance for Doubtful Accounts — Allowance for doubtful accounts as of June 30, 2021 and 2020 and the rollforward for three months and six months ended June 30, 2021 and 2020 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance - beginning of period	$ (740)	$ (459)	$ (799)	$ (337)
Increase in reserves	(135)	(110)	(151)	(241)
Write-offs	843	3	918	12
Balance - end of period	$ (32)	$ (566)	$ (32)	$ (566)

Inventories—Inventories as of June 30, 2021 and December 31, 2020, consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Finished Goods	$ 432	$ 538
Work in process	1,138	2,219
Purchased parts and raw materials	1,052	889
Total inventories	$2,622	$ 3,646

Property and Equipment, Net—Property and equipment as of June 30, 2021 and December 31, 2020, consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Machinery and equipment	$ 1,749	$ 1,435
Furniture and fixtures	354	359
Leasehold improvements	728	733
Capitalized software and development costs	21,593	18,126
Total property and equipment	24,424	20,653
Accumulated depreciation and amortization	(15,051)	(12,443)
Total property and equipment, net	$ 9,373	$ 8,210

Depreciation and amortization expenses were $1.3 million and $1.1 million for three months ended June 30, 2021 and 2020, respectively, and $2.6 million and $2.3 million for the six months ended June 30, 2021 and 2020, respectively.

Additions to capitalized software and development costs, inclusive of stock-based compensation in the three months ended June 30, 2021 and 2020 was $2.0 million and $1.1 million, respectively. Additions to capitalized software and development costs, inclusive of stock-based compensation in the six months ended June 30, 2021 and 2020, was $3.4 million and $2.5 million, respectively. These are recorded as part of property and equipment, net on the condensed consolidated balance sheets. Amortization expense was $1.2 million and $1.1 million for three months ended June 30, 2021 and 2020, respectively, of which $1.0 million and $1.0 million was recorded to costs of revenue related to subscription and $0.2 million and $0.1 million to selling, general and administrative in the condensed consolidated statements of operations and comprehensive loss, respectively. Amortization expense was $2.4 million and $2.2 million for six months ended June 30, 2021 and 2020, respectively, of which $2.0 million and $1.9 million was recorded to costs of revenue related to subscription and $0.4 million and $0.3 million to selling, general, and administrative in the condensed consolidated statements of operations and comprehensive loss, respectively.

Other Assets—Other Assets as of June 30, 2021 and December 31, 2020, consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Other assets	$1,287	$ 1,235
Deferred transaction cost	3,977	134
Convertible notes receivable	1,088	—
	$6,352	$ 1,369

Accrued Expenses and Other Current Liabilities—Accrued expenses and other current liabilities as of June 30, 2021 and December 31, 2020, consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Accrued compensation	$ 2,684	$ 3,208
Tax payable	1,178	1,164
Transaction cost payable	2,773	135
Other current liabilities	4,104	2,488
Total accrued expenses and other current liabilities	$10,739	$ 6,995

5. DEBT

The Company's short-term and long-term debt is secured by substantially all the assets of the Company and subject the Company to certain affirmative and negative covenants. Failure to comply with these covenants could result in an event of default, which may lead to an acceleration of the amounts owed and other remedies.

As of June 30, 2021 and December 31, 2020, the Company has the following financing arrangements:

2015 Term Loan and Line of Credit—On May 20, 2015, the Company entered into a Loan and Security Agreement with a lender (the "2015 Agreement") to borrow a term loan up to $4.0 million ("2015 Term Loan"). The Company borrowed the full $4.0 million term loan on September 23, 2016. The term loan matured on September 30, 2019. The Company was required to make 36 equal installment payments of principal starting October 2016 through September 2019. The term loan bore interest at a floating per annum rate equal to 1.0% above the prime rate published by Wall Street Journal (the "Prime Rate"). Interest was payable monthly. The Company repaid the 2015 Term Loan by September 2019. The agreement also allowed the Company to borrow under financing of eligible accounts, for up to $1.0 million ("2015 Account Financing") The Company did not borrow any amount under the 2015 Account Financing.

On May 22, 2017, the Company amended and restated the 2015 Agreement with the lender (the "2015 Amended and Restated Agreement") for an additional revolving line of credit up to $2.0 million. The line of credit bore interest at a floating per annum rate equal to 0.5% above the Prime Rate. The line of credit matured on May 22, 2019.

On October 26, 2017, the Company amended the 2015 Amended and Restated Agreement with the lender (the "2017 Amendment") for an additional term loan up to $1.5 million ("2017 Term Loan"). The Company borrowed the full $1.5 million on November 3, 2017. The Company was required to make monthly interest-only payments starting December 2017 and 36 equal installment payments of principal starting October 2018 through September 2021. The term loan bore interest at a floating per annum rate equal to the greater of (a) 1.0% above the Prime Rate; and (b) 5.25%. Interest was payable monthly.

On September 16, 2019, the Company amended and restated the 2015 Amended and Restated Agreement and the 2017 Amendment with the lender (the "2017 Second Amended and Restated Agreement"). The agreement provided the Company with a term loan up to $3.0 million ("2019 Term Loan"). The loan must be first used to repay the prior term loan and accrued interest. The Company borrowed the full $3.0 million on September 16, 2019, and $1.0 million of the amount was used to repay in full the outstanding principal and interest under the 2017 Term Loan. The term loan matures in May 2023. The Company is required to make 36 equal installments payments of principal, plus monthly payment of accrued interest starting in June 2020 through May 2023. The term loan bears interest at a floating per annum rate equal to the greater of (a) 1.0% above the Prime Rate and (b) 5.25%. The amendment also provided the Company with a revolving line of credit up to $3.0 million due in September 2020. The Company borrowed $3.0 million under the line of credit on September 27, 2019. The principal amount outstanding under the revolving line of credit bears interest at a floating per annum rate equal to the greater of (a) 0.5% above the Prime Rate and (b) 5.25%. Interest is payable monthly. The restructuring of the term loan was accounted for as an extinguishment. The loss on extinguishment was not material.

For the three months ended June 30, 2021 and 2020, the Company recorded $0.1 million expense under the 2019 Term Loan. For the six months ended June 30, 2021 and 2020, the Company recorded $0.1 million and $0.2 million expense under the 2019 Term Loan. The Company repaid $0.2 million and $0.5 million of principal outstanding under the 2019 Term Loan during the three and six months ended June 30, 2021.

On April 28, 2020, the Company amended the 2017 Second Amended and Restated Agreement with the lender (the "2020 Amendment") to increase the limit of the revolving line of credit from $3.0 million to $5.0 million and extend the maturity date of the revolving line to December 15, 2020. On December 22, 2020, the Company amended and extended the line of credit maturity date from December 15, 2020, through December 14, 2021. As of June 30, 2021 and December 31, 2020, the interest rates for the term loan and the revolving line of credit were 5.25%. As of June 30, 2021, $3.0 million of principal was outstanding under the 2020 Amendment revolving line of credit.

2018 Term Loan—On April 20, 2018, the Company entered into a $10.0 million term loan agreement (the "2018 Agreement") with a lender maturing on May 1, 2022. The loan is repayable in 48 monthly scheduled installments commencing on May 1, 2018. The Company is required to make interest-only payments for the first 12 months starting May 2018 and thereafter to make 36 equal installment payments through the maturity date of the loan. The interest rate is fixed at 11.5% per annum. As of June 30, 2021 and December 31, 2020, there was $3.4 million and $5.1 million of principal outstanding under the 2018 Agreement, respectively.

In connection with the execution of the 2018 Agreement, an additional final payment of $0.5 million is due at the earlier of the maturity date and prepayment of the term loan. The Company accretes the final payment liability up to the redemption amount as part of the 2018 Agreement term loan balance and recognizes interest expense over the term of the loan. The Company recognized less than $0.1 million and $0.1 million interest expense related to the 2018 Agreement final payment for the three and six months ended June 30, 2021, respectively.

For the three months ended June 30, 2021 and 2020, the Company recorded $0.1 million and $0.2 million of interest expense, respectively, and repaid $0.9 million and $0.8 million of principal outstanding under the 2018 Agreement, respectively. For the six months ended June 30, 2021 and 2020, the Company recorded $0.2 million and $0.4 million of interest expense, respectively, and repaid $1.7 million and $1.5 million of principal outstanding under the 2018 Agreement, respectively.

The Company incurred certain debt issuance costs in connection with the above loan agreements. Such cost was capitalized against the loan proceeds. The Company also issued warrants to purchase common stock in conjunction with the above loan agreements. The Company determined the fair value of the warrants using the Black-Scholes option-pricing model, which was recorded to additional paid-in capital and an adjustment against the loan proceeds. The debt issuance cost was capitalized and amortized as interest expense over the initial term of the agreement.

2020 Term Loan—On February 20, 2020, the Company entered into a $ 2.0 million term loan agreement ("2020 Term Loan") with a lender. The loan is provided under two facilities: facility A is comprised of $1.0 million maturing in 36 months, and facility B is comprised of $1.0 million maturing in 30 months. On April 17, 2020, the Company borrowed $1.0 million from facility A, and on October 12, 2020 the Company borrowed the full $1.0 million from facility B. In addition to the principal payment, both loan facilities require a fixed monthly coupon payment. The aggregated annual coupon payment is $0.1 million. The principal is payable in 24 equal installments commencing on May 31, 2021 through April 30, 2023. The interest rate is fixed at 4.75% per annum. For the three months ended June 30, 2021 and 2020, the Company recorded $0.1 million and immaterial amount of interest expense, respectively. For the six months ended June 30, 2021 and 2020, the Company recorded $0.1 million and less than $0.1 million of interest expense, respectively. The Company started repayment of principal in the three month ended June 30, 2021, and repaid $0.2 million of principal outstanding during the period. The 2020 Term loan was fully repaid in August 2021.

The Company incurred certain debt issuance costs in connection with the above loan agreements. Such cost was capitalized against the loan proceeds. The Company also issued warrants to purchase common stock in conjunction with the above loan agreements. The Company determined the fair value of the warrants using the Black-Scholes option-pricing model, which is recorded to additional paid-in capital and an adjustment against the loan proceeds. The debt issuance costs are amortized as additional interest expense over the term of the agreement.

2020 Note — In April 2020, the Company entered into a Paycheck Protection Program Note ("PPP Note") for $4.3 million pursuant to the PPP under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act administered by the U.S. Small Business Administration ("SBA"). The term of the PPP Note was two years with a maturity date in April 2022 and contained a fixed annual interest rate of 1.0%. Principal and interest were payable monthly and could be prepaid by the Company at any time prior to maturity with no prepayment penalties. The Company repaid in full the PPP Note in May 2020. The Company recorded $0.1 million of interest expense for the three months ended June 30, 2020.

Debt obligations as of June 30, 2021 and December 31, 2020, consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Line of credit	$ 3,000	$ 3,000
2019 term loan	1,917	2,417
2018 term loan	3,927	5,650
2020 term loan	1,833	2,000
Total debt	$10,677	$ 13,067
Less: unamortized debt discount	(216)	(350)
Total debt, net of debt discount	10,461	12,717
Less: Current portion of long-term debt	(8,427)	(8,215)
Long-term debt	$ 2,034	$ 4,502

The future principal payments and final payment fee for the Company's outstanding debt obligations as of June 30, 2021 were as follows (in thousands):

	June 30, 2021
Remainder of 2021	$ 5,825
2022	4,102
2023	750
2024	—
Total	$10,677

6. COMMITMENTS AND CONTINGENCIES

Lease and Purchase Obligation—The Company leases offices under operating leases for its U.S. headquarters and international locations that expire at various dates through 2025. Under the lease agreements that contain escalating rent provisions, lease expense is recorded on a straight-line basis over the lease term. Rent expense for the three months ended June 30, 2021 and 2020 was $0.4 million and $0.6 million, respectively. Rent expense for the six months ended June 30, 2021 and 2020, was $0.9 million and $1.2 million, respectively. In addition, the Company has purchase obligations, which includes agreements and issued purchase orders containing non-cancelable payment terms to purchase goods and services.

As of June 30, 2021, future minimum operating lease payments and purchase obligations are as follows (in thousands):

	Operating Leases	Purchase Obligations	Total Lease and Purchase Obligations
Remainder of 2021	$ 635	$ 10,892	$ 12,117
2022	1,301	590	1,301
2023	1,339	—	1,339
2024	1,306	—	1,306
2025	207	—	207
Thereafter	—	—	—
Total	$ 4,788	$ 11,482	$ 16,270

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 and the Company has made an assessment of the probability of incurring any such losses and whether or not those losses are estimable. As of June 30, 2021 and December 31, 2020, there were no amounts accrued that the Company believes would be material to its financial position.

Indemnification—In the ordinary course of business, the Company enters into certain agreements that provided 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. As of June 30, 2021, there were no known events or circumstances that have resulted in a material indemnification liability.

7. CONVERTIBLE NOTES

The Company issued convertible notes between January 2020 and March 2020 to various investors amounting to $8.5 million (“2020 Notes”). The convertible notes carry an interest rate of 5.0% per annum. The notes mature in January 2022 and cannot be prepaid without written consent. As per the terms of the convertible note agreement, if a qualified financing, defined as a transaction or series of transactions by which the Company sells redeemable convertible preferred stock for aggregate gross proceeds of at least $10.0 million, occurs prior to the payment of the notes, then the notes plus accrued and unpaid interest shall automatically convert into shares of redeemable convertible preferred stock at a price paid by the other purchasers of the redeemable convertible preferred stock sold in the qualified financing discounted by 10.0% if converted prior to January 2021, and on or after January 2021 by 15.0%. If no qualified financing occurs on or prior to the maturity date, then the outstanding principal amount of these convertible notes and all accrued and unpaid interest shall be converted into Series D redeemable convertible preferred stock at a conversion price of $8.3131 per share. During April and June 2020, the Company completed the Series D redeemable convertible preferred stock financing and subsequently issued 5,269,979 shares of Series D redeemable convertible preferred stock at $8.3131 per share for total cash proceeds of $43.8 million. Accordingly, as this meets the qualified financing requirement, all of the convertible notes, including unpaid accrued interest of $8.6 million converted into 1,148,010 shares of Series D redeemable convertible preferred stock at $7.48179 per share in April 2020. The combined aggregate amount of the proceeds from the Series D redeemable convertible preferred stock financing and the converted notes was $52.4 million.

The 2020 Notes contain an embedded derivative. The fair value of the derivative was recorded as a liability with an offsetting amount recorded as a debt discount, and the debt discount is recorded against the carrying amount of the related convertible notes outstanding. The amortization of the debt discount was recorded as interest expense. The embedded derivative liability was re-valued to the current fair value at the end of each reporting period using the income-based approach. Upon conversion, the embedded derivative liability was re-valued at the conversion, and then the related fair value amount was recorded to other (expense) income in the consolidated statements of operations and comprehensive loss as part of loss on debt extinguishment. The fair value of the embedded derivative upon issuance was $1.0 million and was adjusted to $0.9 million upon conversion in April 2020. Interest expense was accreted on the convertible notes between issuance and conversion. Interest expense on the convertible notes that are included in interest expense are nil and $0.1 million for the three and six months ended June 30, 2020 in the unaudited condensed consolidated statements of operations and comprehensive loss, respectively.

8. REDEEMABLE CONVERTIBLE PREFERRED STOCK

As of June 30, 2021 and December 31, 2020, the Company's redeemable convertible preferred stock consisted of the following balances (in thousands, except share and per share amounts):

	June 30, 2021 and December 31, 2020					
	Original Issuance Price	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Aggregate Liquidation Preference	Dividend Rate
Series Seed redeemable convertible preferred stock	$1.4448	6,035,185	6,035,185	$ 7,350	$ 8,720	8.0%
Series A-1 redeemable convertible preferred stock	1.7553	1,837,769	1,837,769	3,165	3,226	8.0%
Series B redeemable convertible preferred stock	3.3752	4,740,459	4,740,459	15,905	16,000	8.0%
Series C redeemable convertible preferred stock	7.0826	7,460,000	7,459,351	52,696	52,832	8.0%
Series D redeemable convertible preferred stock	$8.3131	10,370,000	10,267,334	85,052	85,353	8.0%
		30,443,413	30,340,098	$164,168	$166,131	

The holders of the Company's Series Seed, A-1, B, C, and D redeemable convertible preferred stock have various rights, preferences, privileges, and restrictions with respect to voting, dividends, liquidation, and conversion as follows:

Dividends—Holders of shares of the Company's redeemable convertible preferred stock are entitled to receive non-cumulative dividends at an annual rate of 8.0% per share payable, if and when, declared by the board of directors, prior and in preference to any payment of any dividend on the common stock; such dividends shall be non-cumulative. The redeemable convertible preferred stockholders are also entitled to participate in dividends on common stock on an as-converted basis. The holders of redeemable convertible preferred stock can waive any dividend preference that such holders shall be entitled to receive upon the affirmative vote or written consent of the holders of a majority of the outstanding shares of redeemable convertible preferred stock, voting as a single class on an as-converted basis (the "Preferred Consent"). As of June 30, 2021, no dividends have been declared or paid.

Voting Rights—Holders of shares of the Company's Series Seed and Series A-1 redeemable convertible preferred stock have voting rights equal to the number of shares of common stock into which such redeemable convertible preferred stock is convertible. The holders of a majority of the outstanding shares of Series Seed redeemable convertible preferred stock and Series A-1 redeemable convertible preferred stock, voting as a single class on an as-converted basis, shall be entitled to elect one member of the Board of Directors of Matterport, Inc. (the "Board"). The holders of a majority of the outstanding shares of Series B redeemable convertible preferred stock, voting as a separate class, shall be entitled to elect one member of the Board. The holders of a majority of the outstanding shares of Series C redeemable convertible preferred stock, voting as a separate class, shall be entitled to elect one member of the Board. The holders of a majority of the outstanding shares of the Company's common stock, voting as a separate class, shall be entitled to elect three members of the Board. Any remaining members of the Board shall be elected by the holders of (a) a majority of the outstanding shares of the Company's common stock and (b) a majority of the outstanding shares of the Company's redeemable convertible preferred stock, voting together as a single class on an as-converted basis.

Liquidation Preference—In the event of any Liquidation Event (as defined below), either voluntary or involuntary, the holders of Series C redeemable convertible preferred stock and Series D redeemable convertible preferred stock shall be entitled to receive, on a pari passu basis, prior and in preference to any distribution of any of the proceeds of such Liquidation Event to the holders of Series Seed redeemable convertible preferred stock, Series A-1 redeemable convertible preferred stock, Series B redeemable convertible preferred stock or common stock by reason of their ownership thereof, an amount equal to the Series C redeemable convertible preferred stock original issue price or Series D redeemable convertible preferred stock original issue price, as applicable, plus all declared but unpaid dividends, on each such applicable share of redeemable convertible preferred stock held by them. If, upon the occurrence of such Liquidation Event, the proceeds distributed among the holders of Series C redeemable convertible preferred stock and Series D redeemable convertible preferred stock are insufficient to permit the payment to such holders of the full preferential amount, then the entire proceeds legally available for distribution shall be distributed ratably among the holders of Series C redeemable convertible preferred stock and Series D redeemable convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

After payment in full of amounts payable to the holders of Series C redeemable convertible preferred stock and Series D redeemable convertible preferred stock above, the holders of Series B redeemable convertible preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the proceeds of such Liquidation Event to the holders of Series Seed redeemable convertible preferred stock, Series A-1 redeemable convertible preferred stock or common stock by reason of their ownership thereof, an amount equal to the Series B redeemable convertible preferred stock original issue price, plus all declared but unpaid dividends, on each such share of Series B redeemable convertible preferred stock held by them. If upon the occurrence of such Liquidation Event, the proceeds distributed among the holders of Series B redeemable convertible preferred stock are insufficient to permit the payment to such holders of the full preferential amount, then the entire proceeds legally available for distribution shall be distributed ratably among the holders of Series B redeemable convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

After payment in full of amounts payable to the holders of Series B redeemable convertible preferred stock, the holders of Series Seed redeemable convertible preferred stock and Series A-1 redeemable convertible preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the proceeds of such Liquidation Event to the holders of common stock by reason of their ownership thereof, an amount equal to the Series Seed redeemable convertible preferred stock original issue price or the Series A-1 redeemable convertible preferred stock original issue price, as applicable, plus all declared but unpaid dividends, on each such share of redeemable convertible preferred stock held by them. The Series Seed redeemable convertible preferred stock and Series A-1 redeemable convertible preferred stock shall rank pari passu with respect to the respective preferential amounts for each such series upon the occurrence of such event. If, upon the occurrence of such Liquidation Event, the proceeds thus distributed among the holders of Series Seed redeemable convertible preferred stock and Series A-1 redeemable convertible preferred stock are insufficient to permit the payment to such holders of the full preferential amount, then the entire proceeds legally available for distribution shall be distributed ratably among the holders of Series Seed redeemable convertible preferred stock and Series A-1 redeemable convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

After payment to the holders of redeemable convertible preferred stock of the preferential amounts, all remaining proceeds legally available for distribution to stockholders of the Company shall be distributed pro rata among the holders of common stock based on the number of shares of common stock then held by them. If, upon occurrence of such event, the assets and funds distributed among the holders of redeemable convertible preferred stock are insufficient to permit the payment, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of redeemable convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

For purposes of determining the amount each holder of redeemable convertible preferred stock is entitled to receive with respect to a Liquidation Event, each such holder of redeemable convertible preferred stock shall be deemed to have converted (regardless of whether such holder actually converted) such holder’s shares of redeemable convertible preferred stock into shares of common stock immediately prior to the Liquidation Event if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such shares of redeemable convertible preferred stock into shares of common stock. If any such holder shall be deemed to have converted shares of redeemable convertible preferred stock into common stock pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of the redeemable convertible preferred stock that have not converted (or have not been deemed to have converted) into shares of common stock.

A “Liquidation Event” shall mean (i) a liquidation, dissolution, or winding up of the Company; (ii) an acquisition of the Company by another person or entity by means of any transaction or series of related transactions to which the Company is a party (including, without limitation, a merger, consolidation, or other corporate reorganization), other than an acquisition in which the shares of capital stock held by stockholders of the Company immediately prior to such acquisition continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately after such acquisition and by virtue of the acquisition, a majority of the total outstanding voting power of the surviving or acquiring person or entity; (iii) a sale, lease, exclusive license, or other disposition of all or substantially all of the assets or intellectual property of the Company, except where such sale, lease, exclusive license, or other disposition is to a wholly owned subsidiary of the Company; or (iv) a transaction or series of related transactions to which the Company is a party (whether by merger, consolidation, stock acquisition, or otherwise) in which a majority of the total outstanding voting power of the Company is transferred or (v) a transaction or series of related transactions to which the Company is a party (whether by merger, consolidation, stock acquisition or otherwise) in which a majority of the total outstanding voting power of the Company is transferred; or (vi) a merger with or into or consolidation with Gores Holdings VI, Inc., a Delaware corporation, or one or more of its subsidiaries (whether or not the Company is the surviving entity of such merger or consolidation). Notwithstanding the foregoing sentence, a transaction shall not constitute a Liquidation Event if the primary purpose is to change the jurisdiction of the Company’s incorporation, create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction or engage in a bona fide equity financing transaction. The treatment of any particular transaction or series of related transactions as a Liquidation Event may only be waived with the Preferred Consent.

Conversion Rights—At the option of the holder, each share of redeemable convertible preferred stock is convertible into shares of common stock as is determined by dividing the original issuance price per share for Series Seed, A-1, B, C, and D redeemable convertible preferred stock, by the conversion price applicable to such shares. The initial conversion price per share is the original issuance price of the redeemable convertible preferred stock. The conversion ratio for the redeemable convertible preferred stock shall be subject to appropriate adjustments for stock splits, stock dividends, combinations, subdivisions, recapitalizations, or the like. In addition, if the Company should issue any additional stock without consideration or for a consideration per share less than the conversion price for the redeemable convertible preferred stock, the conversion price for each series shall automatically be adjusted in accordance with anti-dilution provisions contained in the Company’s Amended Certificate of Incorporation.

Each share of redeemable convertible preferred stock will automatically convert into shares of common stock at the conversion rate then in effect upon the earlier of (i) the closing of the sale of the Company’s Common Stock to the public at a price of at least $12.4697 per share and aggregate proceeds of not less than $50.0 million, net of underwriting discounts and commissions or (ii) the date of the Preferred Consent.

Redemption—Redeemable convertible preferred stock is not redeemable at the election of the holder, except that in the event of a change in control resulting from the sale or transfer of the Company's securities, which qualifies as a Liquidation Event.

Upon the consummation of Business Combination on July 22, 2021, all outstanding shares of redeemable convertible preferred stock, totaling 30,340,098 shares, were automatically converted into shares of our Class A Common Stock based upon the Closing as discussed in Note 15.

9. COMMON STOCK

The Company was authorized to issue 56,500,000 shares and 56,000,000 shares of common stock with a par value of $0.001 per share as of June 30, 2021 and December 31, 2020, respectively.

The Company had reserved shares of common stock for future issuance as of June 30, 2021 and December 31, 2020 as follows:

	June 30, 2021	December 31, 2020
Redeemable convertible preferred stock, all series	30,687,099	30,687,099
Warrants to purchase common stock	262,513	262,513
Common stock options outstanding and unvested RSUs	11,995,834	11,945,269
Shares available for future grant of equity awards	73,865	466,322
Total shares of common stock reserved	43,019,311	43,361,203

Common Stock Warrants—The Company issued warrants to purchase common stock in connection with loan agreements entered from three lenders as disclosed below and in Note 5. All previously issued common stock warrants were fully vested and exercisable as of June 30, 2021 and December 31, 2020. Those warrants were considered equity at inception and were recorded to additional paid-in capital. The warrants have a contractual 10-year life from the issuance date.

In February 2021, the holders of all of the Company's outstanding warrants entered into agreement with the Company to exercise their warrants contingent upon, and effective immediately prior to, the consummation of the First Merger. In the event of an acquisition in which the fair market value of one share is greater than the warrant exercise price as of the date of the acquisition, all outstanding and unexercised warrants shall automatically be deemed to be cashless exercised immediately prior to the consummation of the acquisition. In the event of an acquisition where the fair market value per share is less than the warrant exercise price in effect immediately prior to the acquisition, then warrant will expire immediately prior to the consummation of the acquisition. In February 2021, the holders of all of the Company's outstanding warrants agreed to exercise their warrants contingent upon, and effective immediately prior to, the consummation of the First Merger. On July 22, 2021, all the warrants were cashless exercised as discussed in Note 15.

2015 and 2017 Term Loan Warrant*s*—On May 20, 2015, and October 26, 2017, in connection with the 2015 Agreement and the 2015 Amended and Restated Agreement, the Company issued warrants to purchase 44,200 shares of common stock to the lender with an exercise price of $0.655 per share and 2,250 shares of common stock to the lender with an exercise price of $1.430 per share, respectively. As set forth in the warrant agreement, on November 2, 2017, the Company issued additional warrants to purchase 2,250 shares of common stock to the lender upon the funding of the term loan with an exercise price of $1.430 per share. On September 16, 2019, in connection with the 2017 Second Amended and Restated Agreement, the Company issued warrants to purchase 20,000 shares of common stock to the lender with an exercise price of $2.716 per share. As of June 30, 2021, the warrants issued in connection with 2015 and 2017 term loan remained outstanding.

2018 Term Loan Warrants—On April 20, 2018, in connection with the 2018 Agreement, the Company issued warrants to purchase 143,813 shares of common stock to the lender with an exercise price of $1.430 per share. The Company determined the fair value of the warrants to be $0.2 million as of the issuance date based on the Black-Scholes option-pricing model using the following assumptions: 0% dividend yield, 44.8% volatility, and risk-free rate of 3.0%. As of June 30, 2021, the 2018 term loan warrants remained outstanding.

2020 Term Loan Warrants—On February 20, 2020, in connection with the 2020 Term Loan, the company issued warrants to purchase up to 50,000 shares of common stock to the lender with an exercise price of $2.716 per share. The Company determined the fair value of the warrants to be $0.1 million as of the issuance date based on the Black-Scholes option pricing model using the following assumptions: 0% dividend yield, 38.37% volatility, and risk-free rate of 1.45%. As set forth in the warrant agreement, upon an event of an acquisition, the warrant shall automatically be deemed as cashless exercise. In the event of acquisition where the fair market value of one share is less than the warrant exercise price, then the warrant will expire immediately prior to the consummation of the acquisition. As of June 30, 2021, the 2020 term loan warrants remained outstanding.

As of June 30, 2021 and December 31, 2020, the unamortized debt discount related to the above warrants were $0.1 million and $0.2 million, respectively.

10. STOCK PLAN

Amended and Restated 2011 Stock Incentive Plan— On June 17, 2011, the Company's Board and stockholders approved the Matterport, Inc. 2011 Stock Incentive Plan, (the "2011 Stock Plan"), which allows for the issuance of incentive stock options ("ISOs"), non-qualified stock options ("NSOs"), the issuance of restricted stock awards ("RSAs"), and the sale of stock to its employees, the Board, and consultants. As of December 31, 2020, the Company has granted primarily ISOs. The 2011 Stock Plan will expire in June 2021 (10 years from its adoption), unless terminated earlier.

On February 12, 2021, the Company amended and restated 2011 Stock Plan which allows the Company to grant restricted stock units ("RSUs") and extended the terms of the plan until February 12, 2022, unless terminated earlier.

As of June 30, 2021 and December 31, 2020, 16,469,844 shares and 16,139,408 shares were authorized under the 2011 Stock Plan, respectively. 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.

Stock options are granted with exercise prices not less than 100% of the fair value of the common stock on the date of issuance and, for 10% stockholders, not less than 110%. Equity awards vest over a period of time as determined by the Board, generally over a four-year period, and stock options expire 10 years from the date of grant (5 years for 10% stockholders) and are non-transferable. The Company has also granted equity awards subject to performance-based vesting. Stock options may be granted with early exercise provisions. Vested option shares are exercisable for three months after termination, other than for cause, and for at least 12 months if due to death or disability, but in no event later than the expiration of the option term. Stock options granted to the Board are subject to automatic vesting upon change in control. For non-Board award recipients, if within 60 days of a change of control, the individual resigns due to an adverse change in job position, work location, reduction in pay, or other adverse changes, or within 12 months of a change of control the successor company terminates the individual's service without cause, vesting of the option shall accelerate with respect to shares that would have vested in the 12-month period following such termination or resignation, effective immediately prior to their last day.

Shares Available for Future Grant—Shares available for future grant under the Company's stock plans as of June 30, 2021 and December 31, 2020 were 73,865 shares and 466,322 shares, respectively. The Company issues new shares upon a share option exercise or release.

Stock Option Activities—The following table summarizes the stock option activities under the Company's stock plans for six months ended June 30, 2021 (in thousands, except for share data):

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—December 31,2020	11,945,269	$ 2.57	8.1	$ 245,565
Granted	—	—		
Exercised	(672,328)	1.99		$ 24,212
Expired or canceled	(195,839)	3.07		
Balance—June 30, 2021	11,077,102	$ 2.60	7.4	$ 431,023
Option vested and exercisable—June 30, 2021	6,003,076	$ 2.24	6.7	$ 235,765

As of June 30, 2021, unrecognized stock-based compensation expense related to unvested options was $5.6 million, which is expected to be amortized over a weighted-average vesting period of 2.3 years

On April 1, 2021, the Company amended the performance condition of the 210,376 performance-based stock option (PSO) awards previously granted to a senior executive in March 2019. Originally, the PSO awards shall vest and become exercisable upon the consummation of the earlier of a change in control or an initial public offering ("IPO"), subject to certain share price targets. The vesting of the award also requires employment up to the consummation of the change in control or IPO. As a result of the modification, the PSO awards shall vest and become exercisable upon the closing of the Business Combination. The modification resulted in a Type IV modification and the fair value of the stock option awards remeasured as of the modification date are recognized upon the closing of the Business Combination as discussed in Note 15. Subsequent Event, which is approximately $8.1 million.

RSU Activities— The following table summarizes the RSU activity under the amended and restated 2011 Stock Plan for the six months ended June 30, 2021. These 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 Stock Plan. The event is not deemed probable until consummated, and therefore, no stock-based compensation expenses related to these RSUs were unrecognized as of June 30, 2021.

	RSUs	
	Number of Shares	Weighted-Average Grant Date Fair Value Price
Unvested—December 31,2020	—	$ —
Granted	923,732	37.93
Vested	—	—
Canceled or forfeited	(5,000)	38.70
Unvested—June 30, 2021	918,732	$ 37.93

As of June 30, 2021, unrecognized compensation cost related to unvested RSUs was $34.8 million. Upon the closing of the Business Combination as discussed in Note 15. Subsequent Event, the Company will recognize $6.1 million stock-based compensation expenses as the performance condition of the RSUs is met. The remaining unrecognized compensation cost of $28.7 million is expected to be recognized over a weighted-average period of 2.0 years.

Employee Stock Options Valuation— No options were granted during the six months ended June 30, 2021. The assumptions used to estimate the fair value of stock options granted during the six months ended June 30, 2020 were as follows:

	Six Months Ended June 30, 2020
Expected volatility	38.5 – 42.3%
Expected term	5.9 – 6.1 years
Risk-free interest rate	0.4 – 1.5%
Expected dividend yield	0%

Fair value of underlying common stock—Because the Company's common stock is not yet publicly traded, the Company must estimate the fair value of common stock. The Board of Directors considers numerous objective and subjective factors to determine the fair value of the Company's common stock at each meeting in which awards are approved. The factors considered include, but are not limited to: (i) the results of contemporaneous independent third-party valuations of the Company's common stock; (ii) the prices, rights, preferences, and privileges of the Company's redeemable convertible preferred stock relative to those of its common stock; (iii) the lack of marketability of the Company's common stock; (iv) actual operating and financial results; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions; and (vii) precedent transactions involving the Company's shares.

Employee Stock-based Compensation— For service awards, the fair value of options on the date of grant is estimated based on the Black-Scholes option-pricing model using the single-option award approach. The company recognizes share-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 share-based compensation expenses for awards with awards with performance conditions on a straight-line basis over the requisite service period for each separately vesting portion of the awards when it is probable that the performance condition will be achieved. 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 and comprehensive loss for the three and six months ended June 30, 2021 and 2020 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Costs of revenue	$ 37	$ 22	$ 62	$ 50
Research and development	96	156	234	321
Selling, general, and administrative	468	409	963	793
Stock-based compensation, net of amounts capitalized	601	587	1,259	1,164
Capitalized stock-based compensation	112	39	194	81
Total stock-based compensation	$ 713	$ 626	$ 1,453	$ 1,245

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. Tax expense for the three and six months ended June 30, 2021 and 2020 was primarily attributable to pre-tax foreign earnings. 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 June 30, 2021, it is not more likely than not that the Company will realize the benefits of its remaining net deferred tax assets and no valuation allowance should be released in the current period.

12. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

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 six months ended June 30, 2021 and 2020 (in thousands, except for share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator :				
Net loss attributable to common stockholders	$ (6,209)	$ (3,690)	$ (9,081)	$ (11,798)
Denominator:				
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	10,037,669	7,844,667	9,829,416	7,822,539
Net loss per share attributable to common stockholders, basic and diluted	$ (0.62)	$ (0.47)	$ (0.92)	$ (1.51)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive:

	As of June 30,	
	2021	2020
Redeemable convertible preferred stock, all series	30,687,099	30,687,099
Warrants to purchase common stock	262,513	262,513
Common stock options outstanding	11,077,102	12,981,252
Unvested RSUs	918,732	—
Total potentially dilutive common stock equivalents	42,945,446	43,930,864

13. RELATED-PARTY TRANSACTIONS

From January 2020 to March 2020, Matterport issued convertible promissory notes in an aggregate principal amount of $8.5 million (“2020 Notes”) to investors, including (i) $400,000 aggregate principal amount to DCM VI, L.P., an affiliate of Jason Krikorian, a member of the Matterport board of directors, (ii) $2.0 million aggregate principal amount to Lux Co-Invest Opportunities, L.P., an affiliate of Peter Hébert, a member of the Matterport board of directors, and (iii) $1,000,000 aggregate principal amount to QUALCOMM Ventures LLC, an affiliate of Carlos Kokron, a member of the Matterport board of directors. The 2020 Notes accrued interest at a rate of 5% per annum. Refer to Note 7. Convertible Notes.

14. EMPLOYEE BENEFITS PLANS

The Company has a defined-contribution retirement and savings plan intended to qualify under Section 401 of the Internal Revenue Code (the “401(k) Plan”) covering substantially all US employees. The 401(k) Plan allows each participant to contribute up to an amount not to exceed an annual statutory maximum. The Company contracted with a third-party provider to act as a custodian and trustee and to process and maintain the records of participant data. Substantially all of the expenses incurred for administering the 401(k) Plan are paid by the Company. The company discontinued providing contributions in the 401(k) Plan match since May 1, 2020. For the six months ended June 30, 2020 the company made $0.2 million of discretionary matching contribution. The match contributions for the three months ended June 30, 2020 were immaterial.

The Company contributes to a defined-contribution pension plan for eligible employees in the U.K. Pension plan benefits are based primarily on participants’ compensation and years of service credited as specified under the terms of the plan. The Company made $0.1 million matching contributions to the U.K. pension plan for the six months ended June 30, 2021 and 2020. The match contributions for the three months ended June 30, 2021 and 2020 were immaterial.

15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 16, 2021, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the Company’s condensed consolidated financial statements or disclosures in the notes to the condensed consolidated financial statements herein, except as follows:

On July 22, 2021, Gores consummated the previously announced Business Combination, by and among the Company (at such time named Gores Holding VI, Inc.), First Merger Sub, Second Merger Sub, and the pre-Business Combination Matterport, Inc. (“Legacy Matterport”). In connection with the consummation of the Business Combination, the registrant changed its name from Gores Holdings VI, Inc. to Matterport, Inc. First Merger Sub merged with and into Legacy Matterport, with Legacy Matterport continuing as the surviving corporation (the “First Merger”), and immediately following the First Merger and as part of the same overall transaction as the First Merger, Legacy Matterport merged with and into Second Merger Sub, with Second Merger Sub continuing as the surviving entity as a wholly owned subsidiary of the Company, under the new name “Matterport Operating, LLC”. As a result of the Business Combination, the Company raised gross proceeds of $640.1 million, including the contribution of $345.1 million of cash held in Gores’ trust account from its initial public offering and $295.0 million of additional PIPE at $10.00 per share of Gores’ Class A Common Stock. The net proceeds were $605.0 million after redemptions of Gores’ Class A Common Stock held by Gores’ public stockholders of $0.9 million and transaction costs of $34.2 million.

Immediately prior to the Closing, 12,681 shares of Series D redeemable convertible stock were issued to a customer of the Company.

The aggregate consideration paid to Legacy Matterport stockholders in connection with the Business Combination (excluding any potential Earn-Out Shares), was 218,875,000 shares. The Per Share Matterport Stock Consideration was equal to approximately 4.1193. The Business Combination occurred based on the following transactions contemplated by the Merger Agreement

- each issued and outstanding share of Matterport Preferred Stock was canceled and converted into the right to receive an aggregate number shares of Class A Stock equal to the Per Share Matterport Preferred Stock Consideration;
- each Matterport Warrant was exercised in full in exchange for the issuance of 252,094 shares of Matterport Stock to the holder of such Matterport Warrant;
- each issued and outstanding share of Matterport Stock (including the items mentioned in above points) was canceled and converted into the right to receive an aggregate number of shares of Class A Stock equal to the Per Share Matterport Stock Consideration;
- each outstanding vested and unvested Matterport Stock Option was converted into a Rollover Option, exercisable for shares of Class A Stock with the same terms except for the number of shares exercisable and the exercise price, each of which was adjusted using the Per Share Matterport Stock Consideration; and
- each outstanding and unvested Matterport RSU was converted into a Rollover RSU for shares of Class A Stock with the same terms except for the number of shares, which were adjusted using the Per Share Matterport Stock Consideration.
- The issuance and sale of 29,500,000 shares of Class A Stock at a purchase price of $10.00 per share for an aggregate purchase price of $295.0 million pursuant to the PIPE Investment. Immediately after giving effect to the Mergers, the redemptions described above, the PIPE Investment of 29,500,000 shares of common stock and the conversion of all 8,625,000 outstanding Founder Shares into shares of Class A Stock on a one-for-one basis.
- The Company’s Class A Stock and the Company’s Public Warrants began trading on the Nasdaq Global Market (“Nasdaq”) under the symbols “MTTR” and “MTTRW,” respectively.
- Pursuant to the terms of the Sponsor agreement, sponsor warrants are not exercisable until December 15, 2021, which is 12 months from the closing of the Company’s IPO, and will expire on July 22, 2026, which is five years after the Closing.

The Business Combination will be accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Gores will be treated as the “acquired” company for financial reporting purposes. This determination is primarily based on holders of Matterport capital stock comprising a relative majority of the voting power of the combined entity upon consummation of the Business Combination and having the ability to nominate the majority of the governing body of the combined entity, Matterport’s senior management comprising the senior management of the combined entity, and Matterport’s operations comprising the ongoing operations of the combined entity. Accordingly, for accounting purposes, the financial statements of the combined entity upon consummation of the Business Combination will represent a continuation of the financial statements of Matterport with the Business Combination treated as the equivalent of Matterport issuing stock for the net assets of Gores, accompanied by a recapitalization. The net assets of Gores will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of Matterport in future reports of the combined entity.

Additionally, at the Closing Date, the Company

- approved the 2021 Incentive Award Plan (“2021 Plan”), an incentive compensation plan for the benefit of eligible employees, consultants, and directors of the Company and its subsidiaries. The 2021 Plan provides that the initial aggregate number of shares of common stock, available for issuance pursuant to awards thereunder shall be the sum of (a) 10% of the outstanding shares of common stock as of the Closing, which is equivalent to 24,195,678 shares of common stock (the “Initial Plan Reserve”), (b) any shares of common stock subject to outstanding equity awards under the amended and restated 2011 Stock Plan which, following the effective date of the 2021 Plan, become 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 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, shall equal 181,467,584 shares of common stock.

- approved the 2021 Employee Stock Purchase Plan (“2021 ESPP”). The 2021 ESPP provides that the aggregate number of shares of common stock available for issuance pursuant to awards under the 2021 ESPP shall be the sum of (a) 3% of the number of outstanding shares of common stock as of the Closing, which is equivalent to 7,258,703 shares (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 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; 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 15.25% of the outstanding shares of common stock as of the Closing, which is equivalent to 36,898,409 shares.

- recognized $8.1 million stock-based compensation expense related to 210,376 performance-based options previously granted to a senior executive that were fully vested and become exercisable upon Closing of the Business Combination.

- recognized $6.1 million incremental stock-based compensation expense for Matterport RSU awards which have met the service and performance-based vesting conditions

Matterport Stockholders and holders of Matterport Stock Options and Legacy Matterport RSUs are entitled to receive a number of Earn-Out Shares comprising up to 23,460,000 shares of Class A Stock in the aggregate. There are six distinct tranches of Earn-Out Shares, each of which will be issued if the daily volume weighted average price (based on such trading day) of one share of Class A Stock exceeds a certain threshold specified for such tranche in the Merger Agreement for a period of at least 10 days out of 30 consecutive trading days during the period beginning on the 180th day following the Closing and ending on the fifth anniversary of such date (the “Earn-Out Period”). If the applicable triggering event is achieved for a tranche, the Company will account for the Earn-Out Shares for such tranche as issued and outstanding Class A Stock. Any Earn-Out Shares issuable to any holder of Matterport Stock Options and Matterport RSUs in respect of such Matterport Stock Options and Matterport RSUs shall be issued to such holder only if such holder continues to provide services (whether as an employee, director or individual independent contractor) to the Post-Combination Company through the date of the occurrence of the corresponding triggering event (or acceleration event, if applicable) that causes such Earn-Out Shares to become issuable. Any Earn-Out Shares that are forfeited pursuant to the preceding sentence shall be reallocated to the other Matterport Stockholders who remain entitled to receive Earn-Out Shares in accordance with their respective Earn-Out pro rata shares. As the Earn-Out triggering events have not yet been achieved, the Earn-Out Shares are contingently issuable and not reflected in the unaudited condensed consolidated financial statements. The Earn-Out pro rata Shares issuable to holders of Legacy Matterport’s RSUs and holders of Legacy Matterport’s Stock Options for such holders with respect to such holders’ Legacy RSUs and Options are expected to be accounted as stock-based compensation expense as they are subject to forfeiture based on the satisfaction of certain employment conditions. The remaining Earn-Out Shares are expected to be accounted for as liability classified equity instruments that are earned upon achieving the applicable triggering events, which includes events that are not indexed to the common stock of New Matterport. The preliminary estimated fair value of the Sponsor Earn-Out Shares is $294.8 million.

In July 2021, the Company repaid in full the 2019 Term Loan of $1.9 million, the Line of Credit of $3.0 million, the 2018 Term Loan of $3.9 million including $0.5 million of final payment fee and $0.1 million interest and prepayment fee. In July and August 2021, the Company repaid in full the 2020 Term Loan of $1.9 million.

MATTERPORT 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 consolidated results of operations and financial condition. The discussion should be read together with our consolidated financial statements and accompanying notes, and other financial information included elsewhere or incorporated by reference within this amendment to the Form 8-K. The discussion and analysis should also be read together with the unaudited pro forma financial information. See "Unaudited Pro Forma Combined Financial Information." This discussion may contain 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 the Proxy Statement incorporated by reference into this amendment of the Form 8-K. Unless the context otherwise requires, all references in this section to "we," "our," "us" , "the Company" or Matterport refer to the business of Matterport, Inc., a Delaware corporation, and its subsidiaries prior to the consummation of the Business Combination (as defined below), which will be the business of the Post-Combination Company and its subsidiaries following the consummation of the Business Combination.

Overview

Matterport is the world's leading platform for the digitization and datafication of the built world. We believe the digital transformation of the built world will fundamentally change the way people interact with buildings and the physical spaces around them.

Since our founding in 2011, Matterport's pioneering technology has set the standard for digitizing, accessing and managing buildings, spaces and places online. Our platform's innovative software, spatial data-driven data science, and 3D capture technology have broken down the barriers that have kept the largest asset class in the world, buildings and physical spaces, offline and underutilized for many years. We believe the digitization and datafication of the built world will continue to unlock significant operational efficiencies and property values, and that Matterport is the platform to lead this enormous global transformation.

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 5.6 million spaces under management as of June 30, 2021, we are continuing to penetrate the estimated $228 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 5.6 million spaces under management as of June 30, 2021, 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 scans—subscribers can now scan 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.

The Business Combination

On February 7, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Gores Holdings VI Inc. ("Gores"), Maker Merger Sub, Inc. ("First Merger Sub"), and Maker Merger Sub II, LLC ("Second Merger Sub"), which provides for, among other things: (a) the merger of First Merger Sub with and into the Company, with the Company continuing as the surviving corporation (the "First Merger"); and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of the Company with and into Second Merger Sub, with Second Merger Sub continuing as the surviving corporation and a wholly owned subsidiary of Gores (the "Second Merger" and, together with the First Merger and the other transactions contemplated by the Merger Agreement, the "Business Combination").

On July 22, 2021, the Company consummated the previously announced Business Combination, by and among the Company (at such time named Gores Holding VI, Inc.), First Merger Sub, Second Merger Sub, and the pre-Business Combination Matterport, Inc. ("Legacy Matterport"). In connection with the consummation of the Business Combination, the registrant changed its name from Gores Holdings VI, Inc. to Matterport, Inc. First Merger Sub merged with and into Legacy Matterport, with Legacy Matterport continuing as the surviving corporation, and immediately following the First Merger and as part of the same overall transaction as the First Merger, Legacy Matterport merged with and into Second Merger Sub, with Second Merger Sub continuing as the surviving entity as a wholly owned subsidiary of the Company, under the new name "Matterport Operating, LLC". As a result of the Business Combination, the Company raised gross proceeds of $640.1 million, including the contribution of $345.1 million of cash held in Gores' trust account from its initial public offering and $295.0 million of additional PIPE at $10.00 per share of Gores' Class A Common Stock. The net proceeds were $605.0 million after net of the redemption of Gores' Class A Common Stock held by Gores' public stockholders of $0.9 million and transaction costs of $34.2 million.

Immediately prior to the Closing, 12,681 shares of Series D redeemable convertible were issued to a customer of the Company immediately prior to the Closing.

The aggregate consideration paid to Legacy Matterport stockholders in connection with the Business Combination (excluding any potential Earn-Out Shares), was 218,875,000 shares. The Per Share Matterport Stock Consideration was equal to approximately 4.1193. The Business Combination occurred based on the following transactions contemplated by the Merger Agreement

- each issued and outstanding share of Matterport Preferred Stock was canceled and converted into the right to receive an aggregate number shares of Class A Stock equal to the Per Share Matterport Preferred Stock Consideration;
- each Matterport Warrant was exercised in full in exchange for the issuance of 252,094 shares of Matterport Stock to the holder of such Matterport Warrant;
- each issued and outstanding share of Matterport Stock (including the items mentioned in above points) was canceled and converted into the right to receive an aggregate number of shares of Class A Stock equal to the Per Share Matterport Stock Consideration;
- each outstanding vested and unvested Matterport Stock Option was converted into a Rollover Option, exercisable for shares of Class A Stock with the same terms except for the number of shares exercisable and the exercise price, each of which was adjusted using the Per Share Matterport Stock Consideration; and
- each outstanding and unvested Matterport RSU was converted into a Rollover RSU for shares of Class A Stock with the same terms except for the number of shares, which were adjusted using the Per Share Matterport Stock Consideration.
- The issuance and sale of 29,500,000 shares of Class A Stock at a purchase price of $10.00 per share for an aggregate purchase price of $295.0 million pursuant to the PIPE Investment. Immediately after giving effect to the Mergers, the redemptions described above, the PIPE Investment of 29,500,000 shares of common stock and the conversion of all 8,625,000 outstanding Founder Shares into shares of Class A Stock on a one-for-one basis.
- The Company’s Class A Stock and the Company’s Public Warrants began trading on the Nasdaq Global Market (“Nasdaq”) under the symbols “MTTR” and “MTTRW,” respectively.
- Pursuant to the terms of the Sponsor agreement, sponsor warrants are not exercisable until December 15, 2021, which is 12 months from the closing of the Company’s IPO, and will expire on July 22, 2026, which is five years after the Closing.

The Business Combination will be accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Gores will be treated as the “acquired” company for financial reporting purposes. This determination is primarily based on holders of Matterport capital stock comprising a relative majority of the voting power of the combined entity upon consummation of the Business Combination and having the ability to nominate the majority of the governing body of the combined entity, Matterport’s senior management comprising the senior management of the combined entity, and Matterport’s operations comprising the ongoing operations of the combined entity. Accordingly, for accounting purposes, the financial statements of the combined entity upon consummation of the Business Combination will represent a continuation of the financial statements of Matterport with the Business Combination treated as the equivalent of Matterport issuing stock for the net assets of Gores, accompanied by a recapitalization. The net assets of Gores will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of Matterport in future reports of the combined entity.

Additionally, at the Closing Date, the Company

- approved the 2021 Incentive Award Plan ("2021 Plan"), an incentive compensation plan for the benefit of eligible employees, consultants, and directors of the Company and its subsidiaries. The 2021 Plan provides that the initial aggregate number of shares of common stock, available for issuance pursuant to awards thereunder shall be the sum of (a) 10% of the outstanding shares of common stock as of the Closing, which is equivalent to 24,195,678 shares of common stock (the "Initial Plan Reserve"), (b) any shares of common stock subject to outstanding equity awards under the amended and restated 2011 Stock Plan which, following the effective date of the 2021 Plan, become 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 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, shall equal 181,467,584 shares of common stock.
- approved the 2021 Employee Stock Purchase Plan ("2021 ESPP"). The 2021 ESPP provides that the aggregate number of shares of common stock available for issuance pursuant to awards under the 2021 ESPP shall be the sum of (a) 3% of the number of outstanding shares of common stock as of the Closing, which is equivalent to 7,258,703 shares (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 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; 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 15.25% of the outstanding shares of common stock as of the Closing, which is equivalent to 36,898,409 shares.
- recognized $8.1 million stock-based compensation expense related to 210,376 performance-based options previously granted to a senior executive that were fully vested and become exercisable upon Closing of the Business Combination.
- recognized $6.1 million incremental stock-based compensation expense for Matterport RSU awards which have met the service and performance-based vesting conditions

Matterport Stockholders and holders of Matterport Stock Options and Legacy Matterport RSUs are entitled to receive a number of Earn-Out Shares comprising up to 23,460,000 shares of Class A Stock in the aggregate. There are six distinct tranches of Earn-Out Shares, each of which will be issued if the daily volume weighted average price (based on such trading day) of one share of Class A Stock exceeds a certain threshold specified for such tranche in the Merger Agreement for a period of at least 10 days out of 30 consecutive trading days during the period beginning on the 180th day following the Closing and ending on the fifth anniversary of such date (the "Earn-Out Period"). If the applicable triggering event is achieved for a tranche, the Company will account for the Earn-Out Shares for such tranche as issued and outstanding Class A Stock. Any Earn-Out Shares issuable to any holder of Matterport Stock Options and Matterport RSUs in respect of such Matterport Stock Options and Matterport RSUs shall be issued to such holder only if such holder continues to provide services (whether as an employee, director or individual independent contractor) to the Post-Combination Company through the date of the occurrence of the corresponding triggering event (or acceleration event, if applicable) that causes such Earn-Out Shares to become issuable. Any Earn-Out Shares that are forfeited pursuant to the preceding sentence shall be reallocated to the other Matterport Stockholders who remain entitled to receive Earn-Out Shares in accordance with their respective Earn-Out pro rata shares. The Earn-Out pro rata Shares issuable to holders of Legacy Matterport's RSUs and holders of Legacy Matterport's Stock Options for such holders with respect to such holders' Legacy RSUs and Options are expected to be accounted as stock-based compensation expense as they are subject to forfeiture based on the satisfaction of certain employment conditions. The remaining Earn-Out Shares are expected to be accounted for as liability classified equity instruments that are earned upon achieving the applicable triggering events, which includes events that are not indexed to the common stock of New Matterport. The preliminary estimated fair value of the Sponsor Earn-Out Shares is $294.8 million.

BUSINESS IMPACT OF COVID-19

In April 2020, we implemented a workforce restructuring and reduced spending on certain development programs in order to preserve operating flexibility and working capital, given that the duration and impact of the coronavirus ("COVID-19") pandemic on our industry was highly uncertain during that period. We also modified our business practices, including reducing employee travel, recommending that all non-essential personnel work from home, and cancelling or reducing physical participation in meetings, events and conferences. The COVID-19 pandemic did not adversely affect our subscription and license revenue during the year ended December 31, 2020, and three and six months ended June 30, 2021, and we have seen some signs of positive effects for our long-term business prospects as a result of the pandemic as businesses and consumers have increasingly adopted online technologies that allow them to manage their assets digitally and collaborate on tasks and projects via online platforms.

However, the future impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration of the pandemic, impact on our customers and their spending habits, impact on our marketing efforts, effect on the growth of our customers' businesses and their usage of our platform, and impact on our suppliers, all of which are uncertain and cannot be predicted with certainty. Public and private sector policies and initiatives to reduce the transmission of COVID-19 and disruptions to our operations and the operations of our customers, and our third-party suppliers, along with the related global slowdown in economic activity, may result in decreased revenues and increased costs. It is possible that the COVID-19 pandemic, the measures taken by the federal, state, or local authorities and businesses affected and the resulting economic impact may materially and adversely affect our business, results of operations, cash flows and financial position as well as those of our customers. For more information on our operations and risks related to the COVID-19 pandemic, please see the section titled "Risk Factors" in the Proxy Statement incorporated by reference into this amendment of the Form 8-K.

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 Matterport Pro2 camera) and by providing services to customers from our technicians and through in-application purchases. We are focused on driving substantial annual growth in subscription and license revenue and maintaining modest growth in 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 and 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 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 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 48% and 53% of our total revenue for the years ended December 31, 2020 and 2019, respectively. Subscription revenue accounted for approximately 52% and 41% of our total revenue for the three months ended June 30, 2021 and 2020, respectively, and 51% and 48% of our total revenue for the six months ended June 30, 2021 and 2020, respectively. We expect that going forward our subscription revenue will continue to grow faster than our license, product and services revenues.

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 consolidated balance sheet and recognize the deferred revenue ratably over the subscription term. We expect more than 80% of our total revenue to be attributable to our software subscription and data license solutions by 2025.

License Revenue

We also offer data license solutions that allow certain customers to use our digital twin data for their own needs. We began offering these solutions in 2020. License revenue accounted for approximately 4% and 0% of our total revenue for the years ended December 31, 2020 and 2019, respectively. License revenue accounted for approximately 7% and 0% of our total revenue for the three months ended June 30, 2021 and 2020, respectively, and approximately 8% and 0% of our total revenue for the six months ended June 30, 2021 and 2020, respectively. Data licenses to date have been granted as perpetual licenses and are therefore recognized at a point in time upon transfer of control when the customer accepts delivery of the licensed data or other property. We expect our license revenue to fluctuate from quarter to quarter based on the number of new licenses purchased by our customers as we obtain new customers for our license solutions and the delivery of our licensed content is accepted by our customers during each quarter.

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, the Pro2 Camera, which has played an integral part in shaping the 3D building and property visualization ecosystem. Recently, we also have begun to offer capture devices manufactured by third parties. The Pro2 Camera 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, and we expect that future sales of our Pro2 Camera and third party capture devices will continue to drive increased adoption of our solutions. Product revenue accounted for approximately 39% and 40% of our total revenue for the years ended December 31, 2020 and 2019, respectively. Product revenue accounted for approximately 31% and 50% of our total revenue for the three months ended June 30, 2021 and 2020, respectively, and approximately 31% and 44% of our total revenue for the six months ended June 30, 2021 and 2020, respectively.

Services Revenue

Most of our customers are able to utilize the Pro2 Camera or other compatible capture devices to scan 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 scan 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. Services revenue accounted for approximately 9% and 6% of our total revenue for the years ended December 31, 2020 and 2019, respectively. Services revenue accounted for approximately 10% and 9% of our total revenue for the three months ended June 30, 2021 and 2020, respectively, and approximately 10% and 8% of our total revenue for the six months ended June 30, 2021 and 2020, 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 scanned 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 scan 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 scanned space. For tracking purposes, we treat each scanned 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 June 30, 2021, we had approximately 5.6 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:

	Six Months Ended June 30,		Year ended December 31,	
(in millions)	2021	2020	2020	2019
Spaces under management	5.6	3.2	4.3	2.3

Total Subscribers

We believe that our ability to increase the number of subscribers on our platform is an indicator of market penetration, the 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 scans 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 scans 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 three and six months ended June 30, 2021.

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

	Six Months Ended June 30,		**Year Ended December 31,**	
(in thousands)	**2021**	**2020**	**2020**	**2019**
Free subscribers	353.0	123.2	210.3	19.1
Paid subscribers	51.4	33.5	43.9	20.5
Total subscribers	404.4	156.7	254.2	39.6

Net Dollar Expansion Rate

We believe our ability to retain and grow the subscription revenue generated by our existing subscribers is an important measure of the health of our business and our future growth prospects. We track our performance in this area by measuring our net dollar expansion rate from the same set of customers across comparable periods. We calculate this metric on a quarterly basis by comparing the aggregate amount of subscription revenue attributable to a subscriber cohort for the most recent quarter divided by the amount of subscription revenue attributable to the same subscriber cohort for the same quarter in the previous fiscal year. Our calculation for the applicable quarter includes any subscriber in the cohort that upgrades or downgrades the subscriber’s respective subscription level or churns. For the three months ended June 30, 2021, our net dollar expansion rate, determined by comparing the subscription revenue from the applicable subscriber cohort for the three months ended June 30, 2021 to that for the three months ended June, 2020, was 132%. For the three months ended December 31, 2020, our net dollar expansion rate, determined by comparing the subscription revenue from the applicable subscriber cohort for the three months ended December 31, 2020 to that for the three months ended December 31, 2019, was approximately 112%. Our net dollar expansion rate can fluctuate from quarter to quarter due to a number of factors, including, but not limited to, the number of subscribers that upgrade or downgrade their respective subscription levels or a higher or lower churn rate during any given quarter.

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 stock-based compensation expenses. 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. Additionally, this measure eliminates the effects of stock-based compensation, which we do not consider to be indicative of our overall operating performance.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Year ended December 31,	
(in thousands)	2021	2020	2021	2020	2020	2019
GAAP loss from operations	$(5,777)	$(2,150)	$(8,132)	$(10,020)	$(11,562)	$(30,398)
Add back: Stock based compensation expense, net of amounts capitalized	$ 601	$ 587	$ 1,259	$ 1,164	$ 2,505	$ 1,830
Non-GAAP loss from operations	$(5,176)	$(1,563)	$(6,873)	$ (8,856)	$ (9,057)	$(28,568)

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:

	Six Months Ended June 30,		Year ended December 31,	
(in thousands)	2021	2020	2020	2019
Net cash used in operating activities	$(2,631)	$(2,977)	$(3,597)	$(26,826)
Less: Purchases of property and equipment	(326)	(20)	(30)	(553)
Less: Capitalized software and development costs	(3,256)	(2,454)	(4,854)	(4,317)
Free cash flow	$(6,213)	$(5,451)	$(8,481)	$(31,696)

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, including those discussed below and in the section of this prospectus titled "*Risk Factors*" in the Proxy Statement incorporated by reference into this amendment of the Form 8-K.

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 $228 trillion in total property value as of 2017, 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. The constraints created by the COVID-19 pandemic have only reinforced and accelerated the importance of 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 June 30, 2021, we had over 404,000 subscribers on our platform and approximately 5.6 million spaces under management, which we believe represents more than 100 times number of spaces under management by the rest of the market, and we aim to continue scaling our platform and strengthen our foothold in various end markets and geographies to deepen our market penetration. 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

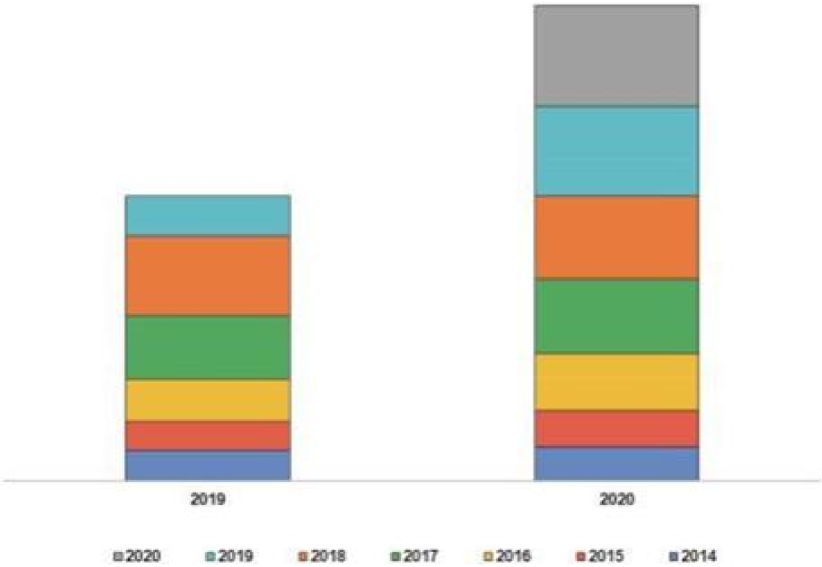
We are pioneering the transformation of the built world from offline to online. We provide a complete, data-driven set of solutions for the digitization and datafication of the built world across a diverse set of use cases and industries. We take a largely offline global property market to the online 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 machine learning 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 due to 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. We will continue improving our proprietary spatial data library and AI-powered platform while increasing investments in direct sales and account-based marketing 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 short and long term returns on their property investments.

Given the all-in-one nature of our and its ease of use, we are also able to drive adoption of our solutions across various parts of an organization. For example, we started a long-term relationship with a large commercial real estate client when we were engaged to create digital twins for available office spaces for promotion and leasing. We were then able to expand the relationship by working with the subscriber's construction team to redesign office spaces through integrating our digital twins with the construction team's design software. Most recently, we signed a global agreement with the client's real estate acquisition team to conduct due diligence of potential real property acquisitions.

As a result of our long-term focus and expansion strategy, we have been able to consistently retain our subscribers and drive increased usage of our platform. Our net dollar expansion rate of 132% and 112% for the three months ended June 30, 2021 and December 31, 2020 demonstrates the stickiness and growth potential of our platform. The chart below illustrates our historical subscriber expansion by presenting subscription revenue attributable to our subscribers for the years ended December 31, 2019 and 2020. Each identified subscriber cohort represents those subscribers that made their initial purchases from us during the applicable year. For example, the 2019 subscriber cohort includes all subscribers that joined us as new subscribers between January 1, 2019 and December 31, 2019. Full year-ended revenue contribution from this subscriber cohort increased from $3.4 million as of December 31, 2019 to $7.7 million as of December 31, 2020, representing an increase of 126%.



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. Going forward, 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. We also plan to increase investments in industry-specific sales and marketing initiatives to increase sales efficiency and drive subscriber and recurring revenue growth. While we expect that these investments will result in a considerable increase in our operating expenses, we expect operating margins to improve over the long term as we continue to scale and gain higher operating leverage.

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. As of June 30, 2021, we served subscribers in more than 150 countries, and we will seek to further penetrate these existing geographies in order to add their spatial data to our platform. As of June 30, 2021, subscribers outside the United States accounted for more than 33% of our subscription revenues. 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.

To scale our international penetration, we plan to increase our investment in sales and marketing efforts across the globe, including building up sales and marketing teams in North America, Europe, the Middle East and Africa, and the Asia Pacific region. With multiple sales attachment points and a global marketing effort, we believe that we can further penetrate enterprises and businesses worldwide through channel partnerships and direct sales. Such international expansion efforts will also involve additional investments in our market research teams to tailor platform solutions, subscription plans and pricing for each market. These international expansion activities may impact our near-term profitability as we lay the foundation for international growth. Nevertheless, we believe that customers around the world will derive value from the universal utility and flexibility of our spatial data platform which transforms how customers interact with their physical spaces in the modern age.

Investing in Research and Innovation for Growth

We will continue to invest 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. We have a robust pipeline of new product releases. For example, in May 2020, we launched Matterport for iPhone, which gave every recent iPhone owner the ability to capture and collaborate on 3D spaces and resulted in significant subscriber growth and digital twin creations. In April 2021, Matterport announced the official release of the Android Capture app, giving Android users the ability to quickly and easily capture buildings and spaces in immersive 3D. We see significant potential for future subscriber growth as we release more products and create additional upselling opportunities. We will also strengthen our AI and ML capabilities as we enlarge our spatial data library, enabling continuous improvement of the fidelity and accuracy of digital twins and enhancing the commercial value from data-driven analytics. In June 2021, Matterport announced the collaboration with Facebook AI to release the world's largest dataset of 3D spaces for academic research and the partnership with Apex, a national provider of advanced store surveys, to enable retail brands across the U.S. and Canada to access, collect and evaluate building data and information. These investments may impact our operating profitability in the near term, but we expect our operating margins to improve over the long term as we solidify our scale and reach.

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. As with organic research and development, we 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. For example, in May 2020, we rolled out integration capability with Autodesk to assist construction teams with streamlining documentation across workflows and collaborate virtually. Going forward, we plan to develop additional strategic partnerships with leading software providers to enable more effective integrations and enlarge our marketplace of third-party software applications.

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 Partner Program to enable more integrations. 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 scanned spaces. We typically bill our subscribers monthly in advance based on their subscription level and recognize revenue on a monthly basis based on the subscription level.

License revenue—We provide spatial data to customers in exchange for payment of a license fee. Under these license arrangements, customers take right to possession of the spatial data and pay a fee for an agreed scope of use.

Services revenue—Services revenue consist 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. Under these arrangements, we will pay the third-party technician directly 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 directly 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 Pro2 Camera, and out-of-warranty repair fees. Customers place orders for the capture devices, and we fulfill the order 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 capture device. 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 Pro2 Camera owners to have a subscription when purchasing a Pro2 Camera. We will also repair 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.

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 success operations. Cost of subscription revenue also includes amortization of internal-use software and stock-based compensation.

Cost of license revenue — Cost of license revenue consists primarily of costs associated with data curation and delivery costs associated with providing spatial data to customers.

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 Pro2 Camera, warranty and repair expenses relating to 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.

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. We expect that our research and development expenses will increase in absolute dollars as our business grows, particularly as we incur additional costs related to continued investments in our platform and products. In addition, research and development expenses that qualify as internal-use software development costs are capitalized, the amount of which may fluctuate significantly from period to period.

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 equal to 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. Following the closing of the Business Combination, we expect to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations, and increased expenses for insurance, investor relations, and professional services. We expect that our selling, general and administrative expenses will increase in absolute dollars as our business grows. See "—*The Business Combination*" above.

Interest Income

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

Interest Expense

Interest expense consists primarily of interest payments for our debt facilities. See "*Liquidity and Capital Resources—Debt and Financing Arrangements*."

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

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The following table sets forth our results of operations for the years ended December 31, 2020 and December 31, 2019 (in thousands, except percentages):

	Year Ended December 31,		Change	
	2020	2019	$	%
Revenue:				
Subscription	$ 41,558	$ 24,528	$17,030	69%
License	3,500	—	3,500	100%
Services	7,702	2,869	4,833	168%
Product	33,124	18,612	14,512	78%
Total revenue	85,884	46,009	39,875	87%
Costs of revenue:				
Subscription	11,445	7,592	3,853	51%
License	69	—	69	100%
Services	6,131	2,394	3,737	156%
Product	20,300	13,876	6,424	46%
Total costs of revenue	37,945	23,862	14,083	59%
Gross profit	47,939	22,147	25,792	116%
Gross margin	*56%*	*48%*		
Operating expenses:				
Research and development	17,710	17,195	515	3%
Selling, general, and administrative	41,791	35,350	6,441	18%
Total operating expenses	59,501	52,545	6,956	13%
Loss from operations	(11,562)	(30,398)	18,836	(62)%
Other income (expense):				
Interest income	19	229	(210)	(92)%
Interest expense	(1,501)	(1,482)	(19)	1%
Other (expense) income, net	(900)	(244)	(656)	269%
Total other income (expense)	(2,382)	(1,497)	(885)	59%
Loss before provision for income taxes	(13,944)	(31,895)	17,951	(56)%
Provision for income taxes	77	65	12	18%
Net loss	$(14,021)	$(31,960)	$17,939	(56)%

Revenues

Total revenue increased by $39.9 million, or 87%, to $85.9 million for the year ended December 31, 2020, from $46.0 million for the year ended December 31, 2019. The increase in revenue is attributable to growth from all revenue streams.

Subscription revenue increased by $17.0 million, or 69%, to $41.5 million for the year ended December 31, 2020, from $24.5 million for the year ended December 31, 2019. Of the $17.0 million increase, approximately $8.7 million was attributable to the higher volume of subscription plans from additional new subscribers during the year ended December 31, 2020 and approximately $8.3 million was attributable to additional sales to existing customers during that period.

License revenue increased by $3.5 million, or 100%, to $3.5 million for the year ended December 31, 2020, from nil for the year ended December 31, 2019. The increase was primarily attributable to the launch of our data licensing business and the license of spatial data to customers for the year ended December 31, 2020. We did not generate license revenue during the year ended December 31, 2019.

Services revenue increased by $4.8 million, or 168%, to $7.7 million for the year ended December 31, 2020, from $2.9 million for the year ended December 31, 2019. The increase was primarily attributable to increased sales of capture services and add-on services, primarily driven by our investment in growing our capture services business and the increase in the number of our subscribers during the year ended December 31, 2020.

Product revenue increased by $14.5 million, or 78%, to $33.1 million for the year ended December 31, 2020, from $18.6 million for the year ended December 31, 2019. The increase was primarily attributable to the significant growth in the number of capture devices shipped during the period. Product revenue was also driven by the stay-at-home orders issued by governments around the world in response to the COVID-19 pandemic as consumers increasingly adopted online technologies.

For further information related to the impact of COVID-19, please see "*Business Impact of COVID-19*."

Cost of Revenue

Total cost of revenue increased by $14.1 million, or 59%, to $37.9 million for the year ended December 31, 2020, from $23.8 million for the year ended December 31, 2019. The increase was primarily attributable to an increase in subscription services provided and capture devices sold.

Cost of subscription revenue increased by $3.9 million, or 51%, to $11.5 million for the year ended December 31, 2020, from $7.6 million for the year ended December 31, 2019. The increase was primarily attributable to an increase in costs related to hosting and delivery services for our platform to support the growth of subscription services provided.

Cost of license revenue did not fluctuate significantly year over year.

Cost of services revenue increased by $3.7 million, or 156%, to $6.1 million for the year ended December 31, 2020, from $2.4 million for the year ended December 31, 2019. The increase was primarily attributable to an increase in volume and cost related to capture services sold.

Cost of products revenue increased by $6.4 million, or 46%, to $20.3 million for the year ended December 31, 2020, from $13.9 million for the year ended December 31, 2019. The increase was primarily attributable to increased costs related to materials to support the higher demand for capture devices, as well as increased direct labor, and manufacturing overhead to support the increased volume of capture devices sold.

Gross Profit and Gross Margin

Gross profit increased by $25.8 million, or 116%, to $47.9 million for the year ended December 31, 2020, from $22.1 million for the year ended December 31, 2019. Gross margin increased to 56% during the year ended December 31, 2020 compared to 48% during the year ended December 31, 2019. The increase was primarily driven by the composition of revenue. Subscription and license revenue have had a positive effect on our total gross margin given their higher gross margins compared the gross margins of product and services revenue.

Research and Development Expenses

Research and development expenses increased by $0.5 million, or 3%, to $17.7 million for the year ended December 31, 2020, from $17.2 million for the year ended December 31, 2019. The increase was primarily attributable to personnel-related costs associated with salaries, bonuses, stock-based compensation, and professional services to support our continued investment in our platform and products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $6.4 million, or 18%, to $41.8 million for the year ended December 31, 2020 from $35.4 million for the year ended December 31, 2019. The increase was primarily attributable to increases in personnel-related costs, including a $1.9 million increase in salaries as a result of an increase in headcount, a $4.6 million increase in bonuses and commissions and a $1.6 million increase in consulting fees to support the growth in our business operations. The increase was partially offset by a $2.0 million decrease in marketing expenses primarily due to decreased participation in conferences and trade shows during the year ended December 31, 2020 as a result of COVID-19.

Interest Income

Interest income decreased by $0.2 million, or 92%, to $0.02 million for the year ended December 31, 2020 from $0.2 million for the year ended December 31, 2019. The decrease was primarily attributable to lower interest earned on our cash equivalents due to a lower realized interest rate on U.S. treasury bills.

Interest Expense

Interest expense did not fluctuate significantly during the year. We incurred $0.1 million interest expense for our 2020 Term Loan and $0.1 million of interest expense for the amortization of debt discount associated with our 2020 Notes, which were partially offset by lower interest expense for other loans due to lower average principal balances, coupled with a slight decrease in the interest rate in the current year for our 2019 Term Loan and revolving line of credit.

Other (Expense) Income, Net

Other (expense) income, net decreased by $0.7 million, or 269%, to $(0.9) million for the year ended December 31, 2020 from $(0.2) million for the year ended December 31, 2019. The decrease was primarily attributable to $1.0 million of loss on extinguishment of our 2020 Notes.

Provision for Income Taxes

The provision for income taxes did not significantly fluctuate year over year. The U.S. federal statutory tax rate is 21%, while our effective tax rate for the year ended December 31, 2020 and 2019 was (0.6)% and (0.2)%, respectively. The difference was due primarily to the tax benefit of pre-tax book losses being offset by a valuation allowance.

Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

The following table sets forth our results of operations for the three months ended June 30, 2021 and 2020 (in thousands, except percentages):

	Three Months Ended June 30,		Change	
	2021	2020	$	%
Revenue:				
Subscription	$ 15,281	$ 9,999	$ 5,282	53%
License	2,099	—	2,099	100%
Services	2,879	2,232	647	29%
Product	9,244	12,052	(2,808)	(23)%
Total revenue	29,503	24,283	5,220	21%
Costs of revenue:				
Subscription	3,384	2,905	479	16%
License	—	—	—	0%
Services	2,290	1,613	677	42%
Product	6,015	6,902	(887)	(13)%
Total costs of revenue	11,689	11,420	269	2%
Gross profit	17,814	12,863	4,951	38%
Gross margin	*60%*	*53%*		
Operating expenses:				
Research and development	7,090	4,537	2,553	56%
Selling, general, and administrative	16,501	10,476	6,025	58%
Total operating expenses	23,591	15,013	8,578	57%
Loss from operations	(5,777)	(2,150)	(3,627)	169%
Other income (expense):				
Interest income	14	4	10	250%
Interest expense	(277)	(471)	194	(41)%
Other (expense) income, net	(149)	(1,053)	904	(86)%
Total other income (expense)	(412)	(1,520)	1,108	(73)%
Loss before provision for income taxes	(6,189)	(3,670)	(2,519)	69%
Provision for income taxes	20	20	—	0%
Net loss	$ (6,209)	$ (3,690)	$(2,519)	68%

Revenues

Total revenue increased by $5.2 million, or 21%, to $29.5 million for the three months ended June 30, 2021, from $24.3 million for the three months ended June 30, 2020. The increase in revenue is attributable to growth from our subscription, license and services revenue, partially offset by the decrease in product revenue.

Subscription revenue increased by $5.3 million, or 53%, to $15.3 million for the three months ended June 30, 2021, from $10.0 million for the three months ended June 30, 2020. Of the $5.3 million increase, approximately $3.5 million was attributable to the higher volume of subscription plans from additional new subscribers during the three months ended June 30, 2021 and approximately $1.8 million was attributable from additional sales to existing customers during that period.

License revenue increased by $2.1 million, or 100%, to $2.1 million for the three months ended June 30, 2021, from nil for the three months ended June 30, 2020. The increase was primarily attributable to the launch of our data licensing business and the license of spatial data to customers. We did not generate license revenue during the three months ended June 30, 2020.

Services revenue increased by $0.6 million, or 29%, to $2.8 million for the three months ended June 30, 2021, from $2.2 million for the three months ended June 30, 2020. The increase was primarily attributable to increased sales of capture services and add-on services, primarily driven by our investment in growing our capture services business and the increase in the number of our subscribers during 2020 and the three months ended June 30, 2021.

Product revenue decreased by $2.8 million, or 23%, to $9.2 million for the three months ended June 30, 2021, from $12.0 million for the three months ended June 30, 2020. The decrease was primarily due to the emerging demand of product revenue during the three months ended June 30 2020 driven by the impact of COVID-19 pandemic as consumers increasingly adopted online technologies.

For further information related to the impact of COVID-19, please see "*Business Impact of COVID-19*."

Cost of Revenue

Total cost of revenue increased by $0.3 million, or 2%, to $11.7 million for the three months ended June 30, 2021, from $11.4 million for the three months ended June 30, 2020. The increase was primarily attributable to an increase in subscription and services provided, partially offset by the decrease of capture devices sold.

Cost of subscription revenue increased by $0.5 million, or 16%, to $3.4 million for the three months ended June 30, 2021, from $2.9 million for the three months ended June 30, 2020. The increase was primarily attributable to an increase in costs related to hosting and delivery services for our platform to support the growth of subscription services provided.

Cost of license revenue did not fluctuate during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

Cost of services revenue increased by $0.7 million, or 42%, to $2.3 million for the three months ended June 30, 2021, from $1.6 million for the three months ended June 30, 2020. The increase was primarily attributable to an increase in volume and cost related to capture services sold.

Cost of product revenue decreased by $0.9 million, or 13%, to $6.0 million for the three months ended June 30, 2021, from $6.9 million for the three months ended June 30, 2020. The decrease was primarily attributable to decreased volume of capture devices sold.

Gross Profit and Gross Margin

Gross profit increased by $5.0 million, or 38%, to $17.8 million for the three months ended June 30, 2021, from $12.8 million for the three months ended June 30, 2020. Gross margin increased to 60% during the three months ended June 30, 2021 compared to 53% during the three months ended June 30, 2020. The increase was primarily driven by the composition of revenue. Subscription and license revenue have had a positive effect on our total gross margin given their higher gross margins compared to the gross margins of product and services revenue.

Research and Development Expenses

Research and development expenses increased by $2.6 million, or 56%, to $7.1 million for the three months ended June 30, 2021, from $4.5 million for the three months ended June 30, 2020. The increase was primarily attributable to personnel-related costs associated with salaries, bonuses, stock-based compensation, and professional services to support our continued investment in our platform and products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $6.0 million, or 58%, to $16.5 million for three months ended June 30, 2021 from $10.5 million for the three months ended June 30, 2020. The increase was primarily attributable to $2.6 million increase in personnel-related costs as a result of an increase in headcount; and $1.5 million increase in consulting, $0.5 million in legal fees and $1.1 million in advertising and promotion expenses to support the growth of our business operations.

Interest Income

Interest income did not fluctuate significantly during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

Interest Expense

Interest expense decreased $0.2 million, or 41% to $(0.3) million for the three months ended June 30, 2021 from $(0.5) million for the three months ended June 30, 2020. The decrease was primarily attributable to lower interest expense as we continue to make the principal payments on our outstanding debt.

Other (Expense) Income, Net

Other (expense) income, net increased by $0.9 million, or 86%, to $(0.1) million for the three months ended June 30, 2021 from $(1.0) million for the three months ended June 30, 2020. The fluctuation is primarily attributable to the loss of $1.0 million on extinguishment of the 2020 Notes in April 2020.

Provision for Income Taxes

The provision for income taxes did not fluctuate significantly during the quarter. The U.S. federal statutory tax rate is 21%, while our effective tax rate for the three months ended June 30, 2021 and 2020 was (0.3%) and (0.5%), respectively. The difference was due primarily to the tax benefit of pre-tax book losses being offset by a valuation allowance.

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

The following table sets forth our results of operations for the six months ended June 30, 2021 and 2020 (in thousands, except percentages):

	Six Months Ended June 30,		Change	
	2021	2020	$	%
Revenue:				
Subscription	$ 29,081	$ 17,515	$11,566	66%
License	4,359	—	4,359	100%
Services	5,568	3,157	2,411	76%
Product	17,424	16,551	873	5%
Total revenue	56,432	37,223	19,209	52%
Costs of revenue:				
Subscription	6,635	5,318	1,317	25%
License	—	—	—	0%
Services	4,325	2,540	1,785	70%
Product	10,930	9,970	960	10%
Total costs of revenue	21,890	17,828	4,062	23%
Gross profit	34,542	19,395	15,147	78%
Gross margin	*61%*	*52%*		
Operating expenses:				
Research and development	13,115	9,142	3,973	43%
Selling, general, and administrative	29,559	20,273	9,286	46%
Total operating expenses	42,674	29,415	13,259	45%
Loss from operations	(8,132)	(10,020)	1,888	(19)%
Other income (expense):				
Interest income	22	13	9	69%
Interest expense	(585)	(858)	273	(32)%
Other (expense) income, net	(347)	(899)	552	(61)%
Total other income (expense)	(910)	(1,744)	834	(48)%
Loss before provision for income taxes	(9,042)	(11,764)	2,722	(23)%
Provision for income taxes	39	34	5	15%
Net loss	$ (9,081)	$ (11,798)	$ 2,717	(23)%

Revenues

Total revenue increased by $19.2 million, or 52%, to $56.4 million for the six months ended June 30, 2021, from $37.2 million for the six months ended June 30, 2020. The increase in revenue is attributable to growth from all revenue streams.

Subscription revenue increased by $11.6 million, or 66%, to $29.1 million for the six months ended June 30, 2021, from $17.5 million for the six months ended June 30, 2020. Of the $11.6 million increase, approximately $6.0 million was attributable to the higher volume of subscription plans from additional new subscribers during the six months ended June 30, 2021 and approximately $5.6 million was attributable from additional sales to existing customers during that period.

License revenue increased by $4.4 million, or 100%, to $4.4 million for the six months ended June 30, 2021, from nil for the six months ended June 30, 2020. The increase was primarily attributable to the launch of our data licensing business and the license of spatial data to customers. We did not generate license revenue during the six months ended June 30, 2020.

Services revenue increased by $2.4 million, or 76%, to $5.6 million for the six months ended June 30, 2021, from $3.2 million for the six months ended June 30, 2020. The increase was primarily attributable to increased sales of capture services and add-on services, primarily driven by our investment in growing our capture services business and the increase in the number of our subscribers during 2020 and the six months ended June 30, 2021.

Product revenue increased by $0.8 million, or 5%, to $17.4 million for the six months ended June 30, 2021, from $16.6 million for the six months ended June 30, 2020. The increase was primarily attributable to the growth in the number of capture devices shipped during the period. Product revenue was also driven by the impact of COVID-19 pandemic as consumers increasingly adopted online technologies.

For further information related to the impact of COVID-19, please see “*Business Impact of COVID-19*.”

Cost of Revenue

Total cost of revenue increased by $4.1 million, or 23%, to $21.9 million for the six months ended June 30, 2021, from $17.8 million for the six months ended June 30, 2020. The increase was primarily attributable to an increase in subscription and services provided and capture devices sold.

Cost of subscription revenue increased by $1.3 million, or 25%, to $6.6 million for the six months ended June 30, 2021, from $5.3 million for the six months ended June 30, 2020. The increase was primarily attributable to an increase in costs related to hosting and delivery services for our platform to support the growth of subscription services provided.

Cost of license revenue did not fluctuate during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Cost of services revenue increased by $1.8 million, or 70%, to $4.3 million for the six months ended June 30, 2021, from $2.5 million for the six months ended June 30, 2020. The increase was primarily attributable to an increase in volume and cost related to capture services sold.

Cost of product revenue increased by $1.0 million, or 10%, to $10.9 million for the six months ended June 30, 2021, from $9.9 million for the six months ended June 30, 2020. The increase was primarily attributable to increased costs related to materials to support the higher demand for capture devices, as well as increased direct labor and manufacturing overhead to support the increased volume of capture devices sold.

Gross Profit and Gross Margin

Gross profit increased by $15.1 million, or 78%, to $34.5 million for the six months ended June 30, 2021, from $19.4 million for the six months ended June 30, 2020. Gross margin increased to 61% during the six months ended June 30, 2021 compared to 52% during the six months ended June 30, 2020. The increase was primarily driven by the composition of revenue. Subscription and license revenue have had a positive effect on our total gross margin given their higher gross margins compared to the gross margins of product and services revenue.

Research and Development Expenses

Research and development expenses increased by $4.0 million, or 43%, to $13.1 million for the six months ended June 30, 2021, from $9.1 million for the six months ended June 30, 2020. The increase was primarily attributable to personnel-related costs associated with salaries, bonuses, stock-based compensation, and professional services to support our continued investment in our platform and products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $9.3 million, or 46%, to $29.6 million for six months ended June 30, 2021 from $20.3 million for the six months ended June 30, 2020. The increase was primarily attributable to $4.2 million increase in personnel-related costs as a result of an increase in headcount; and $2.8 million increase in consulting, $1.0 million increase in legal fees and $1.4 million increase for advertising and promotional expenses to support the growth of our business operations.

Interest Income

Interest income did not fluctuate significantly during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Interest Expense

Interest expense decreased $0.3 million, or 32% to $(0.6) million for the six months ended June 30, 2021 from $(0.9) million for the six months ended June 30, 2020. The decrease was primarily attributable to lower interest expense as the Company continued to make the principal payments on our outstanding debt.

Other (Expense) Income, Net

Other (expense) income, net increased by $0.6 million, or 61%, to $(0.3) million for the six months ended June 30, 2021 from $(0.9) million for the six months ended June 30, 2020. The difference is primarily attributable to the $1.0 million loss on extinguishment of the 2020 Notes in April 2020.

Provision for Income Taxes

The provision for income taxes did not fluctuate significantly during the quarter. The U.S. federal statutory tax rate is 21%, while our effective tax rate for the six months ended June 30, 2021 and 2020 was (0.4%) and (0.3%), respectively. The difference was due primarily to the tax benefit of pre-tax book losses being offset by a valuation allowance.

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 June 30, 2021, we had cash, cash equivalents, and restricted cash of approximately $42.7 million. Our cash equivalents primarily consist of cash on hand and amounts on deposit with financial institutions. To date, our principal sources of liquidity have been proceeds received from the issuance of equity and financing activities.

As of the date of the amendment of the Form 8-K, we believe our existing cash resources are sufficient to support planned operations for the next 12 months. We completed the Business Combination and PIPE Financing on July 22, 2021, pursuant to which we received net proceeds of $605.0 million. As a result, 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.

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. Our future capital requirements will depend on many factors, including increase in our customer base, the timing and extent of spend to support the expansion of sales, marketing and development activities, and the impact of the COVID-19 pandemic. As a result, we may require additional capital resources to grow our business. We believe that current cash, cash equivalents and investments will be sufficient to fund our operations for at least the next 12 months.

Debt and Financing Arrangements

We had $10.5 million outstanding in debt as of June 30, 2021, net of unamortized debt discount of $0.2 million. The debt consists of our 2019 Term Loan, our 2018 Term Loan, our 2020 Term Loan, and our line of credit. In July 2021, the Company repaid in full the 2019 Term Loan of $1.9 million, the Line of Credit of $3.0 million, the 2018 Term Loan of $3.9 million including $0.5 million of final payment fee and $0.1 million interest and prepayment fee. In July and August 2021, the Company repaid in full the 2020 Term Loan of $1.9 million.

2019 Term Loan

As of June 30, 2021, we had approximately $1.9 million outstanding on our term loan with a third-party lender. The loan is secured by certain assets and has customary negative and affirmative covenants. As of June 30, 2021, we were in compliance with all covenants. The loan has a maturity date of May 1, 2023 and bears interest rate at a floating per annum rate equal to the greater of (a) the Prime Rate + 1% and (b) 5.25%. The 2019 Term loan was fully repaid in July 2021.

Line of Credit

As of June 30, 2021, we had approximately $3.0 million outstanding on our working capital revolving line of credit with a third-party lender. The loan is secured by our accounts receivable and has customary negative and affirmative covenants. As of June 30, 2021, we were in compliance with all covenants. The loan has a maturity date of December 14, 2021 and bears interest at a floating per annum rate of equal to the greater of (a) the Prime Rate + 0.5% and (b) 5.25%. The Line of Credit was fully repaid in July 2021.

2018 Term Loan

As of June 30, 2021, we had approximately $3.9 million outstanding on our term loan with a third-party lender. The loan is repayable in 48 monthly scheduled installments commencing on May 1, 2018. We are required to make interest-only payments for the first 12 months starting May 2018 and thereafter to make 36 equal installment payments through the maturity date of the loan. The loan is secured by certain assets and has customary negative and affirmative covenants. As of June 30, 2021, we were in compliance with all covenants. The loan has a maturity date of May 1, 2022 and bears interest at a fixed per annum rate of 11.5%. The 2018 Term loan was fully repaid in July 2021.

2020 Term Loan

As of June 30, 2021, we had approximately $1.8 million outstanding on our facility loan with a third-party lender. The facility loan is provided under two facilities; facility A is comprised of $1.0 million maturing in 36 months, and facility B is comprised of $1.0 million maturing in 30 months. Principal is payable in 24 equal installments commencing on May 31, 2021 through April 30, 2023. The loan is secured by a letter of credit and has customary negative and affirmative covenants. As of June 30, 2021, we were in compliance with all covenants. The facility term loan has a maturity date of April 30, 2023 and bears interest at a fixed per annum rate of 4.75%. The 2020 Term loan was fully repaid in August 2021.

Other 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 from the remainder of 2021 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 June 30, 2021, our 12-month lease obligations (through June 30, 2022) totaled approximately $1.3 million, or approximately $4.8 million through the year ending December 31, 2025. Our non-cancellable purchase obligations as of June 30, 2021 totaled approximately $11.5 million and are due throughout December 31, 2022.

Cash Flows

The following table set forth a summary of our cash flows for the six months ended June 30, 2021 and 2020:

(in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash provided by (used in):		
Operating activities	(2,631)	(2,977)
Investing activities	(4,582)	(2,474)
Financing activities	(2,252)	51,496

Net Cash Used in Operating Activities

Net cash used in operating activities was $2.6 million for the six months ended June 30, 2021. This amount primarily consisted of a net loss of $9.1 million, offset by non-cash charges of $4.2 million, and an increase in net operating assets and liabilities of $2.2 million. The non-cash charges primarily consisted of $2.6 million of depreciation and amortization expense, $1.3 million of stock-based compensation expense, $0.2 million increase of allowance for doubtful accounts and $0.1 million amortization of debt discount and debt issuance costs. Changes in net operating assets and liabilities primarily consisted of an increase in accounts payable, deferred revenue, accruals and other liabilities, and a decrease in inventory, which was partially offset by an increase in accounts receivable and prepaid expenses and other assets.

Net cash used in operating activities was $3.0 million for the six months ended June 30, 2020. This amount primarily consisted of a net loss of $11.8 million, offset by non-cash charges of $4.8 million, and an increase in net operating assets and liabilities of $4.0 million. The non-cash charges primarily consisted of $2.3 million of depreciation and amortization expense, $1.2 million of stock-based compensation expense, $1.0 million of loss on extinguishment of loan and convertible note, $0.2 million increase of allowance for doubtful accounts, and $0.1 million amortization of debt discount and debt issuance costs. Changes of net operating assets and liabilities primarily consisted of an increase in accounts payable, deferred revenue and accruals and other liabilities, which was partially offset by an increase in account receivable and prepaid and other assets.

Net Cash Used in Investing Activities

Net cash used in investing activities was $4.6 million for the six months ended June 30, 2021. This amount primarily consisted of capitalized software and development costs of $3.3 million, an investment in convertible notes receivable of $1.0 million and purchases of property and equipment of $0.3 million.

Net cash used in investing activities was $2.5 million for the six months ended June 30, 2020. This amount primarily consisted of capitalized software and development costs.

Net Cash (Used In) Provided by Financing Activities

Net cash used in financing activities was $2.3 million for the six months ended June 30, 2021. This amount primarily consisted of repayment of debt of $2.4 million and payment of deferred transaction costs of $1.2 million for the Business Combination, partially offset by proceeds from the exercise of stock options of $1.3 million.

Net cash provided by financing activities was $51.5 million for the six months ended June 30, 2020. This amount primarily consisted of proceeds from issuance of redeemable convertible preferred stock, net of issuance costs, of $43.7 million, proceeds from issuance of convertible notes of $8.5 million, proceeds from external loans of $5.3 million, partially offset by repayment of debt of $5.9 million.

Cash Flows for the years ended December 31, 2020 and 2019

The following table sets forth a summary of our cash flows for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
(in thousands)	**2020**	**2019**
Cash provided by (used in):		
Operating activities	(3,597)	(26,826)
Investing activities	(4,884)	(4,870)
Financing activities	50,462	34,170

Net Cash Used in Operating Activities

Net cash used in operating activities was $3.6 million for the year ended December 31, 2020. This amount primarily consisted of a net loss of $14.0 million, offset by non-cash charges of $9.3 million, and an increase in net operating assets and liabilities of $1.1 million. The non-cash charges primarily consisted of $4.8 million of depreciation and amortization expense, $2.5 million of stock-based compensation expense, $1.0 million of loss on extinguishment of debt and convertible note, $0.8 million increase of allowance for doubtful accounts, and $0.2 million of amortization of debt discount. Net cash provided by changes in net operating assets and liabilities primarily consisted of an increase in accrued expenses and other liabilities, deferred revenue and accounts payable, partially offset by an increase in accounts receivable, inventories, prepaid expenses and other assets.

Net cash used in operating activities was $26.8 million for the year ended December 31, 2019. This amount primarily consisted of a net loss of $32.0 million, decrease in net operating assets and liabilities of $1.7 million, offset by non-cash charges of $6.8 million. The non-cash charges primarily consisted of $4.2 million of depreciation and amortization expense, $1.8 million of stock-based compensation expense, $0.4 million increase of allowance for doubtful accounts, and $0.2 million of amortization of debt discount. Changes of net operating assets and liabilities primarily consisted of an increase in accounts receivable and prepaid expenses and other assets, which was partially offset by an increase in deferred revenue.

Net Cash Used in Investing Activities

Net cash used in investing activities was $4.9 million for the year ended December 31, 2020. This amount primarily consisted of capitalized software and development costs during the year.

Net cash used in investing activities was $4.9 million for the year ended December 31, 2019. This amount primarily consisted of capitalized software and development costs of $4.3 million and capital expenditures of $0.6 million during the year.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $50.5 million for the year ended December 31, 2020. This amount primarily consisted of proceeds from the issuance of preferred stock of $43.7 million, proceeds from an issuance of convertible notes of $8.5 million, proceeds from debt from external lenders of $6.3 million, and proceeds from the exercise of stock options of $1.5 million, offset by repayment of debt of $8.0 million, cash paid for settlement of vested stock options of $1.0 million, and repurchases of common stock of $0.4 million.

Net cash provided by financing activities was $34.2 million for the year ended December 31, 2019. This amount primarily consisted of proceeds from the issuance of preferred stock of $32.0 million, proceeds from debt from external lenders of $6.0 million, and proceeds from the exercise of stock options of $0.5 million, offset by repayment of debt of $4.1 million.

Off-Balance Sheet Arrangements

As of the balance sheet date of June 30, 2021, we have not engaged in any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

The Company is an "emerging growth company" as defined in Section 2(a) of the Securities Act, and has elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. Following the consummation of the Business Combination, the Post-Combination Company will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of Common Stock that is held by non-affiliates exceeds $700 million as of the end of that year's second fiscal quarter, (ii) the last day of the fiscal year in which the Post-Combination Company has total annual gross revenue of $1.07 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which the Post-Combination Company has issued more than $1 billion in non-convertible debt in the prior three-year period or (iv) December 31, 2025, and the Post-Combination Company expects to continue to take advantage of the benefits of the extended transition period, although it may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare the Post-Combination Company's financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our 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 judgement or complexity and are most significant to reporting our results of operations and financial position and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgements used in the preparation of our consolidated financial statements. Actual results could differ materially from those estimates and assumptions, and those differences could be material to our consolidated financial statements. We re-evaluate our estimates on an ongoing basis. For information on our significant accounting policies, refer to Note 2—Summary of Significant Accounting Policies of our audited consolidated financial statements included in the Proxy Statement incorporated by reference into this amendment of the Form 8-K..

Revenue

Effective January 1, 2019, our revenue recognition policy is a critical policy due to the adoption of the guidance from ASC 606, Revenue from Contracts with Customers, and because of the variety of revenue generating transactions. We determine the amount of revenue to be recognized through the application of the following steps: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied.

We identify performance obligations in our contracts with customers, which primarily include subscription, license, services and products. The transaction price is determined based on the amount which we expect to be entitled to in exchange for providing the promised goods and services to our customer. The transaction price in the contract is allocated to each distinct performance obligation on a relative standalone selling price basis. Revenue is recognized when performance obligations are satisfied. In certain transactions the transaction price is considered variable and an estimate of the constrained transaction price is recorded by us. Changes in variable consideration may result in an increase or a decrease to revenue. Changes to the estimated variable consideration were not material for the periods presented.

Contract payment terms vary, and are generally net 30 days. Collectability is assessed based on a number of factors including collection history and creditworthiness of the customer. If collectability of substantially all consideration to which we are entitled under the contract is determined to be not probable, revenue is not recorded until collectability becomes probable at a later date.

Stock-Based Compensation

We measure and record the expense related to stock-based awards based on the fair value of those awards as determined on the date of grant. We recognize stock-based compensation expense over the requisite service period of the individual grant, generally equal to the vesting period and use the straight-line method to recognize stock-based compensation. For stock-based awards with performance conditions, we record compensation expense when it is deemed probable that the performance condition will be met. We account for forfeitures as they occur. We selected the Black-Scholes option-pricing model as the method for determining the estimated fair value for stock options. The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions, which determine the fair value of stock-based awards, including the option’s expected term and the price volatility of the underlying stock.

We calculated the fair value of options granted by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility—We estimated volatility for option grants by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the option grant for a term that is approximately equal to the options' expected term.

Expected Term—The expected term of the Matterport's options represents the period that the stock-based awards are expected to be outstanding. We have elected to use the midpoint of the stock options vesting term and contractual expiration period to compute the expected term, as we do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post vesting employment termination behavior.

Risk-Free Interest Rate—The risk-free interest rate is based on the implied yield available on US Treasury zero coupon issues with a term that is equal to the options' expected term at the grant date.

Dividend Yield—We have never declared or paid dividends and do not anticipate declaring dividends. As such, the dividend yield has been estimated to be zero.

Refer to Note 10—Stock Plans, to our unaudited interim condensed consolidated financial statements included elsewhere in this amendment of the Form 8-K for details regarding our share-based compensation plans.

Common Stock Valuation

In the absence of a public trading market for our common stock, on each grant date, the fair value of our common stock has historically been determined by our board of directors with inputs from management, taking into account our most recent valuations from an independent third-party valuation specialist . Our board of directors intended all stock options granted to have an exercise price per share not less than the per share fair value of our common stock on the date of grant. The valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. The assumptions used to determine the estimated fair value of our common stock are based on numerous objective and subjective factors, combined with management's judgment, including:

- relevant precedent transactions involving our capital stock;
- external market conditions affecting the industry and trends within the industry;
- the rights, preferences and privileges of our redeemable convertible preferred stock relative to those of our common stock;
- our financial condition and operating results, including our levels of available capital resources;
- the progress of our research and development efforts, our stage of development and business strategy;
- the likelihood of achieving a liquidity event, such as an initial public offering or a sale of our given prevailing market conditions;
- the history and nature of our business, industry trends and competitive environment;
- the lack of marketability of our common stock;

- recent secondary stock sales and tender offers;
- equity market conditions affecting comparable public companies; and
- general U.S. and global market conditions.

In determining the fair value of our common stock, we established the enterprise value of our business using the market approach. Under the market approach, a group of guideline publicly traded companies with similar financial and operating characteristics to Matterport are selected, and valuation multiples based on the guideline public companies' financial information and market data are calculated. Based on the observed valuation multiples, an appropriate multiple was selected to apply to our historical and forecasted revenue results.

In allocating the equity value of our business among the various classes of equity securities prior to December 2020, we used the option pricing model ("*OPM*") method, which models each class of equity securities as a call option with a unique claim on our assets. The OPM treats our common stock and redeemable convertible preferred stock as call options on an equity value with exercise prices based on the liquidation preference of our redeemable convertible preferred stock. The common stock is modeled as a call option with a claim on the equity value at an exercise price equal to the remaining value immediately after our redeemable convertible preferred stock is liquidated. The exclusive reliance on the OPM until December 2020 was appropriate when the range of possible future outcomes was difficult to predict and resulted in a highly speculative forecast.

Since December 2020, we used a hybrid method utilizing a combination of the OPM and the probability weighted expected return method ("PWERM"). The PWERM is a scenario-based methodology that estimates the fair value of common stock based upon an analysis of future values for Matterport, assuming various outcomes. The common stock value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available as well as the rights of each class of shares. The future value of the common stock under each outcome is discounted back to the valuation date at an appropriate risk-adjusted discount rate and probability weighted to arrive at an indication of value for the common stock. We considered two different scenarios: (a) a transaction with a SPAC, (b) remaining a private company. Under the hybrid method, we used the OPM, the if-converted method, and the liquidation method to allocate the equity value of our business among the various classes of stock. The if-converted method presumes that all shares of our redeemable convertible preferred stock convert into shares of common stock based upon their conversion terms and differences in the rights and preferences of the share of redeemable convertible preferred stock are ignored. The liquidation method presumes payment of proceeds in accordance with the liquidation terms of each class of stock.

After the allocation to the various classes of equity securities, a discount for lack of marketability ("*DLOM*") was applied to arrive at a fair value of common stock. A DLOM was meant to account for the lack of marketability of a stock that was not publicly traded. In making the final determination of common stock value, consideration was also given to recent sales of common stock.

Application of these approaches and methodologies involves the use of estimates, judgments and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses and future cash flows, discount rates, market multiples, the selection of comparable public companies, and the probability of and timing associated with possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

Internal Control Over Financial Reporting

In connection with the audits of our financial statements for the years ended December 31, 2020 and 2019, material weaknesses in our internal control over financial reporting were identified. A material weakness is a deficiency or a combination of deficiencies, in a company's 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.

For a description of the identified material weaknesses see section titled "*Risk Factors—Matterport has identified material weaknesses in its internal control over financial reporting. If unable to remediate these material weaknesses or if management identifies additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, Matterport may not be able to accurately or timely report its financial position or results of operations, which may adversely affect the Post-Combination Company's business and stock price or cause its access to the capital markets to be impaired*" in the Proxy Statement incorporated by reference into this amendment of the Form 8-K.

Our remediation efforts for these material weaknesses have included the following:

- we hired and continued to hire additional accounting and finance resources with public company experience, in addition to utilizing third-party consultants and specialists, to supplement our internal resources;
- we designed and implemented controls to formalize roles and review responsibilities to align the team's skills and experience, including segregation of duties considerations;
- we engaged a third-party IT consulting firm to assist in designing and implementing IT general controls, including controls over change management, program development approvals and testing, the review and update of user access rights and privileges and appropriate segregation of duties; and
- we are in the process of implementing comprehensive access control protocols for our enterprise resource planning environment to implement restrictions on user and privileged access to certain applications, establishing additional controls over the preparation and review of journal entries, establishing additional controls to verify transactions are properly classified in the financial statements.

We plan to continue to assess our internal controls and procedures and intend to take further action as necessary or appropriate to address any other matters we identify.

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, substantially all of our revenue is generated in U.S. dollars. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, U.K. and Singapore. Our results of operations and cash flows in the future may be adversely affected due to an expansion of non-U.S. dollar denominated contracts, growth of our international entities, and changes in foreign exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical or current consolidated financial statements. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage the risk relating to fluctuations in currency rates.

Inflation Risk

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

Exhibit 99.4

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Defined terms included below shall have the same meaning as terms defined and included elsewhere in the Current Report on Form 8-K, which was originally filed with SEC on July 28, 2021 (as amended by this Current Report on Form 8-K/A) and, if not defined in this Form 8-K/A, the prospectus filed with the SEC on June 21, 2021 (the "prospectus"). Unless the context otherwise requires, the "Company" refers to Matterport, Inc. and its subsidiaries after the Closing and Gores Holdings VI, Inc. prior to the Closing.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses" and presents the combination of the historical financial information of the Company and Legacy Matterport adjusted to give effect to the Business Combination, PIPE Investment and the other related events contemplated by the Merger Agreement.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021, combines the historical balance sheet of the Company as of June 30, 2021 with the historical condensed consolidated balance sheet of Legacy Matterport as of June 30, 2021 on a pro forma basis as if the Business Combination, the PIPE Investment and the other related events contemplated by the Merger Agreement, as described below and in the accompanying notes to the unaudited pro forma condensed combined financial statements, had been consummated on June 30, 2021.

The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 combines the historical statement of operations of the Company for the six months ended June 30, 2021, and the historical condensed consolidated statement of operations of Legacy Matterport for the six months ended June 30, 2021, on a pro forma basis as if the Business Combination, the PIPE Investment and other related events contemplated by the Merger Agreement, as described below and in the accompanying notes to the unaudited pro forma condensed combined financial statements, had been consummated on January 1, 2020. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 combines the historical statement of operations of the Company for the period from June 29, 2020 (inception) through December 31, 2020, and the historical consolidated statement of operations of Legacy Matterport for the year ended December 31, 2020, on a pro forma basis as if the Business Combination, the PIPE Investment and other related events contemplated by the Merger Agreement, as described below and in the accompanying notes to the unaudited pro forma condensed combined financial statements, had been consummated on January 1, 2020.

The unaudited pro forma condensed balance sheet does not purport to represent, and is not necessarily indicative of, what the actual financial condition of the combined company would have been had the Business Combination taken place on June 30, 2021, nor is it indicative of the financial condition of the Post-Combination Company as of any future date. The unaudited pro forma condensed combined financial information is for illustrative purposes only and is not necessarily indicative of what the actual results of operations and financial position of the combined company would have been had the Business Combination, the PIPE Investment and other related events taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the Post-Combination Company. The unaudited pro forma condensed combined financial information is subject to several uncertainties and assumptions as described in the accompanying notes.

The unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the following historical financial statements and the accompanying notes, which are included in this Form 8-K/A:

- the historical unaudited financial statements of the Company as of and for the six months ended June 30, 2021 included in the Company's Quarterly Report on Form 10-Q filed with the SEC on August 16, 2021 and incorporated herein by reference and the historical audited financial statements of the Company as of the year ended December 31, 2020 and for the period from June 29, 2020 (inception) through December 31, 2020 on Form 10-K/A filed with the SEC on May 18, 2021 and incorporated herein by reference;
- the historical unaudited condensed consolidated financial statements of Legacy Matterport as of and for the six months ended June 30, 2021 and the historical audited consolidated financial statements of Legacy Matterport as of and for the year ended December 31, 2020, which are included in this Form 8-K/A and are incorporated herein by reference;

- other information relating to the Company and Legacy Matterport included in this Form 8-K/A and incorporated herein by reference, including the Merger Agreement and the description of certain terms thereof set forth under the section titled "The Business Combination"; and
- the sections titled "*Company Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Matterport Management's Discussion and Analysis of Financial Condition and Results of Operations*" and other financial information included in this Form 8-K/A and incorporated herein by reference.

Description of the Business Combination

Pursuant to the Merger Agreement, First Merger Sub merged with and into Legacy Matterport, with Legacy Matterport continuing as the Surviving Corporation, and immediately following the First Merger and as part of the same overall transaction as the First Merger, the Surviving Corporation merged with and into Second Merger Sub, with Second Merger Sub continuing as the Surviving Entity and a wholly-owned subsidiary of the Company, under the name "Matterport Operating, LLC." Upon the Closing, each share of Matterport Stock was converted into the right to receive a number of shares of Class A Stock, equal to the Per Share Matterport Stock Consideration, and each share of Matterport Preferred Stock was automatically converted into the right to receive a number of shares of Class A Stock equal to the Per Share Matterport Stock Consideration multiplied by the number of shares of Matterport Stock issuable upon conversion of such share of Matterport Preferred Stock as of immediately prior to the closing of the First Merger.

The aggregate consideration paid to Legacy Matterport stockholders in connection with the Business Combination (excluding any potential Earn-Out Shares), was 218,875,000 shares. The Per Share Matterport Stock Consideration was equal to approximately 4.1193.

The Business Combination occured based on the following transactions contemplated by the Merger Agreement:

- each issued and outstanding share of Matterport Preferred Stock was canceled and converted into the right to receive an aggregate number of shares of Class A Stock equal to the Per Share Matterport Preferred Stock Consideration;
- each Matterport Warrant was exercised in full in exchange for the issuance of shares of Matterport Stock to the holder of such Matterport Warrant;
- each issued and outstanding share of Matterport Stock (including the items mentioned in above points) was canceled and converted into the right to receive an aggregate number of shares of Class A Stock equal to the Per Share Matterport Stock Consideration;
- each outstanding vested and unvested Matterport Stock Option was converted into a Rollover Option, exercisable for shares of Class A Stock with the same terms except for the number of shares exercisable and the exercise price, each of which was adjusted using the Per Share Matterport Stock Consideration; and
- each outstanding and unvested Matterport RSU was converted into a Rollover RSU for shares of Class A Stock with the same terms except for the number of shares, which were adjusted using the Per Share Matterport Stock Consideration.

Other related events that took place in connection with the Business Combination are summarized below:

- The issuance and sale of 29,500,000 shares of Class A Stock at a purchase price of $10.00 per share for an aggregate purchase price of $295.0 million pursuant to the PIPE Investment.
- Matterport Stockholders and holders of Matterport Stock Options and Legacy Matterport RSUs are also entitled to receive a number of Earn-Out Shares comprising up to 23,460,000 shares of Class A Stock in the aggregate. There are six distinct tranches of Earn-Out Shares, each of which will be issued if the daily volume weighted average price (based on such trading day) of one share of Class A Stock exceeds a certain threshold specified for such tranche in the Merger Agreement for a period of at least 10 days out of 30 consecutive trading days during the period beginning on the 180th day following the Closing and ending on the fifth anniversary of such date (the "Earn-Out Period"). If the applicable triggering event is achieved for a tranche, the Company will account for the Earn-Out Shares for such tranche as issued and outstanding Class A Stock. Any Earn-Out Shares issuable to any holder of Matterport Stock Options and Matterport RSUs in respect of such Matterport Stock Options and Matterport RSUs shall be issued to such holder only if such holder continues to provide services (whether as an employee, director or individual independent contractor) to the Post-Combination Company through the date of the occurrence of the corresponding triggering event (or acceleration event, if applicable) that causes such Earn-Out Shares to become issuable. Any Earn-Out Shares that are forfeited pursuant to the preceding sentence shall be reallocated to the other Matterport Stockholders who remain entitled to receive Earn-Out Shares in accordance with their respective Earn-Out pro rata shares. As the Earn-Out triggering events have not yet been achieved, the Earn-Out Shares are contingently issuable and not reflected in the pro forma financial information.

- Pursuant to the terms of the Sponsor agreement, sponsor warrants are not exercisable until December 15, 2021, which is 12 months from the closing of the Company's IPO, and will expire on July 22, 2026, which is five years after the Closing.

Accounting Treatment of the Business Combination

The Business Combination will be accounted for as a reverse recapitalization in accordance with GAAP as Legacy Matterport has been determined to be the accounting acquirer, primarily due to the fact that Matterport Stockholders continue to control the Post-Combination Company. Under this method of accounting, while the Company is the legal acquirer, it will be treated as the "acquired" company for financial reporting purposes. Accordingly, the Business Combination will be treated as the equivalent of Legacy Matterport issuing stock for the net assets of the Company, accompanied by a recapitalization. The net assets of the Company will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of Legacy Matterport in future reports of the Post-Combination Company. The post-closing accounting treatment of the Company Warrants are treated as and are reflected in the historical financial information of the Company as liability classified instruments.

Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses". Release No. 33-10786 replaces the existing pro forma adjustment criteria with simplified requirements to depict the accounting for the transaction ("Transaction Accounting Adjustments") and the option to present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur ("Management's Adjustments"). Management has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the following unaudited pro forma condensed combined financial information.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments based on information available as of the date of filing this Form 8-K/A and is subject to change as additional information becomes available and analyses are performed. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented as additional information becomes available. Management considers this basis of presentation to be reasonable under the circumstances.

The following summarizes the consideration (excluding the Earn-Out Shares):

(in thousands, except for share amounts)	
Shares transferred at the Closing (1)	218,875,000
Value per share (2)	10.00
Total Aggregate Company Stock Consideration	$ 2,188,750

(1) The number of outstanding shares in the table above assumes the issuance of approximately 49.4 million shares of Class A Stock underlying Rollover Options and Rollover RSUs that do not represent legally outstanding shares of Class A Stock at the Closing.
(2) Aggregate Company Stock Consideration is calculated using a $10.00 reference price. The closing share price on the date of the Closing was $14.47.

The unaudited pro forma condensed combined financial information reflects the Company stockholders' approval of the Business Combination on July 22, 2021 and the redemption of 93,917 shares of the Company's Class A Stock at approximately $10.00 per share based on trust account figures prior to the Closing on July 22, 2021 for an aggregate payment of $0.9 million.

The following summarizes the pro forma shares of Post-Combination Common Stock issued and outstanding at the Closing:

	Shares	%
Class A Stock issued to Legacy Matterport Stockholders (1)(2)	169,425,466	70.0
Public Stockholders	34,406,083	14.2
Initial Stockholders' Class F Stock(3)	8,625,000	3.6
PIPE Investors(4)	29,500,000	12.2
Pro Forma Common Stock (5)	**241,956,549**	**100.0**

(1) Excludes 23.5 million shares of Class A Stock in Earn-Out Shares as they are not issuable until 180 days after the Closing and are contingently issuable based upon the triggering events that have not yet been achieved.

(2) The number of outstanding shares in the table above does not assume the issuance of approximately 49.4 million shares of Class A Stock underlying Rollover Options and Rollover RSUs that do not represent legally outstanding shares of Class A Stock at the Closing.

(3) Excludes 4,079,000 shares of Class A Stock purchased under the Sponsor Subscription Agreement and excludes 15,000 shares of Class A Stock purchased by the Initial Stockholders (excluding the Sponsor) in the PIPE Investment.

(4) Includes the Initial Stockholders' ownership of 4,079,000 shares of Class A Stock purchased under the Sponsor Subscription Agreement and includes 15,000 shares of Class A Stock purchased by the Initial Stockholders (excluding the Sponsor) in the PIPE Investment.

(5) Excludes Warrants issued in connection with the Company's IPO as such securities are not exercisable until December 15, 2021, which is 12 months from the closing of the Company's IPO.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2021
(in thousands)

	As of June 30, 2021				As of June 30, 2021
	Legacy Matterport (Historical)	Gores Holding V1 (Historical)	Pro Forma Transaction Accounting Adjustments		Pro Forma Combined
ASSETS					
Current assets:					
Cash	$ 42,281	$ 382	$ 345,031	(A)	$ 647,072
			(21,830)	(B)	
			(8,215)	(C)	
			(4,638)	(D)	
			295,000	(E)	
			(939)	(N)	
Restricted cash	400	—	—		400
Accounts receivable, net	6,692	—	—		6,692
Inventories	2,622	—	—		2,622
Prepaid expenses and other current assets	3,810	696	—		4,506
Total current assets	55,805	1,078	604,409		661,292
Non-current assets:					
Deferred tax asset	—	—	—		—
Investments and cash held in Trust Account	—	345,031	(345,031)	(A)	—
Property and equipment, net	9,373	—	—		9,373
Other long-term assets	6,352	—	(3,977)	(C)	2,375
Total non-current assets	15,725	345,031	(349,008)		11,748
TOTAL ASSETS	**$ 71,530**	**$ 346,109**	**$ 255,401**		**$ 673,040**
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable	$ 4,903	$ —	$ —		$ 4,903
State franchise tax	—	78	(22)	(D)	56
Related party note	—	1,100	(1,100)	(D)	—
Current portion of long-term debt	8,427	—	—		8,427
Deferred revenue	7,667	—	—		7,667
Public warrants derivative liability	—	41,331	—		41,331
Private warrants derivative liability	—	26,656	—		26,656
Accrued expenses and other current liabilities	10,739	3,633	(2,773)	(C)	8,083
			(3,516)	(D)	
Total current liabilities	31,736	72,798	(7,411)		97,123
Non-current liabilities:					
Long-term debt	2,034	—	—		2,034
Deferred revenue, non-current	260	—	—		260
Deferred underwriting compensation	—	12,075	(12,075)	(B)	—
Earn-out liabilities	—	—	227,007	(L)	227,007
Other liabilities	293	—	—		293
Total non-current liabilities	2,587	12,075	214,932		229,594
Total liabilities	34,323	84,873	207,521		326,717
Commitments and contingencies:					
Common stock subject to possible redemption	—	345,000	(345,000)	(F)	—
Redeemable convertible preferred stock	164,168	—	(164,168)	(G)	—
Stockholders' equity (deficit):					
Legacy Matterport Common Stock	10	—	31	(G)	—
			(41)	(I)	

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2021
(in thousands)

	As of June 30, 2021				As of June 30, 2021
	Legacy Matterport (Historical)	Gores Holding V1 (Historical)	Pro Forma Transaction Accounting Adjustments		Pro Forma Combined
Class A Stock	—	—	3	(E)	24
			3	(F)	
			1	(H)	
			17	(I)	
Class F Stock	—	1	(1)	(H)	—
Additional paid-in capital	11,948	—	(1,750)	(B)	498,630
			(8,877)	(C)	
			294,997	(E)	
			344,997	(F)	
			164,137	(G)	
			24	(I)	
			8,059	(J)	
			(91,770)	(K)	
			(227,007)	(L)	
			4,811	(M)	
			(939)	(N)	
Accumulated other comprehensive income	160	—	—		160
Accumulated deficit	(139,079)	(83,765)	(8,005)	(B)	(152,491)
			(542)	(C)	
			(8,059)	(J)	
			91,770	(K)	
			(4,811)	(M)	
Total stockholders' equity (deficit)	(126,961)	(83,764)	557,048		346,323
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 71,530**	**$ 346,109**	**$ 255,401**		**$ 673,040**

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(in thousands, except share and per share data)

	For the Six Months Ended June 30, 2021				For the Six Months Ended June 30, 2021
	Legacy Matterport (Historical)	Gores Holding VI (Historical)	Pro Forma Transaction Accounting Adjustments		Pro Forma Combined
Revenue:					
Subscription	$ 29,081	$ —	$ —		$ 29,081
License	4,359	—	—		4,359
Services	5,568	—	—		5,568
Product	17,424	—	—		17,424
Total revenue	56,432	—	—		56,432
Costs of revenue:					
Subscription	6,635	—	81	(AA)	6,760
			44	(BB)	
Services	4,325	—	46	(AA)	4,411
			40	(BB)	
Product	10,930	—	141	(AA)	11,121
			50	(BB)	
Total costs of revenue	21,890	—	402		22,292
Gross profit	34,542	—	(402)		34,140
Operating expenses:					
Research and development	13,115	—	1,329	(AA)	16,208
			1,764	(BB)	
Selling, general, and administrative	29,559	—	4,206	(AA)	36,678
			2,913	(BB)	
Professional fees	—	4,625	—		4,625
State franchise tax	—	100	—		100
Change in fair value of warrant liability	—	49,827	—		49,827
Total operating expenses	42,674	54,552	10,212		107,438
Loss from operations	(8,132)	(54,552)	(10,614)		(73,298)
Other income (expense):					
Interest income	22	22	(22)	(CC)	22
Interest expense	(585)	—	—		(585)
Other (expense) income, net	(347)	—	—		(347)
Total other income (expense)	(910)	22	(22)		(910)
Loss before provision for (benefit from) income taxes	(9,042)	(54,530)	(10,636)		(74,208)
Provision for (benefit from) income taxes	39	26	(26)	(DD)	39
Net loss attributable to common stockholders	$ (9,081)	$ (54,556)	$ (10,610)		$ (74,247)
Weighted average shares outstanding - Common stock	9,829,416				
Common stock - basic and diluted	$ (0.92)				
Weighted average shares outstanding - Class A		34,500,000			241,956,549
Class A Stock - basic and diluted [See Note 3]		$ (1.27)			$ (0.31)
Weighted average shares outstanding - Class F		8,625,000			
Class F Stock - basic and diluted		$ (1.27)			

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands, except share and per share data)

	For the Year Ended December 31, 2020				For the Year Ended December 31, 2020
	Legacy Matterport (Historical)	Gores Holding VI (Historical)	Pro Forma Transaction Accounting Adjustments		Pro Forma Combined
Revenue:					
Subscription	$ 41,558	$ —	$ —		$ 41,558
License	3,500	—	—		3,500
Services	7,702	—	—		7,702
Product	33,124	—	—		33,124
Total revenue	85,884	—	—		85,884
Costs of revenue:					
Subscription	11,445	—	732	(AA)	12,177
License	69	—	3	(AA)	72
Services	6,131	—	328	(AA)	6,459
Product	20,300	—	1,313	(AA)	21,613
Total costs of revenue	37,945	—	2,376		40,321
Gross profit	47,939	—	(2,376)		45,563
Operating expenses:					
Research and development	17,710	—	14,954	(AA)	32,664
Selling, general, and administrative	41,791	—	44,351	(AA)	94,201
			8,059	(BB)	
Professional fees	—	78	—		78
State franchise tax	—	55	—		55
Warrant liability expense	—	795	—		795
Allocated expense for warrant issuance cost	—	608	542	(CC)	1,150
Total operating expenses	59,501	1,536	67,906		128,943
Loss from operations	(11,562)	(1,536)	(70,282)		(83,380)
Other income (expense):					
Interest income	19	8	(8)	(DD)	19
Interest expense	(1,501)	—	—		(1,501)
Other (expense) income, net	(900)	—	—		(900)
Total other income (expense)	(2,382)	8	(8)		(2,382)
Loss before provision for (benefit from) income taxes	(13,944)	(1,528)	(70,290)		(85,762)
Provision for (benefit from) income taxes	77	(27)	27	(EE)	77
Net loss attributable to common stockholders	$ (14,021)	$ (1,501)	$ (70,317)		$ (85,839)
Weighted average shares outstanding - Common stock	7,972,543				
Common stock - basic and diluted	$ (1.76)				
Weighted average shares outstanding - Class A		3,170,550			241,956,549
Class A Stock - basic and diluted [See Note 3]		$ (2.14)			$ (0.35)
Weighted average shares outstanding - Class F		11,457,666			
Class F Stock - basic and diluted		$ (2.14)			

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Basis of Presentation

The Business Combination will be accounted for as a reverse recapitalization in accordance with GAAP as Legacy Matterport has been determined to be the accounting acquirer, primarily due to the fact that Matterport Stockholders continue to control the Post-Combination Company. Under this method of accounting, while the Company is the legal acquirer, it will be treated as the "acquired" company for financial reporting purposes. Accordingly, the Business Combination will be treated as the equivalent of Legacy Matterport issuing stock for the net assets of the Company, accompanied by a recapitalization. The net assets of the Company will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be presented as those of Legacy Matterport in future reports of the Post-Combination Company. The post-closing accounting treatment of the Company Warrants are treated as and are reflected in the historical financial information of the Company as liability classified instruments.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives pro forma effect to the Business Combination, PIPE Investment, and the other related events contemplated by the Merger Agreement as if consummated on June 30, 2021. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 combines the historical statement of operations of the Company for the six months ended June 30, 2021, and the historical condensed consolidated statement of operations of Legacy Matterport for the six months ended June 30, 2021, giving pro forma effect to the Business Combination, PIPE Investment, and other related events contemplated by the Merger Agreement as if consummated on January 1, 2020. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 combines the historical statement of operations of the Company for the period from June 29, 2020 (inception) through December 31, 2020, and the historical consolidated statement of operations of Legacy Matterport for the year ended December 31, 2020, giving pro forma effect to the Business Combination, PIPE Investment, and other related events contemplated by the Merger Agreement as if consummated on January 1, 2020.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 has been prepared using, and should be read in conjunction with, the following:

- the Company's unaudited balance sheet as of June 30, 2021 and the related notes for the six months ended June 30, 2021, incorporated by reference; and
- Legacy Matterport's unaudited condensed consolidated balance sheet as of June 30, 2021 and the related notes for the six months ended June 30, 2021, included in this Form 8-K/A and incorporated by reference herein.

The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 has been prepared using, and should be read in conjunction with, the following:

- the Company's unaudited statement of operations for the six months ended June 30, 2021 and the related notes, incorporated by reference; and
- Legacy Matterport's unaudited condensed consolidated statements of operations for the six months ended June 30, 2021 and the related notes included in this Form 8-K/A and incorporated by reference herein.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 has been prepared using, and should be read in conjunction with, the following:

- the Company's audited statement of operations for the period from June 29, 2020 (date of inception) to December 31, 2020 and the related notes, incorporated by reference; and
- Legacy Matterport's audited consolidated statements of operations for the year ended December 31, 2020 and the related notes included in this Form 8-K/A and incorporated by reference herein.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments based on information available as of the date of filing this Form 8-K/A and is subject to change as additional information becomes available and analyses are performed. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented as additional information becomes available. Management considers this basis of presentation to be reasonable under the circumstances.

The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Business Combination.

Total one-time direct and incremental transaction costs (i.e. "Transaction costs") incurred prior to, or concurrent with, the Closing were allocated between common stock issued and other equity instruments currently classified as liabilities (i.e. private placement warrants and public warrants) on a relative fair value basis. Transaction costs allocable to common stock issued are reflected in the unaudited pro forma condensed combined balance sheet as a direct reduction to Legacy Matterport's additional paid-in capital and are assumed to be cash settled. Transaction costs allocable to issued warrants classified as liabilities are charged to the unaudited pro forma condensed combined statement of operations and are assumed to be cash settled.

2. Adjustments to Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Business Combination and has been prepared for informational purposes only.

The unaudited pro forma basic and diluted net loss per share amounts presented in the unaudited pro forma condensed combined statements of operations are based upon the number of the Post-Combination Company's shares outstanding, assuming the Business Combination occurred on January 1, 2020.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The adjustments included in the unaudited pro forma condensed combined balance sheet as of June 30, 2021 are as follows:

(A) Reflects the liquidation and reclassification of $345.0 million of investments held in the Trust Account to cash and cash equivalents that become available upon the Closing.

(B) Reflects the payment of $12.1 million of deferred underwriters' fees incurred during the Company's IPO due upon the Closing and the Company's total preliminary estimated advisory, legal, and accounting fees and other professional fees of $9.8 million. This includes the Company's $1.8 million in transaction cost in connection with PIPE Investment, which has been recorded as a reduction to additional paid-in capital. The remaining $8.0 million transaction costs have been reflected as an adjustment to the accumulated deficit.

(C) Reflects Legacy Matterport's total advisory, legal, and accounting fees and other professional fees of $9.4 million incurred prior to, or concurrent with the Closing, including $2.8 million that was recorded in accrued expenses and $1.2 million that was paid as of June 30, 2021. These expected transaction costs are in connection with the Closing and related transactions and are deemed to be direct and incremental costs of the Business Combination, $8.9 million of which have been allocable to common stock issued and recorded as a reduction to additional paid-in capital and the remaining $0.5 million allocable to issued warrants classified as liabilities have been charged to the unaudited pro forma condensed combined statement of operations.

(D) Reflects the settlement of the Company's historical liabilities that were settled upon the Closing.

(E) Reflects the proceeds of $295.0 million from the issuance and sale of 29.5 million shares of Class A Stock at $10.00 per share pursuant to the PIPE Investment. Please refer to tickmark (B) for transaction costs related to PIPE Investment.

(F) Reflects the reclassification of Class A Stock subject to possible redemption to permanent equity immediately prior to the Closing.

(G) Reflects the conversion of Matterport Preferred Stock into Matterport Stock pursuant to the applicable conversion rate effective immediately prior to the Closing.

(H) Reflects the conversion of Class F Stock into Class A Stock in connection with the Closing.

(I) Reflects the recapitalization of common stock between Matterport Stock, Class A Stock, and additional paid-in capital.

(J) Reflects the incremental stock-based compensation expense upon acceleration of vesting of stock options issued to R.J. Pittman, Chief Executive Officer, upon the Closing.

(K) Reflects the elimination of the Company's historical retained earnings.

(L) Reflects the fair value of the Earn-Out Shares contingently issuable and recorded as Earn-Out Liabilities as of the Closing. For further information, please refer to Note 4.

(M) Reflects the incremental stock-based compensation expense for Matterport RSU awards which have met the service and performance-based vesting conditions upon the Closing.

(N) Represents the cash disbursed to redeem 93,917 shares of Class A Stock for $0.9 million allocated to common stock and APIC, using a par value of $0.0001 per share at a redemption price of $10.00 per share.

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations for the Six Months Ended June 30, 2021

The adjustments included in the unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2021 are as follows:

(AA) Reflects the incremental stock-based compensation expense for Earn-Out shares contingently issuable to the holders of Matterport Stock Options and Matterport RSUs as of the Closing, who have a continuing employment requirement. For further details, refer to Note 4.

(BB) Reflects the incremental stock-based compensation expense for Matterport RSU awards issuable to the employees who have met the service and performance-based vesting conditions upon the Closing.

(CC) Reflects the elimination of interest income on the Trust Account.

(DD) The adjustment takes into consideration if recognition of deferred tax assets is appropriate when the realization of these assets is more likely than not. Based upon the weight of all available evidence, with a primary focus on Legacy Matterport's history of recent losses, Legacy Matterport has concluded that it is not more likely than not that the recorded deferred tax assets will be realized. As a result, the tax effect of the Transactions is recorded at no tax expense or benefit to Legacy Matterport. The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had the Company and Legacy Matterport filed consolidated income tax returns during the period presented.

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations the Year Ended December 31, 2020

The adjustments included in the unaudited pro forma condensed combined statements of operations for the twelve months ended December 31, 2020 are as follows:

(AA) Reflects the incremental stock-based compensation expense for Earn-Out shares to be issued to the holders of Legacy Matterport Stock Options and Legacy Matterport RSUs, who have a continuing employment requirement. For further details, refer to Note 4.

(BB) Reflects the incremental stock-based compensation expense upon acceleration of vesting of stock options issued to R.J. Pittman, Chief Executive Officer, upon the Closing.

(CC) Reflects the transaction costs allocable to issued warrants classified as liabilities in connection with the Closing. Refer to Note 1 for more information.

(DD) Reflects the elimination of interest income on the Trust Account.

(EE) The adjustment takes into consideration if recognition of deferred tax assets is appropriate when the realization of these assets is more likely than not. Based upon the weight of all available evidence, with a primary focus on Legacy Matterport's history of recent losses, Legacy Matterport has concluded that it is not more likely than not that the recorded deferred tax assets will be realized. As a result, the tax effect of the Transactions is recorded at no tax expense or benefit to Legacy Matterport. The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had the Company and Legacy Matterport filed consolidated income tax returns during the period presented.

3. Loss per Share

Represents the net loss per share calculated using the historical weighted average shares outstanding, and the issuance of additional shares in connection with the Business Combination, the PIPE Investment, and other related events, assuming the shares were outstanding since January 1, 2020. As the Business Combination, PIPE Investment and other related proposed equity transactions are being reflected as if they had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares issuable relating to the Business Combination have been outstanding for the entire period presented. This calculation is retroactively adjusted to eliminate the number of shares redeemed in the Business Combination for the entire period presented.

The unaudited pro forma condensed combined financial information has been prepared based on the following information:

(in thousands, except share and per share data)	For the Six Months Ended June 30, 2021	For the Year Ended December 31, 2020
Pro forma net loss	$ (74,247)	$ (85,839)
Weighted average shares outstanding of Class A Stock	241,956,549	241,956,549
Net loss per share of Class A Stock-basic and diluted	$ (0.31)	$ (0.35)
Weighted average shares outstanding—basic and diluted		
Class A Stock issued to Legacy Matterport Stockholders	169,425,466	169,425,466
Public Stockholders	34,406,083	34,406,083
Initial Stockholders	8,625,000	8,625,000
PIPE Investors	29,500,000	29,500,000
Total	**241,956,549**	**241,956,549**

The following potentially dilutive outstanding securities were excluded from the computation of proforma net loss per share, 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:

	For the Six Months Ended June 30, 2021	For the Year Ended December 31, 2020
Rollover Options and Rollover RSUs	49,449,084	49,449,084
Earn-Out shares	23,500,000	23,500,000
Company’s private placement and public warrants	11,350,000	11,350,000

4. Earn-Out Shares

The Earn-Out Shares issuable to holders of Matterport Stock Options and Matterport RSUs are expected to be accounted as stock-based compensation expense as they are subject to forfeiture based on the satisfaction of certain employment conditions. Subsequent forfeiture and reallocation, if any, of such Earn-Out Shares issuable to holders of Matterport Stock Options and Matterport RSUs are expected to be recorded as stock-based compensation expense for reallocation to holders of Matterport Stock Options and Matterport RSUs and as a liability for reallocation to Matterport Stockholders, other than holders of Matterport Stock Options and Matterport RSUs ("Other Matterport Stockholders"). The Earn-Out Shares to Other Matterport Stockholders are expected to be accounted for as liability classified equity instruments that are earned upon achieving the applicable triggering event, which includes events that are not indexed to the common stock of the Post-Combination Company.

The fair value of the Earn-Out Shares to Other Matterport Stockholders is $227.0 million, which is recorded as Earn-Out liability. The estimated fair value of the Earn-Out Shares issuable to holders of Matterport Stock Options and Matterport RSUs is $67.8 million, of which $5.8 and $61.9 million were recorded as stock-based compensation expense in the unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2021 and for the year ended December 31, 2020, respectively.

The fair values of the Earn-Out Shares were determined by using a Monte Carlo simulation model implemented in a risk-neutral valuation framework. Assumptions used in the valuation were as follows:

Current stock price: the current stock price was set at $14.47 per share for Class A Stock based on the closing price as of the valuation date of July 22, 2021, which was the date of the Closing.

Expected volatility: volatility was determined using the historical volatility of the Company's Public Warrants corresponding to the expected term of the awards.

Risk-free interest rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of issuance for zero-coupon U.S. Treasury notes with maturities corresponding to the expected term of the Earn-Out Period.

Expected term: The expected term assumes six months until the Closing plus the five year term of the Earn-Out Period.

Expected dividend yield: The expected dividend yield is zero as Legacy Matterport has never declared or paid cash dividends and has no current plans to do so during the expected term.