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

FORM 10-K/A

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from ____________ to ____________

Commission file number 001-39790

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

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

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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

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

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

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting stock held by non-affiliates of the registrant, based upon the closing sales price for the registrant's common stock on June 30, 2023, as reported in the Nasdaq Global Market System, was approximately $849.5 million. Shares of common stock beneficially owned by each executive officer and director of the Registrant and by each person known by the Registrant to beneficially own 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares registrant's common stock outstanding as of February 20, 2024 was 310,907,105.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's definitive proxy statement for its 2024 annual general meeting are incorporated by reference into Part III hereof.

EXPLANATORY NOTE

Matterport, Inc. (the “Company”)is filing this Amendment No. 1 on Form 10-K/A (this amendment) to its Annual Report on Form 10-K for the year ended December 31, 2023, originally filed with the Securities and Exchange Commission (the “SEC”) on February 27, 2024 (the original filing) to address management’s re-evaluation of disclosure controls and procedures and to reflect the identification of a material weakness in the Company’s internal control over financial reporting as of December 31, 2023. The material weakness did not result in a misstatement to the Company’s consolidated financial statements as set forth in the original filing. This amendment is limited in scope to make the following changes to the original filing:

- To amend Part I - Item 1A. Risk Factors to add an additional risk factor regarding the potential adverse impact that the failure to remediate the material weaknesses could have on our timely and accurate reporting of financial results. We have also updated our “Summary Risk Factor” disclosure to reflect the additional risk factor.
- To amend Part II - Item 8. Financial Statements and Supplementary Data to restate the Report of Independent Registered Public Accounting Firm insofar as it relates to the firm’s opinion solely with respect to the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023.
- To restate Part II - Item 9A. Controls and Procedures related to the effectiveness of our disclosure controls and procedures, and to restate Management’s Annual Report on Internal Control Over Financial Reporting, and to describe the Company’s remediation plan for addressing such material weakness.
- To amend Part IV - Item 15. Exhibits and Financial Statement Schedules to include currently dated (i) auditor consent, which is filed herewith as Exhibits 23.1 and (ii) certifications from the Company’s Principal Executive Officer and Principal Financial Officer as required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002, which certifications are filed herewith as Exhibits 31.1, 31.2, 32.1 and 32.2.

This amendment has not been updated or amended to give effect to any subsequent events beyond those that existed as of the original filing date and should thus be read in conjunction with the original filing and any of the Company’s other filings with the SEC subsequent to the original filing, together with any amendments to those filings. Other than the filing of the information identified above, this amendment does not modify or update the disclosure in the original filing in any way.

Table of Contents

BASIS OF PRESENTATION

On July 22, 2021, we consummated the merger (the "Merger") pursuant to the Agreement and Plan of Merger, dated February 7, 2021, by and among Matterport, Inc. (formerly known as Gores Holdings VI, Inc.) (the "Company"), the pre-Merger Matterport, Inc. (now known as Matterport Operating, LLC) ("Legacy Matterport"), Maker Merger Sub, Inc. ("First Merger Sub"), a direct, wholly owned subsidiary of the Company, and Maker Merger Sub II, LLC ("Second Merger Sub"), a direct, wholly owned subsidiary of the Company, pursuant to which 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." Upon the closing of the Merger, we changed our name from Gores Holdings VI, Inc. to Matterport, Inc.

Unless otherwise indicated or the context otherwise requires, references in this Annual Report on Form 10-K/A to "Matterport," the "Company," "we," "us," and "our," and similar terms refer to Matterport, Inc. and its wholly owned subsidiaries following the consummation of the Merger and to Legacy Matterport prior to the consummation of the Merger. References to "GHVI" refer to Gores Holdings VI, Inc. prior to the consummation of the Merger.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K/A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Annual Report on Form 10-K/A, including statements regarding our future results of operations or financial condition; business strategy and plans; expectations regarding the impact of COVID-19; market opportunity and expansion and objectives of management for future operations, including our statements regarding the benefits and timing of the roll out of new markets, products, or technology, are forward-looking statements. When used in this Annual Report on Form 10-K/A, words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "forecast," "future," "intend," "may," "might," "opportunity," "plan," "possible," "potential," "predict," "project," "should," "strategy," "strive," "target," "will," or "would," including their antonyms or other similar terms or expressions may identify forward-looking statements. The absence of these words does not mean that a statement is not forward-looking.

These forward-looking statements are based on information available as of the date of this Annual Report on Form 10-K/A and current expectations, forecasts and assumptions, which involve a number of judgments, risks and uncertainties, including, without limitation, risks related to:

- our ability to grow market share in our existing markets or any new markets we may enter;
- our ability to respond to general economic conditions;
- our ability to manage our growth effectively;
- our success in retaining or recruiting our officers, key employees or directors, or changes required in the retention or recruitment of our officers, key employees or directors;
- the impact of the regulatory environment and complexities with compliance related to such environment;
- our ability to remediate our material weakness, or any other material weakness that we may identify in the future that could result in material misstatements in our financial statements
- our ability to achieve and maintain profitability in the future;
- our ability to access sources of capital;
- our ability to maintain and enhance our products and brand, and to attract customers;
- our ability to manage, develop and refine our technology platform;
- the success of our strategic relationships with third parties;
- our history of losses and whether we will continue to incur continuing losses for the foreseeable future;
- our ability to protect and enforce our intellectual property rights;
- our ability to implement business plans, forecasts, and other expectations and identify and realize additional opportunities;
- our ability to attract and retain new subscribers;
- the size of the total addressable market for our products and services;
- the continued adoption of spatial data;
- any inability to complete acquisitions and integrate acquired businesses;
- general economic uncertainty and the effect of general economic conditions in our industry;

- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- the volatility of the market price and liquidity of our Class A common stock, and other securities;
- the increasingly competitive environment in which we operate; and
- other factors detailed under the section entitled “Risk Factors” in this Annual Report on Form 10-K/A.

Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

While these forward-looking statements reflect the Company’s good faith beliefs, they are not guarantees of future performance. The Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes after the date of this Annual Report on Form 10-K/A, except as required by applicable law. For a further discussion of these and other factors that could cause the Company’s future results, performance or transactions to differ significantly from those expressed in any forward-looking statement, please see Part I. Item 1A “Risk Factors” in this Annual Report on Form 10-K/A. You should not place undue reliance on any forward-looking statements, which are based only on information currently available to the Company (or to third parties making the forward-looking statements).

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled “Risk Factors” in this Annual Report on Form 10-K/A, that represent challenges that we face in connection with the successful implementation of our strategy and the growth of our business. In particular, the following considerations, among others, may offset our competitive strengths or have a negative effect on our business strategy or operating results, which could cause a decline in the price of shares of our common stock and result in a loss of all or a portion of your investment:

Risks Related to Our Business:

- If we fail to manage growth effectively, our business, operating results and financial condition would be adversely affected.
- If the assumptions, analyses or estimates used for our forecasts and projections prove to be incorrect or inaccurate, our actual operating results may differ materially from those forecasted or projected.
- We have a history of losses and expect to incur significant expenses and continuing losses for the near term.
- Certain of our estimates of market opportunity and forecasts of market growth may prove to be inaccurate.
- We currently face competition and expect to face significant competition in the future.
- If third party suppliers upon which we rely are not able to fulfill our needs, our ability to timely and cost effectively bring our products to market could be affected.
- The risks associated with international geopolitical conflicts on the global economy, energy supplies and supply of raw materials are uncertain, but may negatively impact our business, results of operations and financial condition.
- Our business may be negatively affected by domestic and global economic and credit conditions.
- Prolonged economic uncertainties or downturns could materially adversely affect our business.
- If we are unable to attract and retain key employees and hire qualified management, technical, engineering and sales personnel, our ability to compete and successfully grow our business would be adversely affected.
- An earthquake, wildfire or other natural disaster or resource shortage, including public safety power shut-offs that have occurred and will continue to occur in California or other states, could disrupt and harm our operations.
- If we fail to retain current subscribers or add new subscribers, our business would be seriously harmed.
- We may be unable to build and maintain successful relationships with our strategic alliances and reseller partners, which could adversely affect our business, financial condition, results of operations and growth prospects.
- Potential future acquisitions, strategic investments, partnerships or alliances could be difficult to identify and integrate. Such projects may adversely affect our financial condition and results of operations.
- We may need to raise additional funds to finance our operations which may not be available when needed.
- We operate in a new market, and global economic conditions and instability may adversely affect our business.
- We incur increased costs and administrative burden as a public company, and our management devotes substantial time to maintaining compliance.
- Climate change could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Risks Related to Litigation:

- We are currently involved in litigation with one of our former stockholders relating to the lock-up restrictions included in our Amended and Restated Bylaws.
- We are currently involved in litigation with two of our stockholders relating to the issuance of Earn-Out shares in connection with the February 7, 2021 Agreement and Plan of Merger.
- We may from time to time be involved in other lawsuits and litigation matters that are expensive and time-consuming. If resolved adversely, lawsuits and other litigation matters could seriously harm our business.

Risks Related to Our Intellectual Property, Information Technology, Data Privacy, Data Security and Regulatory Issues:

- We cannot predict the duration or ultimate resolution of the investigation by the Division of Enforcement of the SEC, and cooperating with the request may require significant management time and resources, which could have an adverse effect on our business and financial position.
- Any technology failures causing a material disruption to operational technology or cyber-attacks on our systems could harm our reputation and/or could disrupt our operations and negatively impact our business.
- Failure to comply with laws and regulations regarding data privacy and security matters could have a material adverse effect on our reputation, results of operations or financial condition.
- Our products are highly technical and may contain undetected software bugs or hardware errors, which could manifest in ways that could seriously harm our reputation and our business.
- Our products contain third-party open source software components, and failure to comply with the terms of the underlying licenses could restrict our ability to deliver our platform or subject us to litigation or other actions.
- Our future growth and success are dependent upon the continuing rapid adoption of spatial data.
- Any delays in development of new services, products and service/product innovations could adversely affect market adoption of our products and services and could adversely affect our business and financial results.
- We may need to defend against intellectual property infringement or misappropriation claims, which may be time-consuming and expensive, and adversely affect our business.
- Our business may be adversely affected if we are unable to protect our spatial data technology and intellectual property from unauthorized use by third parties.
- Changes to applicable U.S. tax laws or exposure to additional tax liabilities could affect our business.
- Our tax rates may fluctuate, tax obligations may become more complex and subject to greater risk of examination by taxing authorities, the impacts of which could adversely affect our after-tax profitability and financial results.
- Our ability to use our net operating loss carryforward and certain other tax attributes may be limited.
- Failure to comply with laws relating to employment could subject us to penalties and other adverse consequences.
- Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business, investments and results of operations.
- The warrants are recorded at fair value with changes in fair value reported in our earnings, which could have an adverse effect on the market price of our common stock and/or an adverse effect on our financial results.

Risks Related to Our Common Stock:

- Our financial condition and results of operations are likely to fluctuate on a quarterly basis, which could cause our results for a particular period to fall below expectations, resulting in a decline in the price of our common stock.
- We do not intend to pay cash dividends for the foreseeable future.

General Risk Factors:

- Our quarterly operating results may fluctuate and could fall below expectations due to seasonality.
- The market price and trading volume of our common stock may be volatile and could decline significantly.
- If securities or industry analysts do not publish reports about us or if they change their recommendations regarding our common stock adversely, then the price and trading volume of our common stock could decline.
- Future issuances of debt securities and equity securities may adversely affect us.
- If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.
- We have identified a material weakness in our internal control over financial reporting and if we are not able to remediate the material weakness, or if we identify additional material weaknesses in the future or otherwise fail to design and maintain effective internal control over financial reporting, then we may be unable to accurately report our results of operations, meet our reporting obligations or prevent misstatements due to fraud or error.

Part I

Item 1A. Risk Factors

Our business is subject to numerous risks. You should carefully consider the risks and uncertainties described below and the other information in this Annual Report on Form 10-K/A before making an investment decision regarding our Class A common stock. Our business, financial condition, results of operations or prospects could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our Class A common stock could decline, and you could lose all or part of your investment. This Annual Report on Form 10-K/A also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including those set forth below.

Risks Related to Our Business

We have experienced rapid growth and expect to invest in growth for the foreseeable future. If we fail to manage growth effectively, our business, operating results and financial condition would be adversely affected.

We have experienced rapid growth in recent periods, and we expect to continue to experience growth in the future. The growth and expansion of our business has challenged, and may continue to challenge our management, operations, financial infrastructure and corporate culture. While employee growth has rapidly occurred at our Sunnyvale headquarters, across the United States, and internationally, we have undertaken restructuring actions to better align our financial model and our business. For example, in July 2023, we implemented a plan of termination of approximately 30% of our workforce to reduce operating costs and continue to accelerate our path to profitable growth. We may need to take additional restructuring actions in the future to align our business with the market. Steps we take to manage our business operations, including remote work policies for employees, and to align our operations with our strategies for future growth may adversely affect our reputation and brand and our ability to recruit, retain and motivate highly skilled personnel.

To manage growth in operations, we will need to continue to improve our operational, financial and management controls and reporting systems and procedures. Failure to manage growth effectively could result in difficulties or delays in attracting new customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing or enhancing products and services, loss of customers, information security vulnerabilities or other operational difficulties, any of which could adversely affect our business performance and operating results.

Our forecasts and projections are based upon assumptions, analyses and internal estimates developed by our management. If these assumptions, analyses or estimates prove to be incorrect or inaccurate, our actual operating results may differ materially from those forecasted or projected.

Our forecasts and projections, including forecasts and estimates relating to the expected sizes and growth of the markets in which we seek to operate, are subject to significant uncertainty and are based on assumptions, analyses and internal estimates developed by our management, any or all of which may not prove to be correct or accurate. If these assumptions, analyses or estimates prove to be incorrect or inaccurate, our actual operating results may differ materially from those forecasted or projected.

We have a history of losses and expect to incur significant expenses and continuing losses at least for the near term.

We incurred net losses of approximately $199.1 million, $111.3 million, and $338.1 million for the years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023, we had an accumulated deficit of approximately $778.5 million. We believe we will continue to incur operating and net losses each quarter at least for the near term. Even if we achieve profitability, there can be no assurance that we will be able to maintain profitability in the future. Our potential profitability is particularly dependent upon the continued adoption of spatial data and the use of our platform by commercial and individual consumers, which may not occur at the levels we currently anticipate or at all.

Certain of our estimates of market opportunity and forecasts of market growth may prove to be inaccurate.

This Annual Report on Form 10-K/A includes estimates of the addressable market for our products and services which are based in part on our internal analyses. Market opportunity estimates and growth forecasts, whether obtained from third-party sources or developed internally, are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate. The estimates and forecasts in this Annual Report on Form 10-K/A relating to the size and expected growth of the target market, market demand and adoption, capacity to address this demand and pricing may also prove to be inaccurate. In particular, estimates regarding the current and projected market opportunity are difficult to make. The estimated addressable market may not materialize for many years, if ever, and even if the markets meet the size estimates and growth forecasted in this Annual Report on Form 10-K/A, our business could fail to grow at similar rates.

We currently face competition from a number of companies and expect to face significant competition in the future as the market for spatial data develops.

The spatial data market is relatively new and competition is still developing. We currently face competition from other companies, generally with different competitors in each of our vertical markets, as well as from traditional, offline methods of interacting with and managing buildings and their spaces. Additionally, we have a number of competitors in the spatial data market with limited funding, which could cause poor experiences and hamper consumer confidence in the spatial data market and adoption or trust in providers. We may also face competition from new market entrants with significantly greater resources, or our current competitors may be acquired by third parties with greater resources, either of which could put us at a competitive disadvantage. Future competitors could also be better positioned to serve certain segments of our current or future target markets, which could create price pressure. In light of these factors, current or potential customers may accept competitive solutions. If we fail to adapt to changing market conditions or continue to compete successfully with current or new spatial data competitors, our growth will be impacted, which would adversely affect our business and results of operations.

If third party suppliers upon which we rely are not able to fulfill our needs, our ability to timely and cost effectively bring our products to market could be affected.

We rely on a limited number of suppliers to supply our hardware components, including in some cases only a single supplier for some products and components. This reliance on a limited number of manufacturers increases our risks, since we do not currently have proven reliable alternative or replacement manufacturers beyond these key parties. In the event of interruption, we may not be able to increase capacity from other sources or develop alternate or secondary sources, and if such sources become available, they may result in material additional costs and substantial delays.

Unexpected changes in business conditions, materials pricing, labor issues, wars, trade policies, natural disasters, health epidemics, trade and shipping disruptions, port congestions and other factors beyond our or our suppliers' control could also affect these suppliers' ability to deliver components to us or to remain solvent and operational. Such disruptions could adversely affect our business if we are not able to meet customer demands. In addition, some of our suppliers are located in China. Our access to suppliers in China may be limited or impaired as a result of tariffs or other government restrictions in response to geopolitical factors. We have used alternative suppliers and alternative parts from time to time to mitigate the challenges caused by these shortages, but there is no guarantee we may be able to continually do so as we scale production to meet our growth targets. Additionally, if our suppliers do not accurately forecast and effectively allocate production or if they are not willing to allocate sufficient production to us, it may reduce our access to components and require us to search for new suppliers. The unavailability of any component or supplier could result in production delays, idle manufacturing facilities, product design changes and loss of access to important technology and tools for producing and supporting our products, as well as impact our capacity expansion and our ability to fulfill our obligations under customer contracts. Moreover, new product launches or product design changes by us have required and may in the future require us to procure additional components in a short amount of time. Our suppliers may not be willing or able to sustainably meet our timelines or our cost, quality and volume needs, or to do so may cost us more, which may require us to replace them with other sources.

If we face supply constraints for any of the reasons described above, it may not be possible to obtain or increase supplies on acceptable terms, which may undermine our ability to satisfy customer demands in a timely manner. For example, it may take a significant amount of time to identify a manufacturer that has the capability and resources to build and supply necessary hardware components in sufficient volume. Identifying suitable suppliers can be an extensive process that requires us to become satisfied with our suppliers' quality control, technical capabilities, responsiveness and service, financial stability, regulatory compliance, and labor and other ethical practices. Accordingly, a loss of any significant suppliers or manufacturers would have an adverse effect on our business, financial condition and operating results.

The impact of the risks associated with international geopolitical conflicts, including escalating tensions between Taiwan and China, the Russian invasion of Ukraine, and the Israeli-Palestinian conflict, on the global economy, energy

supplies and supply of raw materials are uncertain, but may negatively impact our business, results of operations and financial condition.

In recent years, diplomatic and trade relationships between the U.S. government and China have become increasingly frayed and the threat of a takeover of Taiwan by China has increased. As we have suppliers in China and Taiwan, our business, operations, and supply chain could be materially and adversely impacted by political, economic or other actions from China or Taiwan, or changes in China-Taiwan relations that impact their economies. Tensions between the U.S. and China have led to a series of tariffs being imposed by the U.S. on imports from mainland China, as well as other business restrictions. Tariffs increase the cost of our products and the components that go into making them. These increased costs can adversely impact the gross margin that we earn on our products. Tariffs can also make our products more expensive for customers, which could make our products less competitive and reduce consumer demand. Changing our operations in accordance with new or changed trade restrictions can be expensive, time-consuming and disruptive to our operations.

In addition, we continue to monitor any adverse impact that the outbreak of war in Ukraine and the subsequent institution of sanctions against Russia by the United States, the Israeli-Palestinian military conflict, and several European and Asian countries may have on the global economy in general, on our business and operations and on the businesses and operations of our suppliers and customers. The war in Ukraine and the Israeli-Palestinian military conflict have further increased existing global economic challenges, including supply chain, logistics, and inflationary challenges. Such global or regional economic and political conditions adversely affect demand for our products. These conditions could have an impact on our suppliers, causing increases in cost of materials and higher shipping and transportation rates, and as a result impact the pricing of our products. We purchase certain products and key hardware components from a limited number of sources, including in some cases only a single supplier for some products and components, and depend on the supply chain, including freight, to receive components, transport finished goods and deliver our products across the world. The industry-wide global supply chain challenges, including with respect to manufacturing, transportation and logistics could impact our operational and financial performance adversely, including impacts on our subscribers and their spending habits, could impact on our marketing efforts, and effects on our suppliers. If macroeconomic and geopolitical conditions do not improve or if they worsen, then our results of operations may be negatively impacted. To the extent that increased political tensions between China and Taiwan, the war in Ukraine, or the Israeli-Palestinian military conflict may adversely affect our business, it may also have the effect of heightening many of the other risks described in our risk factors, such as those relating to data security, supply chain, volatility in prices of inputs, and market conditions, any of which could negatively affect our business, results of operations, and financial condition.

Our business may be negatively affected by domestic and global economic and credit conditions.

We have international operations with sales outside the U.S., and we have plans to expand internationally. In addition, our global supply chain is large and complex and the majority of our supplier facilities are located outside the U.S. As a result, our operations and performance depend significantly on global and regional economic conditions.

Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs and other barriers to trade, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations can adversely impact consumer confidence and spending and materially adversely affect demand for our products and services. In addition, consumer confidence and spending can be materially adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, declines in income or asset values, energy shortages and cost increases, labor and healthcare costs and other economic factors.

In addition to an adverse impact on demand for our products and services, uncertainty about, or a decline in, global or regional economic conditions can have a significant impact on our suppliers and subscribers. These and other economic factors can negatively adversely affect our business, results of operations, financial condition and stock price.

Additionally, turmoil in the global banking system has the potential to impact our business, results of operations, financial condition and stock price. For example, on March 10, 2023, Silicon Valley Bank (SVB), one of our banking partners, was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. On March 27, 2023, First Citizens Bank & Trust Company assumed all of SVB's customer deposits and certain other liabilities and acquired substantially all of SVB's loans and certain other assets from the FDIC. We held a minimal amount of cash directly at SVB and, since that date, the FDIC has stated that all depositors of SVB will be made whole, and First Citizens Bank & Trust Company has assumed our deposits from SVB. However, there is no guarantee that the federal government would guarantee all depositors as they did with SVB depositors in the event of further bank closures, and continued instability in the global banking system may adversely impact our business and financial condition as well as the financial condition of our customers and suppliers.

Prolonged economic uncertainties or downturns could materially adversely affect our business.

Negative conditions in the general economy both in the United States and abroad, including inflationary pressure, recession, currency fluctuations and a higher interest rate environment, changes in gross domestic product growth, instability in connection with the upcoming presidential election in the United States, potential future government shutdowns, the federal government's failure to raise the debt ceiling, financial and credit market fluctuations, the imposition of trade barriers and restrictions such as tariffs, political deadlock, restrictions on travel, natural catastrophes, warfare and terrorist attacks, could cause a decrease in business investments, including corporate spending in general and negatively affect the rate of growth of our business.

If we are unable to attract and retain key employees and hire qualified management, technical, engineering and sales personnel, our ability to compete and successfully grow our business would be adversely affected.

Our success depends, in part, on our continuing ability to identify, hire, train and retain highly qualified personnel. Any inability to do so effectively would adversely affect our business. Competition for employees is intense and the ability to attract, hire, train and retain them depends on our ability to provide competitive compensation. We may not be able to attract, hire or retain qualified personnel in the future due to a very competitive labor market for talented individuals with technology experience, or any negative publicity related to us. If we are not successful in managing these risks, our business, financial condition, and operating results may be adversely impacted.

Some of our facilities are located in an active earthquake zone or in areas susceptible to wildfires and other severe weather events. An earthquake, wildfire or other natural disaster or resource shortage, including public safety power shut-offs that have occurred and will continue to occur in California or other states, could disrupt and harm our operations.

Our headquarters and largest facility is located in California, an active earthquake zone. The occurrence of a natural disaster such as an earthquake, drought, flood, fire (such as the recent extensive wildfires in California, Washington, Oregon and Colorado), localized extended outages of critical utilities (such as California's public safety power shut-offs) or transportation systems, or any critical resource shortages could cause a significant interruption in our business, damage or destroy our facilities or inventory, or cause us to incur significant costs, any of which could harm our business, financial condition, and results of operations. Any insurance we maintain against such risks may not be adequate to cover losses in any particular case.

If we fail to retain current subscribers or add new subscribers, our business would be seriously harmed.

Our future revenue growth will depend in significant part on our ability to retain our existing customers and increase the number of our subscribers. Spatial data is an emerging market, and consumers may not adopt the use of spatial data or our platform on a widespread basis or on the timelines we anticipate. It is possible that our paid subscriber growth rate could decline over time if we achieve higher market penetration rates. If current and potential subscribers do not perceive our platform and products as useful, we may not be able to attract new subscribers or retain existing subscribers.

There are many factors that could negatively affect subscriber retention and growth, including if:

- our competitors attempt to mimic our products, which could harm our subscriber engagement and growth;
- we fail to introduce new products and services or those we introduce are poorly received;
- we are unable to continue to develop products that work with a variety of mobile operating systems, networks, smartphones and computers;
- there are changes in subscriber sentiment about the quality or usefulness of our existing products;
- there are concerns about the privacy implications, safety, or security of our platform or products;
- there are changes in our platform or products that are mandated by legislation, regulatory authorities or litigation, including settlements or consent decrees that adversely affect the subscriber's experience;
- technical or other problems frustrate subscribers' experiences with our platform or products, particularly if those problems prevent us from delivering our products in a fast and reliable manner; or
- we fail to provide adequate service to subscribers.

Decreases to our subscriber retention or growth could seriously harm our business and results of operation.

We may be unable to build and maintain successful relationships with our strategic alliances and reseller partners, and such alliances and partnerships may fail to perform, which could adversely affect our business, financial condition, results of operations and growth prospects.

We employ a go-to-market business model whereby a material portion of our revenue is generated by sales through our channel partners, such as resellers and value-added resellers, which further expand the reach of our direct sales force into additional geographies, sectors and industries. In particular, we have entered, and intend to continue to enter, into strategic alliance and reseller relationships in certain international markets where we do not have a local presence. If our channel partners are unsuccessful in marketing and selling access to our platform, it would limit our expansion into certain geographies, sectors and industries. If we are unable to develop and maintain effective sales incentive programs for our channel partners, we may not be able to incentivize these partners to sell access to our platform to customers.

Some of these partners may also market, sell and support offerings that are competitive with ours, may devote more resources to the marketing, sales and support of such competitive offerings, may have incentives to promote our competitors' offerings to the detriment of our own or may cease selling access to our products altogether. Our channel partners could subject us to lawsuits, potential liability and reputational harm if, for example, any of our channel partners misrepresents the functionality of our platform to customers or violates laws or our or their corporate policies. In addition, in circumstances where we do not enter into a direct agreement with end customers, we cannot be sure that on every occasion each channel partner has required end customers to agree to our standard terms which are protective of our solutions and technology, nor that the channel partners will enforce each failure by an end customer to comply with such terms. Our ability to achieve revenue growth in the future will depend, in significant part, on our success in maintaining successful relationships with our channel partners, identifying additional channel partners and training our channel partners to independently sell access to our platform. If our channel partners are unsuccessful in selling access to our platform, or if we are unable to enter into arrangements with or retain a sufficient number of high quality channel partners in each of the regions in which we market and sell our platform and keep them motivated to market and sell our platform, our business, financial condition, results of operations, and growth prospects would be adversely affected.

Our business strategy includes growing our portfolio through potential future acquisitions, strategic investments, partnerships or alliances that could be difficult to identify and integrate. Such projects may divert the attention of key management personnel, disrupt our business, dilute our existing stockholders' value and adversely affect our financial condition and results of operations.

As part of our business strategy, we have in the past acquired, and may in the future acquire, additional assets, products, technologies or businesses that are complementary to our existing business. The process of identifying and consummating acquisitions and the subsequent integration of new assets and businesses into our existing business would require attention from management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations.

Acquired assets or businesses may not generate the expected financial results. Acquisitions could also result in significant cash expenditures, potentially dilutive issuance of equity securities, amortization expenses for other intangible assets, exposure to potential unknown liabilities of acquired businesses, and potential goodwill impairment. We may not successfully evaluate or use the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges and tax liabilities. Further, the issuance of equity or securities convertible to equity to finance any such acquisitions could result in dilution to our shareholders and the issuance of debt could subject us to covenants or other restrictions that would impede our ability to manage our operations. We could become subject to legal claims following an acquisition or fail to accurately forecast the potential impact of any claims. The acquired technology or product may not comply with legal or regulatory requirements and may expose us to regulatory risk and require us to make additional investments to make them compliant. We may not be able to provide the same support service levels to the acquired technology or product that we generally offer with our other products. Any of these issues could have a material adverse impact on our business and results of operations. Failure to successfully identify, complete, manage and integrate acquisitions could materially and adversely affect our business, financial condition and results of operations.

In July 2022, we completed the acquisition of VHT, Inc. ("VHT"), known as VHT Studios, a U.S.-based real estate marketing company that offers brokerages and agents digital solutions to promote and sell properties, which expands Matterport Capture Services by bringing together Matterport digital twins with professional photography, drone capture and marketing services. Any integration process may require significant time and resources. We may not be able to manage the process successfully and may experience a decline in our profitability as we incur expenses prior to fully realizing the benefits of an acquisition. We could expend significant cash and incur acquisition related costs and other unanticipated liabilities associated with an acquisition, the product or the technology, such as contractual obligations, potential security vulnerabilities of the acquired company and its products and services and potential intellectual property infringement. Additional risks we may face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- integration of products and service offerings;
- retention of key employees from acquired companies;
- changes in relationships with strategic partners as a result of product acquisitions or strategic positioning resulting from acquisitions;
- cultural challenges associated with integrating employees from acquired companies into our organization;
- integration of acquired companies' accounting, management information, human resources and other administrative systems in our existing operations;
- the need to implement or improve controls, procedures, and policies at a business that prior to acquisition may have lacked sufficiently effective controls, procedures and policies;
- additional legal, regulatory or compliance requirements;
- financial reporting, revenue recognition or other financial or control deficiencies of acquired companies that we do not adequately address and that cause our reported results to be incorrect;
- liability for activities of acquired companies, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- unanticipated write-offs or charges; and
- litigation or other claims in connection with acquired companies, including claims from terminated employees, customers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and cause other harm to our business.

We may need to raise additional funds to finance our operations and these funds may not be available when needed.

We may need to raise additional funds in the future to further scale our business and expand to additional markets. We may raise additional funds through the issuance of equity, equity-related or debt securities, or by obtaining credit from financial institutions. We cannot be certain that additional funds will be available on favorable terms when required, or at all. If we cannot raise additional funds when needed, our financial condition, results of operations, business and prospects could be materially and adversely affected. If we raise funds through the issuance of debt securities or other loan transactions, we could face significant interest payments, covenants that restrict our business, or other unfavorable terms. In addition, to the extent we raise funds through the sale of additional equity securities, our stockholders would experience additional dilution.

We operate in a new market, and global economic conditions and instability may adversely affect our business.

Global economic and business activities continue to face widespread macroeconomic uncertainties, including increased inflation and interest rates, recessionary fears, financial and credit market fluctuations, changes in economic policy, and global supply chain constraints. Our business is impacted by both consumer and business spending, both of which are susceptible to changes in macroeconomic conditions, such as growing inflation, rising interest rates, recessionary fears, and economic uncertainty. Sustained or worsening inflation or an economic downturn may result in fewer purchases of our products and services, which could impact our revenue growth and other business and operating results. Additionally, we have modified our business practices as a result of COVID-19 and resulting concerns, such as shifting to a remote-first working environment. If significant portions of our workforce are unable to work effectively as a result of our modified practices, then our operations will be negatively impacted. Further, any resurgence in the COVID-19 pandemic or the emergence of future pandemics could limit the ability of our suppliers, vendors and business partners to perform or otherwise work effectively, including third-party suppliers' ability to provide components and materials used in our capture devices or the services used through our platform. The extent to which macroeconomic uncertainties may continue to impact our operational and financial performance remains uncertain and will depend on many factors outside our control. These direct and indirect impacts may negatively affect our business and operating results.

We incur increased costs and administrative burden as a result of operating as a public company, and our management devotes substantial time to maintaining compliance.

As a public company, we incur significant legal, accounting and other expenses. We are subject to the requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the rules and regulations promulgated and to be promulgated thereunder, Public Company Accounting Oversight Board (the “PCAOB”), as well as rules adopted, and to be adopted, by the SEC and the Nasdaq Stock Market LLC (“Nasdaq”). Our management and other personnel devote a substantial amount of time to maintaining compliance with these requirements, Moreover, these rules and regulations substantially increase our legal and financial compliance costs and make some activities more time-consuming and costly. The increased costs may increase our net loss and comprehensive loss.

It may also be more expensive to obtain director and officer liability insurance. We cannot always predict or estimate the amount or timing of additional costs it may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. The additional reporting and other obligations imposed by these rules and regulations may increase legal and financial compliance costs and the costs of related legal, accounting and administrative activities. These increased costs may require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Furthermore, if any issues in complying with the above requirements are identified (for example, if we or our independent registered public accounting firm identifies additional material weaknesses or significant deficiencies in the internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of it. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

Increased scrutiny of our environmental, social or governance responsibilities have and will likely continue to result in additional costs and risks, and may adversely impact our reputation, employee retention, and willingness of customers and suppliers to do business with us.

There is increasing focus from customers, consumers, employees, regulators, lenders and other stakeholders concerning environmental, social and governance (“ESG”) matters, including corporate citizenship and sustainability. Additionally, public interest and legislative pressure related to public companies' ESG practices continues to grow. If our ESG practices fail to meet regulatory requirements or stakeholders' evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship, support for local communities, Board and employee diversity, human capital management, employee health and safety practices, corporate governance and transparency and employing ESG strategies in our operations, our brand, reputation and employee retention may be negatively impacted, and customers and suppliers may be unwilling to do business with us.

Climate change and related public focus from regulators and various stakeholders could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Climate change is receiving ever increasing attention worldwide. Many scientists, legislators and others attribute global warming to increased levels of greenhouse gases, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Climate changes, such as extreme weather conditions, decreased water availability and overall temperature shifts, may have physical impacts on operations. Such impacts are geographically specific, highly uncertain and may result in diminished availability of materials, indirect financial risks passed through our supply chain and adverse impacts on our financial performance and operations. These considerations may also result in international, national, regional or local legislative or regulatory responses to mitigate greenhouse gas emissions. Timing and scope of any regulations are uncertain and regulation could result in additional costs of compliance, increased energy, transportation and materials costs and other additional expenses to improve the efficiency of our products and operations.

Relatedly, the expectations of our customers, stockholders and employees have heightened in areas such as the environment, social matters and corporate governance. Increased public focus requires us to provide information on our approach to these issues, including certain climate-related matters such as mitigating greenhouse gas emissions, and continuously monitor related reporting standards. A failure to adequately meet stakeholder expectations may result in a loss of business, diminished ability to successfully market our products to new and existing customers, diluted market valuation or an inability to attract and retain key personnel.

Risks Related to Litigation

We are currently involved in litigation with one of our former stockholders relating to the lock-up restrictions included in our Amended and Restated Bylaws.

On July 23, 2021, plaintiff William J. Brown, a former employee and a shareholder of Matterport, Inc. (now known as Matterport Operating, LLC) ("Legacy Matterport"), sued Legacy Matterport, Gores Holdings VI, Inc. (now known as Matterport, Inc.), Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors R.J. Pittman, David Gausebeck, Matt Bell, Peter Hebert, Jason Krikorian, Carlos Kokron and Michael Gustafson (collectively, the "Defendants") in the Court of Chancery of the State of Delaware. The plaintiff's initial complaint claimed that Defendants imposed invalid transfer restrictions on his shares of Matterport stock in connection with the merger transactions between Matterport, Inc. and Legacy Matterport (the "Transfer Restrictions"), and that Legacy Matterport's board of directors violated their fiduciary duties in connection with a purportedly misleading letter of transmittal. The initial complaint sought damages and costs, as well as a declaration from the court that he may freely transfer his shares of Class A common stock of Matterport received in connection with the merger transactions. An expedited trial regarding the facial validity of the Transfer Restrictions took place in December 2021. On January 11, 2022, the court issued a ruling that the Transfer Restrictions did not apply to the plaintiff. The opinion did not address the validity of the Transfer Restrictions more broadly. Matterport filed a notice of appeal of the court's ruling on February 8, 2022, and a hearing was held in front of the Delaware Supreme Court on July 13, 2022, after which the appellate court affirmed the lower court's ruling. Separate proceedings regarding the plaintiff's remaining claims are pending. The plaintiff filed a Third Amended Complaint on September 16, 2022, which asserts the causes of action described above but omits as defendants Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors David Gausebeck, Matt Bell, and Carlos Kokron, and adds an additional cause of action alleging that Matterport, Inc. violated the Delaware Uniform Commercial Code by failing to timely register Brown's requested transfer of Matterport, Inc. shares. The remaining defendants' answer to the Third Amended Complaint was filed on November 9, 2022, and the parties have completed discovery. Trial was held in November 2023 and a post-trial hearing was held on February 22, 2024.

We are currently involved in litigation with two of our stockholders relating to the issuance of Earn-Out shares in connection with the February 7, 2021 Agreement and Plan of Merger.

On February 1, 2024, two stockholders, Laurie Hanna and Vasana Smith (collectively "Plaintiffs") filed a complaint derivatively on behalf of Matterport, Inc. against R.J. Pittman, Michael Gustafson, Peter Hebert, James Krikorian, James Daniel Fay, David Gausebeck, Japjit Tulsi, Judi Otteson, Jay Remley, and numerous shareholders of Matterport, Inc. (collectively "Defendants") in the Court of Chancery of the State of Delaware. The complaint alleges that the issuance of 23,460,000 Earn-Out shares worth $225 million was a breach of fiduciary duty and an act of corporate waste, which unjustly enriched recipients of the Earn-Out shares at the expense of Matterport and its common stockholders. Specifically, the Plaintiffs allege that issuance of the Earn-Out Shares violated the February 7, 2021 Agreement and Plan of Merger pursuant to which Legacy Matterport and Gores Holding VI, a publicly listed special purpose acquisition company, and two Gores subsidiaries merged, providing Legacy Matterport shareholders with shares of the surviving public company which took the name Matterport. The complaint seeks disgorgement all unjust enrichment by the Defendants, an award of compensatory damages to Matterport, an award of costs and disbursements to the Plaintiffs, as well as a declaration that Plaintiffs may maintain the action on behalf of Matterport and that Plaintiffs are adequate representatives of Matterport, and a finding that demand on the Matterport board is excused as futile. This litigation may be time consuming, expensive and distracting from the conduct of our business. Furthermore, regardless of the merits of any claim, legal proceedings may result in the diversion of time and attention by our management and board of directors.

We are currently and may from time to time be involved in lawsuits and other litigation matters that are expensive and time-consuming. If resolved adversely, lawsuits and other litigation matters could seriously harm our business.

We are currently involved in several lawsuits and other litigation proceedings, and we anticipate that we may from time to time be involved in other lawsuits and similar proceedings. Any such lawsuits or other proceedings to which we are a party may result in an onerous or unfavorable outcomes or judgment that may not be reversed on appeal, or we may decide to settle lawsuits or other proceedings on unfavorable terms. Any such negative outcome could result in payments of substantial monetary damages or fines, or changes to our products or business practices, and accordingly our business could be seriously harmed.

Risks Related to Our Intellectual Property, Information Technology, Data Privacy, Data Security and Regulatory Issues

Legacy Matterport received a voluntary request for information from the Division of Enforcement of the SEC in an investigation relating to certain sales and repurchases of its securities in the secondary market. Although we believe we have cooperated fully with the request, we cannot predict the duration or ultimate resolution of the investigation, and cooperating with the request may require significant management time and resources, which could have an adverse effect on our business and financial position.

On January 29, 2021, Legacy Matterport received a voluntary request for information from the Division of Enforcement of the SEC relating to certain sales and repurchases of our securities in the secondary market. Although we believe we have cooperated fully with the request, we have not received any updates from the SEC and we cannot predict the duration or ultimate resolution of the investigation. Cooperating with any additional requests from the SEC may require significant management time and resources, which could have an adverse effect on our business and financial position.

We rely significantly on the use of information technology. Cybersecurity risks – any technology failures causing a material disruption to operational technology or cyber-attacks on our systems affecting our ability to protect the integrity and security of customer and employee information – could harm our reputation and/or could disrupt our operations and negatively impact our business.

We increasingly rely on information technology systems to process, transmit and store electronic information. A significant portion of the communication between personnel, customers, business partners and suppliers depends on information technology. We use information technology systems and networks in our operations and supporting departments such as marketing, accounting, finance, and human resources. We also rely on third party technology and systems for a variety of reasons, including, without limitation, authentication technology, employee email, content delivery to customers, back-office support, and other functions. The future operation, success and growth of our business depends on streamlined processes made available through our uninhibited access to information systems, global communications, internet activity and other network processes.

Like most companies, despite our current security measures, our information technology systems, and those of our third-party service providers, may be vulnerable to information security breaches, malware, viruses, physical or electronic break-ins and similar disruptions, which could lead to interruption and delays in our services and operations and loss, misuse or theft of data. Computer malware, viruses, hacking and phishing attacks against online networks have become more prevalent and may occur on our systems in the future. Ransomware attacks, including those from organized criminal threat actors, nation-states, and nation-state supported actors, are becoming increasingly prevalent and severe, and can lead to significant interruptions in our operations, loss of data and income, reputational loss, diversion of funds, and may result in fines, litigation and unwanted media attention. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting payments. Further, stored data might be improperly accessed due to a variety of events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues.

Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks which may remain undetected until after they occur. Any attempts by cyber attackers to disrupt our services or systems or those of our third party service providers could result in mandated user notifications, litigation, government investigations, significant fines and expenditures; product fulfillment delays, key personnel being unable to perform duties or communicate throughout the organization, loss of internet sales, significant costs for data restoration; damage our brand and reputation; and materially adversely affect our business and results of operations. Efforts to prevent cyber attackers from entering computer systems are expensive to implement, and we may not be able to avoid attacks that arise through computer systems of our third-party vendors. Despite our existing security procedures and controls, if our network were compromised, it could give rise to unwanted media attention, materially damage our customer relationships, harm our business, reputation, results of operations, cash flows and financial condition, result in fines or litigation, and may increase the costs we incur to protect against such information security breaches, such as increased investment in technology, the costs of compliance with consumer protection laws and costs resulting from consumer fraud.

We have not experienced any material attacks, disruptions, outages and other performance problems, but may do so in the future, due to a variety of factors, including infrastructure changes, third-party service providers, human or software errors and capacity constraints. When we have experienced such incidents, we have implemented controls and taken other preventative actions to further strengthen our systems against future attacks. However, we cannot assure you that such measures will provide absolute security, that we will be able to react in a timely manner, or that our remediation efforts following an attack will be successful.

We have processes and procedures in place designed to enable us to recover from a disaster or catastrophe and continue business operations and have tested this capability under controlled circumstances. However, there are several factors ranging from human error to data corruption that could materially impact the efficacy of such processes and procedures, including by lengthening the time services are partially or fully unavailable to customers and users. It may be difficult or impossible to perform some or all recovery steps and continue normal business operations due to the nature of a particular disaster or catastrophe, especially during peak periods, which could cause additional reputational damages, or loss of revenues, any of which would adversely affect our business and financial results.

Moreover, while we maintain cyber insurance that may help provide coverage for these types of incidents, we cannot assure you that our insurance will be adequate to cover costs and liabilities related to security incidents or breaches. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

Because we store, process, and use data, some of which contains personal information, we are subject to complex and evolving federal, state and foreign laws, regulations, industry standards, and other legal obligations regarding data privacy and security matters. Failure to comply with such laws, regulations, industry standards, and legal obligations could have a material adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences.

As part of our normal business activities, we collect, store, retain, process, transmit, and use data, some of which contains personal information. As such, we are subject to various federal, state, and foreign laws and regulations, industry standards, and other legal obligations regarding data privacy and security matters. In addition, these existing laws and regulations are constantly evolving, and new laws and regulations that apply to our business are being introduced at every level of government in the United States, as well as internationally. The legislative and regulatory landscape will be even more complex in 2024 as some countries work to implement laws finalized last year — such as India's Personal Data Protection Law — while others launch or continue discussions around potential privacy legislation. As we seek to expand our business, we are, and may increasingly become subject to various laws, regulations, standards, and regulatory guidance relating to data privacy and security in the jurisdictions in which we operate. Any failure, or perceived failure, by us to comply with any federal or state privacy or security laws, regulations, regulatory guidance, industry standards, or other legal obligations relating to data privacy or security could adversely affect our reputation, results of operations or financial condition, and may result in claims, liabilities, proceedings or actions against us by governmental entities, customers or others.

In the United States, there are numerous federal and state data privacy and security laws, rules, and regulations governing the collection, storage, retention, transmission, use, retention, security, transfer, storage, and other processing of personal information, including federal and state data privacy laws, data breach notification laws, and consumer protection laws. For example, the Federal Trade Commission (“FTC”) and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. Such standards require us to publish statements that describe how we handle personal data and choices individuals may have about the way we handle their personal data. If such information that we publish is considered untrue or inaccurate, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Moreover, according to the FTC, violating consumers’ privacy rights or failing to take appropriate steps to keep consumers’ personal data secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act. State consumer protection laws provide similar causes of action for unfair or deceptive practices. Some states, such as California and Massachusetts, have passed specific laws mandating reasonable security measures for the handling of consumer data. Further, privacy advocates and industry groups have regularly proposed and sometimes approved, and may propose and approve in the future, self-regulatory standards with which we must legally comply or that contractually apply to us.

Our communications with our customers are subject to certain laws and regulations, including the Controlling the Assault of Non-Solicited Pornography and Marketing ("CAN-SPAM") Act of 2003, the Telephone Consumer Protection Act of 1991 (the "TCPA"), and the Telemarketing Sales Rule and analogous state laws, that could expose us to significant damages awards, fines and other penalties that could materially impact our business. For example, the TCPA imposes various consumer consent requirements and other restrictions in connection with certain telemarketing activity and other communication with consumers by phone, fax or text message. The CAN-SPAM Act and the Telemarketing Sales Rule and analogous state laws also impose various restrictions on marketing conducted use of email, telephone, fax or text message. As laws and regulations, including FTC enforcement, rapidly evolve to govern the use of these communications and marketing platforms, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations could adversely impact our business, financial condition and results of operations or subject us to fines or other penalties.

In addition, many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security, and data breaches. Such legislation includes the California Consumer Privacy Act ("CCPA"), which increases privacy rights for California consumers and imposes obligations on companies that process their personal information. Among other things, the CCPA gives California consumers expanded rights related to their personal information, including the right to access and delete their personal information and receive detailed information about how their personal information is used and shared. The CCPA also provides California consumers the right to opt-out of certain sales of personal information and may restrict the use of cookies and similar technologies for advertising purposes. The CCPA prohibits discrimination against individuals who exercise their privacy rights and provides for civil penalties for violations enforceable by the California Attorney General as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. Additionally, in November 2020, California passed the California Privacy Rights Act (the "CPRA"), which expands the CCPA significantly, including by expanding California consumers' rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Many of the CPRA's provisions became effective on January 1, 2023. The costs of compliance with, and the other burdens imposed by, these and other laws or regulatory actions may increase our operational costs, and/or result in interruptions or delays in the availability of systems.

Other states have enacted similar bills. Four states have passed laws that are now enforceable by such states' Attorney General and/or district attorney. The Virginia Consumer Data Protection Act ("VCDPA") became enforceable on January 1, 2023 and gives consumers rights similar to the CCPA and also requires covered businesses to implement security measures and conduct data protection assessments. The Colorado Privacy Act ("CPA") became enforceable on July 1, 2023 and closely resembles the VCDPA. The Connecticut Personal Data Privacy and Online Monitoring Act and the Utah Consumer Privacy Act are also now enforceable. Seven other states passed laws in 2023 that will become enforceable 2024, 2025 and 2026 – the Oregon Consumer Privacy Act, the Texas Data Privacy and Security Act, the Montana Consumer Data Protection Act, the Iowa Consumer Data Protection Act, the Tennessee Information Protection Act, the Indiana Consumer Data Protection, and the Delaware Personal Data Privacy Act. We must comply with these state laws if our operations fall within the scope of these laws, which may increase our compliance costs and potential liability. Similar laws have been proposed in other states and at the federal level, reflecting a trend toward more stringent privacy legislation in the United States. This legislation may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, could impact strategies and availability of previously useful data, and could result in increased compliance costs and/or changes in business practices and policies.

In addition, some laws may require us to notify governmental authorities and/or affected individuals of data breaches involving certain personal information or other unauthorized or inadvertent access to or disclosure of such information. We may need to notify governmental authorities and affected individuals with respect to such incidents. For example, laws in all 50 U.S. states may require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. These laws are not consistent with each other, and compliance in the event of a widespread data breach may be difficult and costly. On July 26, 2023, the SEC adopted a suite of new cybersecurity disclosure requirements, including a requirement to disclose material cybersecurity incidents within four business days of the Company's determination that the cybersecurity incident is material. We also may be contractually required to notify consumers or other counterparties of a security incident, including a breach. Regardless of our contractual protections, any actual or perceived security incident or breach, or breach of our contractual obligations, could harm our reputation and brand, expose us to potential liability or require us to expend significant resources on data security and in responding to any such actual or perceived breach. In the EEA, we are subject to the General Data Protection Regulation 2016/679 ("GDPR") and in the United Kingdom, we are subject to the United Kingdom data protection regime consisting primarily of the UK General Data Protection Regulation and the UK Data Protection Act 2018. The GDPR, and national supplementing legislation in EEA member states, and the United Kingdom regime, impose a strict data protection compliance regime.

For example, we are subject to European Union and United Kingdom rules with respect to cross-border transfers of personal data out of the EEA and the United Kingdom, respectively. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal information from the EEA and the United Kingdom to the United States. On July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the EU-US Privacy Shield Framework ("Privacy Shield") under which personal information could be transferred from the EEA to US entities who had self-certified under the Privacy Shield scheme. Use of the standard contractual clauses must be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals, and additional measures and/or contractual provisions may need to be put in place. The European Commission has published revised standard contractual clauses for data transfers from the EEA: the revised clauses have been mandatory for relevant transfers since September 27, 2021, and in the United Kingdom, the Information Commissioner's Office has published new data transfer standard contracts for transfers from the UK under the UK GDPR, which are mandatory for relevant transfers from September 21, 2022. On July 10, 2023, the EU-US Data Privacy Framework ("DPF"), the successor to Privacy Shield, became effective and the European Commission issued an adequacy decision relating to the DPF. These recent developments mean we have to review and may need to change the legal mechanisms by which we transfer data outside of the European Union and United Kingdom, including to the United States. As supervisory authorities issue further guidance on personal data export mechanisms, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, and could adversely affect our financial results.

We are also subject to evolving EU and UK privacy laws on cookies, tracking technologies and e-marketing. In the EU and the UK under national laws derived from the ePrivacy Directive, informed consent is required for the placement of a cookie or similar technologies on a user's device and for direct electronic marketing to individuals (as opposed to businesses). The current national laws that implement the ePrivacy Directive are highly likely to be replaced across the EU (but not directly in the UK) by an EU regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. Recent European court and regulatory decisions, as well as actions by NYOB (a not-for-profit privacy activist group), are driving increased attention to cookies and tracking technologies, and if this continues, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, increase costs and subject us to additional liabilities.

We are subject to the supervision of local data protection authorities in the United Kingdom and those EEA jurisdictions where we are established or otherwise subject to the GDPR. Fines for certain breaches of the GDPR and the UK data protection regime are significant: up to the greater of €20 million / £17.5 million or 4 % of total global annual turnover. In addition to the foregoing, a breach of the GDPR or UK GDPR could result in regulatory investigations, reputational damage, orders to cease/ change our processing of our data, enforcement notices, and/ or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

Outside of the US and EU, many countries and territories have laws, regulations, or other requirements relating to privacy, data protection, information security, localized storage of data, and consumer protection, and new countries and territories are adopting such legislation or other obligations with increasing frequency. Many of these laws may require consent from consumers for the use of data for various purposes, including marketing, which may reduce our ability to market our products. There is no harmonized approach to these laws and regulations globally. Consequently, we would increase our risk of non-compliance with applicable foreign data protection laws by expanding internationally. We may need to change and limit the way we use personal information in operating our business and may have difficulty maintaining a single operating model that is compliant.

Further, because we accept debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard, or the PCI Standard, issued by the Payment Card Industry Security Standards Council, with respect to payment card information. The PCI Standard contains compliance guidelines with our security surrounding the physical and electronic storage, processing and transmission of cardholder data. Compliance with the PCI Standard and implementing related procedures, technology and information security measures requires significant resources and ongoing attention. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology, such as those necessary to achieve compliance with the PCI Standard or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our payment-related systems could have a material adverse effect on our business, results of operations and financial condition. If there are amendments to the PCI Standard, the cost of recompliance could also be substantial and we may suffer loss of critical data and interruptions or delays in our operations as a result. If we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, restrictions, and expulsion from card acceptance programs, which could materially and adversely affect our business.

Lastly, the global landscape of artificial intelligence (AI) legislation and regulation is rapidly evolving as governments and regulatory bodies seek to balance innovation with ethical considerations, privacy, security, and accountability. In the European Union, the proposed AI Act represents a comprehensive effort to regulate AI, focusing on risk-based categories and setting strict requirements for high-risk applications. The United States, while lacking a unified federal framework, has seen regulatory guidance from agencies like the National Institute of Standards and Technology (NIST) and sector-specific policies addressing AI's ethical use. China has also introduced regulations aimed at enhancing data security and the ethical development of AI, emphasizing the importance of controlling AI's social impacts. Elsewhere, countries like the United Kingdom, Canada, and Australia are developing frameworks that address AI governance, ethics, and safety standards. As global AI regulations continue to evolve and expand, legislation could impose significant compliance costs and operational challenges on our business. Should we fail to adhere to these emerging standards and requirements, we could face legal penalties, operational restrictions, and potentially severe reputational damage. This evolving regulatory landscape underscores the importance of proactive compliance and strategic planning to mitigate risks associated with AI deployment, ensuring that our business operations remain resilient and competitive in a rapidly changing legal environment.

Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to users or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection, or data security, may result in governmental investigations or enforcement actions, litigation (including customer class actions), claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, other obligations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform. Additionally, if third parties we work with violate applicable laws, regulations, or contractual obligations, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business.

Our products are highly technical and may contain undetected software bugs or hardware errors, which could manifest in ways that could seriously harm our reputation and our business.

Our products and services are highly technical and complex. Our platform and any products we may introduce in the future may contain undetected software bugs, hardware errors, and other vulnerabilities. These bugs and errors can manifest in any number of ways in our products and services, including through diminished performance, security vulnerabilities, malfunctions, or even permanently disabled products. We have a practice of rapidly updating our products and some errors in our products may be discovered only after a product has been shipped and used by customers. Any errors, bugs or vulnerabilities discovered in our code after release could damage our reputation, drive away customers, lower revenue, and expose us to damages claims, any of which could seriously harm our business.

We could also face claims for product liability, tort, or breach of warranty. In addition, our contracts with subscribers contain provisions relating to warranty disclaimers and liability limitations, which may not be upheld. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and seriously harm our reputation and business. In addition, if our liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business could be seriously harmed.

Our products contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to deliver our platform or subject us to litigation or other actions.

Our products contain software modules licensed to us by third-party authors under "open source" licenses, and we expect to continue to incorporate such open source software in our products in the future. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability of such software may make it easier for others to compromise our platform.

Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use, or grant other licenses to our intellectual property. We seek to ensure that our proprietary software is not combined with, and does not incorporate, open source software in ways that would require the release of the source code of our proprietary software to the public. However, if we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors or new entrants to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Alternatively, to avoid the public release of the affected portions of our source code, we could be required to expend substantial time and resources to re-engineer some or all of our software. Our platform incorporates software that is licensed under open source licenses which could require release of proprietary code if such platform was released or distributed in any manner that would trigger such a requirement to third parties. We take steps to ensure that our platform is not released or distributed. Additionally, some open source projects have vulnerabilities and architectural instabilities and are provided without warranties or support services to actively provide us patched versions when available, and which, if not properly addressed, could negatively affect the performance of our platform.

Although we have certain processes in place to monitor and manage our use of open source software to avoid subjecting our platform to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our platform. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their platform, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Moreover, we cannot assure you that our processes for monitoring and managing our use of open source software in our platform will be effective. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, or if an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations, could be subject to significant damages, enjoined from the sale of subscriptions to our platform or other liability, or be required to seek costly licenses from third parties to continue providing our platform on terms that, if available at all, are not economically feasible, to re-engineer our platform, to discontinue or delay the provision of our platform if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which would adversely affect our business, financial condition and results of operations.

Our future growth and success are dependent upon the continuing rapid adoption of spatial data.

Our future growth is highly dependent upon the adoption of spatial data by businesses and consumers. The market for spatial data is relatively new and rapidly evolving, characterized by rapidly changing technologies, competitive pricing and other competitive factors, evolving government regulation and industry standards and changing consumer demands and behaviors. Although demand for spatial data has grown in recent years, there is no guarantee that such growth will continue. If the market for spatial data develops more slowly than expected, or if demand for spatial data decreases, our business, prospects, financial condition and operating results would be harmed.

The spatial data market is characterized by rapid technological change, which requires us to continue to develop new services, products and service and product innovations. Any delays in such development could adversely affect market adoption of our products and services and could adversely affect our business and financial results.

Continuing technological changes in spatial data could adversely affect adoption of spatial data and/or our platform or products. Our future success will depend upon our ability to develop and introduce new capabilities and innovations to our platform and other existing product offerings, as well as introduce new product offerings, to address the changing needs of the spatial data market.

As the market for spatial data changes, we may need to upgrade or adapt our platform and introduce new products and services in order to serve our customers, which could involve substantial expense. Even if we are able to keep pace with changes in technology and develop new products and services, our research and development expenses could increase, our gross margins could be adversely affected in some periods and our prior products could become obsolete more quickly than expected.

We cannot assure that any new products and services will be released in a timely manner, or at all, or achieve market acceptance. Delays in delivering new products and services that meet customer needs could damage our relationships with customers and lead them to seek alternative products or services. Delays in introducing products and innovations or the failure to offer innovative products or services at competitive prices may cause our subscribers to use our competitors' products or services.

If we are unable to devote adequate resources to develop products or cannot otherwise successfully develop products or services that meet customer needs on a timely basis, our platform and other products could lose market share, our revenue could decline, we may experience higher operating losses and our business and prospects could be adversely affected.

We may need to defend against intellectual property infringement or misappropriation claims, which may be time-consuming and expensive, and adversely affect our business.

Technology companies are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. From time to time, the holders of intellectual property rights have previously and may in the future assert their rights and urge us to take licenses, and/or bring suits alleging infringement or misappropriation of such rights. There can be no assurance that we will be able to mitigate the risk of potential suits or other legal demands by such third parties. Although we may have meritorious defenses, there can be no assurance that we will be successful in defending against these allegations or in reaching business resolutions that are satisfactory to us. In addition, if we are determined to have infringed, or believe there is a high likelihood that we have infringed upon a third party's intellectual property rights, we may be required to cease making, selling or incorporating key components or intellectual property into the products and services we offer, to pay substantial damages and/or royalties, to redesign our products and services, and/or to establish and maintain alternative branding. Any litigation may also involve non-practicing entities or other adverse patent owners that have no relevant solution revenue, and therefore, our patent portfolio may provide little or no deterrence as we would not be able to assert our patents against such entities or individuals. To the extent that our subscribers and business partners become the subject of allegations or claims regarding the infringement or misappropriation of intellectual property rights related to our products and services, we have previously and may in the future be required to indemnify such subscribers and business partners. For example, we are currently indemnifying our client Redfin Corporation in a lawsuit brought by Appliance Computing III d/b/a Surefield. Specifically, Appliance Computing III d/b/a Surefield has asserted that Redfin's use of our 3D-Walkthrough technology infringes four patents. The matter went to jury trial in May 2022 and resulted in a jury verdict finding that Redfin had not infringed upon any of the asserted patent claims and that all asserted patent claims were invalid. Final judgment was entered on August 15, 2022. On September 12, 2022, Surefield filed post trial motions seeking to reverse the jury verdict. Redfin has filed oppositions to the motions. In addition, on May 16, 2022, the Company filed a declaratory judgment action against Appliance Computing III, Inc., d/b/a Surefield, seeking a declaratory judgment that the Company had not infringed upon the four patents asserted against Redfin and one additional, related patent. The matter is pending in the Western District of Washington and captioned Matterport, Inc. v. Appliance Computing III, Inc. d/b/a Surefield, Case No. 2:22-cv-00669 (W.D. Wash.). Surefield has filed a motion to dismiss or in the alternative transfer the case to the United States District Court for the Western District of Texas. The Company filed an opposition to the motion. On August 28, 2023, the Court denied Surefield's motion to dismiss the Washington case but stayed the action pending the resolution of the Texas case.

Our agreements with customers, channel partners and certain vendors include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement pertaining to our products and technology. Some of these indemnity agreements provide for uncapped liability and some indemnity provisions survive termination or expiration of the applicable agreement. Any claim of infringement by a third party, even one without merit, whether against us or for which we are required to provide indemnification, could cause us to incur substantial costs defending against the claim, could distract our management from our business, and could require us to cease use of such intellectual property or develop a non-infringing design-around. Further, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. Any dispute with a customer with respect to these intellectual property indemnification obligations could have adverse effects on our relationship with that customer and other existing or new customers, and harm our business and operating results. We may be required to make substantial payments for legal fees, settlement fees, damages, royalties, or other fees in connection with a claimant securing a judgment against us, we may be subject to an injunction or other restrictions that cause us to cease selling subscriptions to our products, we may be subject to an injunction or other restrictions that cause us to rebrand or otherwise cease using certain trademarks in specified jurisdictions, or we may be required to redesign any allegedly infringing portion of our products or we may agree to a settlement that prevents us from distributing our platform or a portion thereof, any of which could adversely affect our business, financial condition and results of operations. In addition, although we carry insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed, or otherwise protect us from liabilities or damages, and any such coverage may not continue to be available to us on acceptable terms or at all.

Even if we are not a party to any litigation between a subscriber or business partner and a third party relating to infringement by our products, an adverse outcome in any such litigation could make it more difficult for us to defend our products against intellectual property infringement claims in subsequent litigation in which we are a named party. If we are required to take one or more such actions, our business, prospects, brand, operating results and financial condition could be materially and adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention.

With respect to any intellectual property rights claim, we may have to seek a license to continue operations that are found or alleged to violate such rights. Such licenses may not be available, or if available, may not be available on favorable or commercially reasonable terms and may significantly increase our operating expenses. Some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its intellectual property on reasonable terms, or at all, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we would be unable to continue to offer our affected offerings), effort and expense and may ultimately not be successful. Any of these events could adversely affect our business, results of operations and financial condition.

Our business may be adversely affected if we are unable to protect our spatial data technology and intellectual property from unauthorized use by third parties.

Our success depends, at least in part, on our ability to protect our core spatial data technology and intellectual property. To accomplish this, we rely on, and plan to continue relying on, a combination of patents, trade secrets, employee and third-party nondisclosure agreements, copyright, trademarks, intellectual property licenses and other contractual rights to retain ownership of, and protect, our technology. Such agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property or technology, and we may fail to consistently obtain, police and enforce such agreements. Failure to adequately protect our technology and intellectual property could result in competitors offering similar products, potentially resulting in the loss of some of our competitive advantage and a decrease in revenue, which would adversely affect our business prospects, financial condition and operating results.

The measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- any patent applications we submit may not result in the issuance of patents;
- the scope of issued patents may not be broad enough to protect proprietary rights;
- any issued patents may be challenged by competitors and/or invalidated by courts or governmental authorities;
- the costs associated with enforcing patents or other intellectual property rights may make aggressive enforcement impracticable;
- current and future competitors may circumvent patents or independently develop similar proprietary designs or technologies; and
- know-how and other proprietary information we purport to hold as a trade secret may not qualify as a trade secret under applicable laws.

Patent, trademark, and trade secret laws vary significantly throughout the world. Some foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, and effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. Further, policing the unauthorized use of our intellectual property in foreign jurisdictions may be difficult or impossible. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the United States.

Changes to applicable U.S. tax laws and regulations or exposure to additional income tax liabilities could affect our business and future profitability.

We are a U.S. corporation that will be subject to U.S. corporate income tax on our worldwide operations. Moreover, most of our operations and customers are located in the United States, and as a result, we are subject to various U.S. federal, state and local taxes. New U.S. laws and policy relating to taxes may have an adverse effect on our business and future profitability. Further, existing U.S. tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us.

As a result of plans to expand our business operations, including to jurisdictions in which tax laws may not be favorable, our tax rates may fluctuate, tax obligations may become significantly more complex and subject to greater risk of examination by taxing authorities and we may be subject to future changes in tax law, the impacts of which could adversely affect our after-tax profitability and financial results.

In the event that our business expands domestically or internationally, our effective tax rates may fluctuate widely in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. law, changes in deferred tax assets and liabilities, or changes in tax laws. Factors that could materially affect our future effective tax rates include, but are not limited to:

- changes in tax laws or the regulatory environment;
- changes in accounting and tax standards or practices;
- changes in the composition of operating income by tax jurisdiction and pre-tax operating results of our business;
- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we have been and may be subject to audits of our income, sales and other transaction taxes by taxing authorities. Outcomes of these audits could have an adverse effect on our financial condition and results of operations.

We may be subject to significant income, withholding and other tax obligations in the United States and may become subject to taxation in numerous additional state, local and non-U.S. jurisdictions with respect to income, operations and subsidiaries related to those jurisdictions. Our after-tax profitability and financial results could be subject to volatility or be affected by numerous factors, including the following:

- the availability of tax deductions, credits, exemptions, refunds and other benefits to reduce tax liabilities,
- changes in the valuation of deferred tax assets and liabilities, if any,
- expected timing and amount of the release of any tax valuation allowances, the tax treatment of stock-based compensation,
- changes in the relative amount of earnings subject to tax in the various jurisdictions,
- the potential business expansion into, or otherwise becoming subject to tax in, additional jurisdictions,
- changes to existing intercompany structure (and any costs related thereto) and business operations,
- the extent of intercompany transactions and the extent to which taxing authorities in relevant jurisdictions respect those intercompany transactions and
- the ability to structure business operations in an efficient and competitive manner.

Outcomes of audits or examinations by taxing authorities could have an adverse effect on our after-tax profitability and financial condition. Additionally, the IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we do not prevail in any such disagreements, our profitability may be affected.

Our after-tax profitability and financial results may also be adversely affected by changes in relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions and interpretations thereof, in each case, possibly with retroactive effect.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2023, we had $360.8 million of U.S. federal and $202.3 million of state net operating loss carryforwards available to reduce future taxable income. Certain of these carryforwards may be carried forward indefinitely for U.S. federal tax purposes, while others are subject to expiration beginning in 2031. It is possible that we will not generate taxable income in time to use all or a portion of these net operating loss carryforwards before their expiration or at all. Under legislative changes made in December 2017, U.S. federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such net operating losses is limited. In addition, our net operating loss carryforwards are subject to review and possible adjustment by the IRS, and state tax authorities. The federal and state net operating loss carryforwards and certain other attributes, such as research tax credits, may be subject to significant limitations under Section 382 and Section 383 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), respectively, and similar provisions of U.S. state law. Under those sections of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change attributes to offset its post-change income or tax may be limited. In general, an "ownership change" would occur if the percentage of our equity interests held by one or more of our "5-percent shareholders" (as such term is used in Section 382 of the Code) increased by more than 50 percentage points over the lowest percentage of our equity held by such 5-percent shareholders at any time during the relevant testing period (usually three years). Similar rules may apply under state tax laws. We have not undertaken an analysis of whether the Merger constituted an "ownership change" for purposes of Section 382 and Section 383 of the U.S. Tax Code. Our ability to utilize our net operating loss carryforwards and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of ownership changes, including potential changes in connection with the Merger (as defined herein) or other transactions. As of December 31, 2023, the Company has not undertaken any analyses in respect of Section 382 to determine the annual limitation and if any of the tax attributes are subject to a permanent limitation.

Failure to comply with laws relating to employment could subject us to penalties and other adverse consequences.

We are subject to various employment-related laws in the jurisdictions in which our employees are based. We face risks if we fail to comply with applicable United States federal or state employment laws, or employment laws applicable to our employees outside of the United States. In addition, we implemented a reduction in force and furloughed employees in 2020, and the attendant layoffs and/or furloughs could create an additional risk of claims being made on behalf of affected employees. Any violation of applicable wage laws or other employment-related laws could result in complaints by current or former employees, adverse media coverage, investigations, and damages or penalties which could have a materially adverse effect on our reputation, business, operating results and prospects. In addition, responding to any such proceedings may result in a significant diversion of management's attention and resources, significant defense costs, and other professional fees.

Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business, investments and results of operations.

We are subject to laws, regulations and rules enacted by national, regional and local governments and Nasdaq. In particular, we are required to comply with certain SEC, Nasdaq and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations or rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations or rules, as interpreted and applied, could have a material adverse effect on our business and results of operations.

The warrants are recorded at fair value with changes in fair value reported in our earnings, which could have an adverse effect on the market price of our common stock and/or an adverse effect on our financial results.

Management evaluated the terms of the warrants issued, including the private placement warrants ("Private Placement Warrants") and the publicly-traded warrants ("Public Warrants," together with the Private Placement Warrants, the "Warrants") in accordance with ASC 815, Derivatives and Hedging. Only 1.7 million Private Placement Warrants to purchase common stock remained outstanding as of December 31, 2023. We concluded that the Warrants are accounted for as a derivative liability and that derivative liability was recorded at fair value at their initial fair value on the date of issuance, and at the earlier of each balance sheet date, or the exercised or redemption date thereafter, as determined based upon a valuation report obtained from an independent third-party valuation firm. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. For example, for the year ended December 31, 2023, we recognized non-cash losses on the change in fair value of approximately $0.5 million on the Warrants. The impact of changes in fair value on earnings may have an adverse effect on the market price of our common stock and/or our financial results.

Risks Related to Ownership of Our Common Stock

Our financial condition and results of operations are likely to fluctuate on a quarterly basis in future periods, which could cause our results for a particular period to fall below expectations, resulting in a decline in the price of our common stock.

Our financial condition and results of operations have fluctuated in the past and may continue to fluctuate in the future due to a variety of factors, many of which are beyond our control. Our results may vary from period to period as a result of fluctuations in the number of subscribers using our products as well as fluctuations in the timing and amount of our expenses. As a result, comparing our results of operations on a period-to-period basis may not be meaningful, and the results of any one period should not be relied on as an indication of future performance. In addition to the other risks described herein, the following factors could also cause our financial condition and results of operations to fluctuate on a quarterly basis:

- our ability to attract new subscribers and retain existing subscribers, including in a cost-effective manner;
- our ability to accurately forecast revenue and losses and appropriately plan our expenses;
- the timing of new product introductions, which can initially have lower gross margins;
- the effects of increased competition on our business;
- our ability to successfully maintain our position in and expand in existing markets as well as successfully enter new markets;
- our ability to protect our existing intellectual property and to create new intellectual property;
- supply chain interruptions and manufacturing or delivery delays;
- the length of the installation cycle for a particular location or market;
- disruptions in sales, production, service or other business activities or our inability to attract and retain qualified personnel; and
- the impact of, and changes in, governmental or other regulation affecting our business.

Fluctuations in operating results and cash flow could, among other things, give rise to short-term liquidity issues. In addition, revenue and other operating results in future quarters may fall short of the expectations of investors and financial analysts, which could have an adverse effect on our stock price.

We do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and future agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant.

General Risk Factors

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- labor availability and costs for hourly and management personnel;
- profitability of our products, especially in new markets and due to seasonal fluctuations;
- changes in interest rates;
- impairment of long-lived assets;
- macroeconomic conditions, both nationally and locally;
- negative publicity relating to products we serve;
- changes in consumer preferences and competitive conditions;
- expansion to new markets; and
- fluctuations in commodity prices.

The market price and trading volume of our common stock may be volatile and could decline significantly.

The stock markets, including Nasdaq, on which we list our shares of common stock under the symbol "MTTR," have from time to time experienced significant price and volume fluctuations. Even if an active, liquid and orderly trading market develops and is sustained for our common stock, the market price of our common stock may be volatile and could decline significantly. In addition, the trading volume of our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at an attractive price (or at all). We cannot assure you that the market price of our common stock will not fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this Annual Report on Form 10-K/A;
- actual or anticipated differences in our estimates, or in the estimates of analysts, for our revenues, results of operations, level of indebtedness, liquidity or financial condition;
- additions and departures of key personnel;
- failure to comply with the requirements of Nasdaq;
- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- future issuances, sales, resales or repurchases or anticipated issuances, sales, resales or repurchases, of our securities;
- publication of research reports about us;
- the performance and market valuations of other similar companies;
- commencement of, or involvement in, litigation involving us;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the press or investment community;
- actual, potential or perceived control, accounting or reporting problems;
- changes in accounting principles, policies and guidelines; and
- other events or factors, including those resulting from infectious diseases, health epidemics and pandemics, natural disasters, war, acts of terrorism or responses to these events.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the market price of their shares. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our common stock adversely, then the price and trading volume of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, our stock price and trading volume would likely be negatively impacted. If any of the analysts who cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Future issuances of debt securities and equity securities may adversely affect us, including the market price of our common stock and may be dilutive to existing stockholders.

In the future, we may incur debt or issue equity-ranking senior to our common stock. Those securities will generally have priority upon liquidation. Such securities also may be governed by an indenture or other instrument containing covenants restricting its operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock. Because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, future capital raising efforts may reduce the market price of our common stock and be dilutive to existing stockholders.

If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), the rules and regulations of Nasdaq, and other securities rules and regulations that impose various requirements on public companies. Our management and other personnel devote substantial time and resources to comply with these rules and regulations. Such compliance has increased, and will continue to increase our legal, accounting and financial compliance costs; make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls, internal control over financial reporting and other procedures that are designed to ensure information required to be disclosed by us in our consolidated financial statements and in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers.

Our current controls and any new controls we develop may become inadequate because of changes in conditions of our business. Additionally, to the extent we acquire other businesses, each acquired company may not have a sufficiently robust system of internal controls, and we may uncover new deficiencies. Weaknesses in our internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our results of operations, may result in a restatement of our consolidated financial statements for prior periods, may cause us to fail to meet our reporting obligations, could result in an adverse opinion regarding our internal control over financial reporting from our independent registered public accounting firm, and may lead to investigations or sanctions by regulatory authorities.

Section 404 of the Sarbanes-Oxley Act requires our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. We are also required to have our independent registered public accounting firm attest to, and issue an opinion on, the effectiveness of our internal control over financial reporting. If we are unable to assert that our internal control over financial reporting is effective, or if, when required, our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A common stock to decline.

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

As disclosed in Part II, Item 9A of this Annual Report on Form 10-K/A, management identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We have concluded that due to the material weakness, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed in the reports required to be filed or submitted under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

Part II

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Matterport, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Matterport, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, of comprehensive income (loss), of redeemable convertible preferred stock and stockholders' equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because a material weakness in internal control over financial reporting existed as of that date related to ineffective design and maintenance of controls to ensure allegations received outside of the whistleblower program are evaluated and communicated to those responsible for financial reporting and those charged with governance in a timely fashion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2023 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Restatement of Management's Conclusion Regarding Internal Control over Financial Reporting

Management and we previously concluded that the Company maintained effective internal control over financial reporting as of December 31, 2023. However, management has subsequently determined that a material weakness in internal control over financial reporting related to ineffective design and maintenance of controls to ensure allegations received outside of the whistleblower program are evaluated and communicated to those responsible for financial reporting and those charged with governance in a timely fashion existed as of that date. Accordingly, management's report has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2022.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

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

Revenue Recognition - Subscription, Services, and Product Revenue

As described in Note 2 to the consolidated financial statements, the Company recognizes revenue from subscription, license, services and sale of products. The Company's total revenue for the year ended December 31, 2023 was $157.7 million, of which subscription, services, and product revenue was $157.6 million. The Company recognizes revenue upon transfer of control of goods or services to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The principal consideration for our determination that performing procedures relating to revenue recognition of subscription, services, and product revenue is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the recognition of subscription, services, and product revenue as the amount of consideration expected in exchange for goods or services. These procedures also included, among others (i) testing the completeness, accuracy, and occurrence of revenue recognized for a sample of revenue transactions by obtaining and inspecting source documents, such as contracts, purchase orders, invoices, proof of shipment or delivery, and subsequent payment receipts and (ii) performing subsequent receipts testing for a sample of outstanding customer invoice balances as of December 31, 2023 and, for invoices not yet paid, obtaining and inspecting source documents, such as contracts, purchase orders, invoices, and proof of shipment or delivery.

/s/PricewaterhouseCoopers LLP

Atlanta, Georgia

February 27, 2024, except with respect to our opinion on internal control over financial reporting insofar as it relates to the effects of the matter discussed in the penultimate paragraph of Management's Annual Report on Internal Control Over Financial Reporting, as to which the date is November 22, 2024

We have served as the Company's auditor since 2019.

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

	Year Ended December 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 82,902	$ 117,128
Short-term investments	305,264	355,815
Accounts receivable, net of allowance of $1,155 and $1,212, as of December 31, 2023 and December 31, 2022, respectively	16,925	20,844
Inventories	9,115	11,061
Prepaid expenses and other current assets	8,635	13,084
Total current assets	422,841	517,932
Property and equipment, net	32,471	30,559
Operating lease right-of-use assets	625	2,515
Long-term investments	34,834	3,959
Goodwill	69,593	69,593
Intangible assets, net	9,120	10,890
Other assets	7,671	4,947
Total assets	$ 577,155	$ 640,395
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 7,586	$ 8,331
Deferred revenue	23,294	16,731
Accrued expenses and other current liabilities	13,354	23,916
Total current liabilities	44,234	48,978
Warrants liability	290	803
Deferred revenue, non-current	3,141	1,201
Other long-term liabilities	206	5,502
Total liabilities	47,871	56,484
Commitments and contingencies (Note 10)		
Redeemable convertible preferred stock, $0.0001 par value; 30,000 shares authorized as of December 31, 2023 and 2022, respectively; nil shares issued and outstanding as of December 31, 2023 and 2022; and liquidation preference of nil as of December 31, 2023 and 2022, respectively	—	—
Stockholders' equity:		
Common stock, $0.0001 par value; 640,000 shares authorized as of December 31, 2023 and 2022, respectively; and 310,061 shares and 290,541 shares issued and outstanding as of December 31, 2023 and 2022, respectively	31	29
Additional paid-in capital	1,307,324	1,168,313
Accumulated other comprehensive income (loss)	403	(5,034)
Accumulated deficit	(778,474)	(579,397)
Total stockholders' equity	529,284	583,911
Total liabilities and stockholders' equity	$ 577,155	$ 640,395

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

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

	Year Ended December 31,		
	2023	2022	2021
Revenue:			
Subscription	$ 87,238	$ 73,789	$ 61,275
License	110	97	4,761
Services	37,621	27,268	12,592
Product	32,779	34,971	32,546
Total revenue	157,748	136,125	111,174
Costs of revenue:			
Subscription	29,007	24,259	14,754
License	—	—	—
Services	26,643	18,992	10,046
Product	31,608	41,028	26,403
Total costs of revenue	87,258	84,279	51,203
Gross profit	70,490	51,846	59,971
Operating expenses:			
Research and development	67,305	85,025	55,379
Selling, general, and administrative	217,424	242,306	152,360
Total operating expenses	284,729	327,331	207,739
Loss from operations	(214,239)	(275,485)	(147,768)
Other income (expense):			
Interest income	6,406	6,280	1,811
Interest expense	—	—	(676)
Transaction costs	—	—	(565)
Change in fair value of warrants liability	513	27,035	(48,370)
Change in fair value of contingent earn-out liability	—	136,043	(140,454)
Other income (expense), net	8,427	(3,969)	(2,255)
Total other income (expense)	15,346	165,389	(190,509)
Loss before provision (benefit) for income taxes	(198,893)	(110,096)	(338,277)
Provision (benefit) for income taxes	184	1,243	(217)
Net loss	$ (199,077)	$ (111,339)	$ (338,060)
Net loss per share, basic and diluted	$ (0.66)	$ (0.39)	$ (2.58)
Weighted-average shares used in per share calculation, basic and diluted	300,697	283,585	131,278

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

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

	Year Ended December 31,		
	2023	2022	2021
Net loss	$ (199,077)	$ (111,339)	$ (338,060)
Other comprehensive income (loss), net of taxes:			
Foreign currency translation loss	—	—	(187)
Unrealized gain (loss) on available-for-sale securities, net of tax	5,437	(3,495)	(1,487)
Other comprehensive income (loss)	$ 5,437	$ (3,495)	$ (1,674)
Comprehensive loss	$ (193,640)	$ (114,834)	$ (339,734)

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

MATTERPORT, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares [1]	Amount	Shares [1]	Amount				
Balance as of December 31, 2020	**124,979**	**$ 164,168**	**38,981**	**$ 4**	**$ 9,159**	**$ 135**	**$ (129,998)**	**$ (120,700)**
Net loss	—	—	—	—	—	—	(338,060)	(338,060)
Other comprehensive loss	—	—	—	—	—	(1,674)	—	(1,674)
Conversion of convertible note to Series D redeemable convertible preferred stock	(125,031)	(164,461)	126,461	13	164,448	—	—	164,461
Issuance of Series D redeemable convertible preferred stock to a customer	52	293	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	4,072	—	2,068	—	—	2,068
Issuance of common stock upon exercise of legacy Matterport common stock warrants	—	—	1,038	—	—	—	—	—
Issuance of common stock upon the reverse recapitalization, net of transaction costs	—	—	72,531	7	539,890	—	—	539,897
Issuance of common stock upon exercise of public and private warrants	—	—	7,090	1	155,055	—	—	155,056
Earn-out liability recognized upon the closing of the reverse recapitalization	—	—	—	—	(237,122)	—	—	(237,122)
Stock-based compensation	—	—	—	—	104,237	—	—	104,237
Balance as of December 31, 2021	**—**	**$ —**	**250,173**	**$ 25**	**$ 737,735**	**$ (1,539)**	**$ (468,058)**	**$ 268,163**
Net loss	—	—	—	—	—	—	(111,339)	(111,339)
Other comprehensive loss	—	—	—	—	—	(3,495)	—	(3,495)
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	—	—	15,525	2	(9,909)	—	—	(9,907)
Issuance of common stock upon the reverse recapitalization, net of transaction costs	—	—	—	—	76	—	—	76
Issuance of common stock to a customer	—	—	132	—	738	—	—	738
Issuance of common stock upon exercise of public warrants	—	—	1,994	—	34,055	—	—	34,055
Issuance of common stock in connection with acquisitions	—	—	1,223	—	19,219	—	—	19,219
Issuance of earn-out shares upon triggering events, net of tax withholding	—	—	21,494	2	(17,738)	—	—	(17,736)
Earn-out liability recognized upon the re-allocation	—	—	—	—	(896)	—	—	(896)
Reclassification of remaining contingent earn-out liability upon triggering events	—	—	—	—	242,429	—	—	242,429
Stock-based compensation	—	—	—	—	162,604	—	—	162,604
Balance as of December 31, 2022	**—**	**$ —**	**290,541**	**$ 29**	**$ 1,168,313**	**$ (5,034)**	**$ (579,397)**	**$ 583,911**
Net loss	—	—	—	—	—	—	(199,077)	(199,077)
Other comprehensive income	—	—	—	—	—	5,437	—	5,437

Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	—	—	19,155	2	4,793	—	—	4,795
Issuance of common stock in connection with acquisitions	—	—	365	—	5,748	—	—	5,748
Stock-based compensation	—	—	—	—	128,470	—	—	128,470
Balance as of December 31, 2023	**—**	**$ —**	**310,061**	**$ 31**	**$ 1,307,324**	**$ 403**	**$ (778,474)**	**$ 529,284**

(1) The shares of the Company’s common and redeemable convertible preferred stock, prior to the Merger (as defined in Note 1) have been retroactively restated to reflect the exchange ratio of approximately 4.1193 established in the Merger as described in Note 3.

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

MATTERPORT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$ (199,077)	$ (111,339)	$ (338,060)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,437	13,297	5,824
Amortization of debt discount	—	—	135
Amortization of investment premiums, net of accretion of discounts	(8,919)	2,924	1,370
Investment impairment	—	1,093	—
Stock-based compensation, net of amounts capitalized	118,775	148,490	100,605
Cease use of certain leased facilities	961	—	—
Change in fair value of warrants liability	(513)	(27,035)	48,370
Change in fair value of contingent earn-out liability	—	(136,043)	140,454
Deferred income taxes	(121)	51	(385)
Transaction costs	—	—	565
Loss on extinguishment of debt and convertible notes	—	—	210
Allowance for doubtful accounts	601	1,245	222
Loss of excess inventory and purchase obligation	1,821	5,007	—
Other	(185)	(195)	(102)
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Accounts receivable	3,318	(9,609)	(7,170)
Inventories	(3,830)	(6,484)	(1,946)
Prepaid expenses and other assets	3,036	(1,991)	(7,751)
Accounts payable	(745)	(5,240)	8,812
Deferred revenue	8,503	5,985	7,602
Accrued expenses and other liabilities	(1,775)	1,282	2,437
Net cash used in operating activities	(58,713)	(118,562)	(38,808)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(139)	(1,730)	(810)
Capitalized software and development costs	(9,765)	(12,590)	(7,200)
Purchase of investments	(444,695)	(137,631)	(532,811)
Maturities of investments	478,253	299,002	—
Investment in convertible notes	—	—	(1,000)
Business acquisitions, net of cash acquired	(4,116)	(51,874)	—
Net cash provided by (used in) investing activities	19,538	95,177	(541,821)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from reverse recapitalization and PIPE financing, net	—	—	612,854
Payment of transaction costs related to reverse recapitalization	—	—	(10,013)
Proceeds from sales of shares through employee equity incentive plans	5,124	6,781	2,068
Payments for taxes related to net settlement of equity awards	(329)	(34,424)	—
Proceeds from exercise of warrants	—	27,844	76,607
Repayment of debt	—	—	(13,067)
Other	—	76	—
Net cash provided by financing activities	4,795	277	668,449
Net change in cash, cash equivalents, and restricted cash	(34,380)	(23,108)	87,820
Effect of exchange rate changes on cash	154	249	(83)
Cash, cash equivalents, and restricted cash at beginning of year	117,128	139,987	52,250
Cash, cash equivalents, and restricted cash at end of period	$ 82,902	$ 117,128	$ 139,987
Supplemental disclosures of cash flow information			
Cash paid for interest	$ —	$ —	$ 753
Cash paid for taxes	$ 780	$ 651	$ 80
Supplemental disclosures of non-cash investing and financing information			
Earn-out liability recognized upon the re-allocation	$ —	$ 896	$ 237,122
Reclassification of remaining contingent Earn-out liability upon triggering events	$ —	$ 242,429	$ 164,461
Common stock issued in connection with acquisition	$ 5,748	$ 19,219	$ —
Unpaid cash consideration in connection with acquisition	$ —	$ 4,348	$ —

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

MATTERPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

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

On July 22, 2021 (the "Closing Date"), the Company consummated the merger (collectively with the other transactions described in the Merger Agreement, the "Merger", "Closing", or "Transactions") pursuant to an Agreement and Plan of Merger, dated February 7, 2021 (the "Merger Agreement"), by and among the Company (formerly known as Gores Holdings VI, Inc.), the pre-Merger Matterport, Inc. (now known as Matterport Operating, LLC) ("Legacy Matterport"), Maker Merger Sub, Inc. ("First Merger Sub"), a direct, wholly owned subsidiary of the Company, and Maker Merger Sub II, LLC ("Second Merger Sub"), a direct, wholly owned subsidiary of the Company, pursuant to which 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". Upon the closing of the Merger, we changed our name to Matterport, Inc. See Note 3 "Reverse Recapitalization" for additional information.

Unless the context otherwise requires, the "Company" refers to the combined company and its subsidiaries following the Merger, "Gores" refers to the Company prior to the Merger and "Legacy Matterport" refers to Matterport, Inc. prior to the Merger.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of Consolidation

The accompanying 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 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 consolidated financial statements and accompanying notes. Significant estimates include assumptions related to the fair value of common stock before the Merger and other assumptions used to measure stock-based compensation, fair value of assets acquired and liabilities assumed in business combinations, fair value of identified intangibles, goodwill impairment, valuation of deferred tax assets, the estimate of net realizable value of inventory, allowance for doubtful accounts, the fair value of warrants liability, loss contingencies, and the determination of stand-alone selling price of various performance obligations. As a result, many of the Company's estimates and assumptions require increased judgment and these estimates may change materially in future periods.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and various other factors, including the current economic environment, which management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company adjusts such estimates and assumptions when dictated by facts and circumstances. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the 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 ("CODM") is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. Refer to Note 4, for information regarding the Company's revenue by geography. Substantially all of the Company's long-lived assets are located in the United States.

Concentration of Credit Risk and Other Risks and Uncertainties

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

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

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

No customer accounted for more than 10% of the Company's total accounts receivable at December 31, 2023 and 2022. No customer accounted for more than 10% of the Company's total revenue for the years ended December 31, 2023, 2022, and 2021.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash and cash equivalents include cash on hand and amounts on deposit with financial institutions. Amounts receivable from credit card processors of approximately $1.9 million and $0.8 million as of December 31, 2023 and 2022, 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.

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 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. Management regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, each customer's expected ability to pay, and the collection history with each customer, when applicable, to determine whether a specific allowance is appropriate. The allowances are based on the Company's regular assessment of various factors, including the credit-worthiness and financial condition of specific customers, historical experience with bad debts, receivables aging, current economic conditions, reasonable and supportable forecasts of future economic conditions, and after factors that may affect the ability to collect from customers.

The allowance for doubtful accounts was $1.2 million as of December 31, 2023 and 2022, respectively.

Fair Value Measurement

The Company accounts for certain of its financial assets and liabilities at fair value. The Company uses a three-level hierarchy, which prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risks. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in those financial instruments.

Accounts receivable and accounts payable are carried at cost, which approximates fair value due to the short maturity of these instruments.

Inventories

Inventories consist primarily of finished goods, assemblies, and raw materials. Assemblies are generally purchased from contract manufacturers. Inventories are valued at the lower of cost or net realizable value. Costs are determined using standard cost, which approximates actual cost on a first-in, first-out basis. The Company assesses the valuation of inventory and periodically adjusts the value for estimated excess and obsolete inventory based upon estimates of future demand and market conditions, as well as damaged or otherwise impaired goods.

The Company recorded a provision for excess and obsolete inventory of $1.7 million, $1.0 million, and nil for the years ended December 31, 2023, 2022, and 2021, respectively. The Company also recorded a liability of $0.1 million and $4.0 million respectively, as of December 31, 2023 and 2022, arising from firm, non-cancelable, and unhedged inventory purchase commitments in excess of anticipated demand or net realizable value consistent with its valuation of excess and obsolete inventory. Such liability was included in accrued and other current liabilities on the consolidated balance sheets. Both provision for excess and obsolete and accrued loss on firm inventory purchase commitments were recorded in cost of product revenue in the consolidated statements of operations.

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery and equipment	3 - 7 years
Furniture and fixtures	3 years
Capitalized software and development costs	3 years
Leasehold improvements	Shorter of remaining lease term or 10 years

Upon retirement or sale, the cost and related accumulated depreciation are removed from the consolidated balance sheets and the resulting gain or loss is reflected in general and administrative expenses in the consolidated statements of operations. Maintenance and repairs are charged to operations as incurred.

Impairment of Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets and liabilities acquired in each business combination. Goodwill will be evaluated for impairment on an annual basis in the fourth quarter of the Company's fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The Company has elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of the Company's single reporting unit is less than its carrying amount, including goodwill. If the Company determines that it is more likely than not that the fair value of the Company's single reporting unit is less than its carrying amount, then the quantitative impairment test will be performed. Under the quantitative impairment test, if the carrying amount of the single reporting unit exceeds its fair value, the Company will recognize an impairment loss in an amount equal to that excess but limited to the total amount of goodwill.

Intangible Assets and Other Long-Lived Assets

The Company evaluates events and changes in circumstances that could indicate carrying amounts of purchased intangible assets and other long-lived assets may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of these assets by determining whether or not the carrying amount will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset group, the Company will record an impairment loss for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Acquired property and equipment and finite-lived intangible assets are amortized over their useful lives. The Company evaluates the estimated remaining useful life of these assets when events or changes in circumstances warrant a revision to the remaining period of amortization. If the Company revises the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life on a prospective basis.

The Company did not recognize any impairment losses on goodwill, intangible assets, or other long-lived assets for the years ended December 31, 2023, 2022, and 2021, respectively.

Investments

The Company classifies its investments in marketable and non-marketable securities as available-for-sale debt securities at the time of purchase based on the legal form of the security, the Company's intended holding period for the security, and the nature of the transaction. Investments not considered cash equivalents and with maturities within one year or less from the consolidated balance sheet date are classified as short-term investments. Investments with maturities greater than one year from the consolidated balance sheet date are classified as long-term investments.

The Company determines the classification of the investments in marketable debt securities at the time of purchase and reevaluates such determination at each balance sheet date. Debt securities in an unrealized loss position are written down to its fair value with the corresponding change recorded in other income, net in the consolidated statements of operations, if it's more likely than not that the Company will be required to sell the impaired security before recovery of its amortized costs basis, or have the intention to sell the security. If neither of these conditions are met, it is determined whether a credit loss exists by comparing the present value of the expected cash flows of the security with its amortized cost basis. An allowance for credit losses is recorded in other income, net in the consolidated statements of operations for an amount not to exceed the unrealized loss. Unrealized losses that are not credit-related are included in accumulated other comprehensive loss in stockholders' equity.

The Company also has certain private equity investments without readily determinable fair values due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs used to measure fair value are unobservable and require management's judgment. The Company elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes resulting from transactions with the same issuer within the statement of operations. Refer to Note 8. Fair Value Measurements for additional information.

Transaction costs

Transaction costs consist of direct legal, accounting and other fees relating to the consummation of the Merger. These costs were initially capitalized as incurred in other assets on the consolidated balance sheets. Upon the Closing, transaction costs related to the issuance of shares were recognized in stockholders' equity (deficit) while costs associated with the public and private warrants liabilities were expensed in the consolidated statements of operations. The Company and Gores incurred $10.0 million and $26.3 million transaction costs, respectively, for the year ended December 31, 2021. The total transaction cost for the year ended December 31, 2021 was $36.3 million, consisting of underwriting, legal, and other professional fees, of which $35.7 million was recorded to additional paid-in capital as a reduction of proceeds and the remaining $0.6 million was expensed immediately upon the Closing.

Business Combination

Business acquisitions are accounted for using the acquisition method under Accounting Standards Codifications ("ASC") 805, Business Combinations ("ASC 805"), which requires recording assets acquired and liabilities assumed at fair value as of the acquisition date. Under the acquisition method of accounting, each tangible and separately identifiable intangible asset acquired and liabilities assumed is recorded based on their preliminary estimated fair values on the acquisition date. The initial valuations are derived from estimated fair value assessments and assumptions used by management. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Additional information existing as of the acquisition date but unknown to the Company may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition date, which may result in changes to the amounts and allocations recorded.

Acquisition related transaction costs are expensed as incurred and are recorded in selling, general, and administrative expenses in the Consolidated Statements of Operations. The Company incurred nil, $1.6 million, and $0.9 million of acquisition-related costs for the years ended December 31, 2023, 2022, and 2021.

Intangible Assets

Acquisition-related intangible assets with finite lives are accounted for at fair value as of the date of acquisition, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets.

Operating Leases

The Company is a lessee in several noncancellable operating leases, primarily real estate facilities for office space. In accordance with the Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), the Company determines if an arrangement is a lease or contains a lease at contract inception, and accounts for leases to recognize right-of-use (ROU) assets and lease liabilities arising from operating leases with terms longer than 12 months on our consolidated balance sheets beginning January 1, 2022. Lease expense is recognized on a straight-line basis over the lease term. The Company did not have any financing leases in any of the periods presented.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at lease commencement date. Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if the rate cannot be readily determined, its incremental borrowing rate. As the rate implicit in the lease is generally not readily determinable for the Company's operating leases, the Company uses an incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Company does not generally borrow in a collateralized basis, it uses its understanding of what its collateralized credit rating would be as an input to deriving an appropriate incremental borrowing rate. The operating lease right-of-use asset includes any lease payments made and excludes lease incentives.

The Company uses the non-cancelable lease term when recognizing the ROU assets and lease liabilities, unless it is reasonably certain that a renewal or termination option will be exercised. The Company accounts for the lease and non-lease components as a single lease component.

Leases with a term of twelve months or less are not recognized on the consolidated balance sheets but are recognized as expense on a straight-line basis over the term of the lease.

Warrants Liability

The Company assumed publicly-traded warrants (“Public Warrants”) and private warrants (“Private Warrants”) upon the Closing. The Company accounts for warrants for shares of the Company’s Class A common stock that are not indexed to its own stock as liabilities at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized in the Company’s statement of operations. For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded as a liability at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations.

Earn-out Arrangement

In connection with the reverse recapitalization and pursuant to the Merger Agreement, eligible Legacy Matterport stockholders and Legacy Matterport stock option and restricted stock unit (“RSU”) holders were entitled to receive an aggregate of approximately 23.5 million shares (“Earn-out Shares”) of the Company’s Class A common stock, par value $0.0001 per share (“Class A common stock”) upon the Company achieving certain Earn-out Triggering Events during the Earn-out Period (as described in Note 14 “Contingent Earn-Out Awards”).

In accordance with ASC 815-40, Earn-out Shares issuable to Legacy Matterport common stockholders in respect of such common stock are not solely indexed to the common stock and therefore are accounted for as contingent earn-out liability on the consolidated balance sheet at the reverse recapitalization date and subsequently remeasured at each reporting date with changes in fair value recorded as a component of other income (expense), net in the consolidated statements of operations. If the applicable triggering event is achieved for a tranche, the Company will reclassify the outstanding earn-out liability to additional paid-in capital upon triggering event and account for the Earn-out Shares for such tranche as issued and outstanding common stock upon the share release.

Earn-out Shares issuable to certain holders of Legacy Matterport stock options and RSUs in respect of such stock options and RSUs (the “Earn-out Awards”) are subject to forfeiture and are accounted for in accordance with ASC 718. The Company measures and recognizes stock-compensation expense based on the fair value of the Earn-out Awards over the derived service period for each tranche. Forfeitures are accounted for as they occur.

Upon the forfeiture of Earn-out Shares issuable to any eligible holder of Legacy Matterport stock options and RSUs, the forfeited Earn-out awards are subject to reallocation and grant on a pro rata basis to the remaining eligible Legacy Matterport stockholders and stock options and RSUs holders. The reallocated issuable shares to Legacy Matterport common stockholders are recognized as contingent earn-out liability, and the reallocated issuable shares to Legacy Matterport stock options and RSUs holders are recognized as stock-based compensation over the remaining derived service period based on the fair value on the date of the reallocation.

The estimated fair value of the Earn-out Shares is allocated proportionally to contingent earn-out liability and the grant date fair value of the Earn-out Awards. The estimated fair value of the Earn-out Shares is determined using a Monte Carlo simulation prioritizing the most reliable information available. The assumptions utilized in the calculation are based on the achievement of certain stock price milestones, including the current price of shares of Class A common stock, expected volatility, risk-free rate, expected term and dividend rate. The contingent earn-out liability is categorized as a Level 3 fair value measurement because the Company estimates projections during the Earn-out Period utilizing unobservable inputs. See Note 8 “Fair Value Measurement” and Note 14 “Contingent Earn-Out Awards” for additional information.

All six Earn-out Triggering Events occurred as of January 18, 2022, which resulted in the Company issuing an aggregate of 21.5 million Earn-out Shares to the eligible Legacy Matterport stockholders and Legacy Matterport RSU and stock option holders, which reflects the withholding of approximately 2.0 million Earn-out Shares to cover tax obligations. Refer to Note 14 “Contingent Earn-out Awards” and Note 15 “Stock Plan” for additional information.

Comprehensive Loss and Foreign Currency Translation

The functional currency of Matterport, Inc. and its wholly owned subsidiaries in Singapore and Japan is the U.S. dollar. Prior to January 1, 2022, Matterport, Inc.'s United Kingdom ("U.K.") subsidiary used the British Pound as its functional currency to maintain its books and records. Effective January 1, 2022, the Company considered the economic factors outlined in Financial Accounting Standards Board ("FASB") ASC *Topic No. 830 — Foreign Currency Matters* in the determination of the functional currency and concluded that the predominance of factors supports the change in functional currency to the U.S. dollar for the U.K. subsidiary. The Company translates its monetary assets and liabilities for its subsidiaries with a functional currency other than the U.S. dollar by using the applicable exchange rate as of the consolidated balance sheet date, and the consolidated statements of comprehensive loss and consolidated statements of cash flows are translated at average exchange rates during the reporting period. Equity accounts are translated at historical rates. Adjustments resulting from the translation of the consolidated financial statements are recorded as accumulated other comprehensive income or loss.

For transactions that occur in a foreign currency other than the functional currency of Matterport, Inc. or its subsidiaries, the Company records the transaction at the applicable rate on the date of recognition. Monetary assets and liabilities are remeasured at each consolidated balance sheet date until settled and changes are reported as transaction gains or losses in other income (expense), net in the consolidated statements of comprehensive loss.

Revenue Recognition

In accordance with ASU 2014-09, Revenue from Contracts with Customers ("ASC 606"), the Company determines 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. The Company recognizes revenue upon transfer of control of goods or services to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Nature of Revenue

The Company recognizes revenue from subscription, license, services and sale of products.

Subscription — Revenues comprise of fees that provide customer access to ordered subscription services. Customers have the ability to select from several levels of subscription to the Matterport platform ("Subscription Levels"). Each selected Subscription Level includes Subscription Level-specific features and Subscription Level-specific pricing for add-ons that are available to the user at any time during the subscription term.

Subscription fees are invoiced in advance of the service being provided to the customer. Typical payment terms provide that customers pay within 30 days of invoice. The portion of the transaction price allocated to the subscription is recognized ratably over the subscription term, which typically ranges from one month to a year as the Company's management has concluded that the nature of the Company's promise to the customer is to provide continuous access to the Matterport platform, which represents a stand-ready obligation provided throughout the subscription period. Annual and monthly subscriptions are renewed automatically at the end of each term.

The Company's contracts with customers typically do not include termination rights for convenience, nor do they include terms with a significant financing component.

License — The Company provides a perpetual license to spatial data assets in exchange for a fixed license fee. The license represents right-to-use intellectual property and revenue is recognized at the point in time control of license transfers to the customer.

Services — The Company provides capture services of spatial data and other add-on services to existing subscription customers. Capture services and other add-on services are typically invoiced in advance or in arrears on a monthly basis as services are provided. The Company recognizes revenue as the services are delivered.

Product — The Company provides 3D capture cameras and third-party capture devices to customers. Cameras are invoiced upon shipment or at the point of sale. The portion of the transaction price allocated to the camera is recognized upon control transferring to the customer. Revenue from sales to end users is recognized upon shipment, net of estimates of returns, as these buyers are entitled to return the camera within 30 days from the date of purchase for a full refund. These rights are accounted for as variable consideration and recognized as a reduction to the revenue recognized. Estimates of returns are made at contract inception and updated each reporting period. Revenue from sales to value-added resellers is recognized upon shipment and resellers do not have rights of return.

The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill the Company's promise to transfer the associated products, rather than as a separate performance obligation. Accordingly, the Company records amounts billed for shipping and handling costs as a component of net product sales and classifies such costs as a component of cost of products.

Arrangements with Multiple Performance Obligations

The Company's contracts with customers frequently include multiple performance obligations that may consist of subscription, license, services and products. For these contracts, the transaction price is allocated to each performance obligation on a relative SSP. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation.

The Company determines SSP based on the Company's best estimates and judgments by considering its pricing strategies, historical selling price of these performance obligations in similar transactions, bundling and discounting practices, customer and geographic information, and other factors. More than one SSP may exist for individual goods and services due to the stratification of those goods and services, considering attributes such as the size of the customer and geographic region. The allocation of transaction price among performance obligations in a contract may impact the amount and timing of revenue recognized in the consolidated statements of operations during a given period.

Deferred Commission, Net

Incremental costs of obtaining a contract with a customer consist primarily of direct sales commissions incurred upon execution of the contract. These costs require capitalization under ASC 340-40, *Other Assets and Deferred Costs — Contracts and Customers*, and amortization over the estimated period over which the benefit is expected to be received as direct sales commissions paid for subscription renewals are not commensurate with the amounts paid for initial contracts. The Company applies the practical expedient and expenses commissions when incurred if the amortization period is one year or less. The capitalized direct commission costs are included in other assets on the Company's consolidated balance sheets and the amortization of these costs is included in selling, general, and administrative in the Company's consolidated statements of operations. Deferred commission, net was $7.0 million and $4.4 million as of December 31, 2023 and 2022, respectively.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general, and administrative in the consolidated statements of operations. Advertising expense was $8.9 million, $17.3 million, and $10.5 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of salaries, consulting services, and other direct expenses.

Internal-Use Software Development Costs

The Company capitalizes certain costs related to developed or modified software solely for its internal use and cloud-based applications used to deliver the Matterport platform. The Company capitalizes costs during the application development stage once the preliminary project stage is complete, management authorizes and commits to funding the project, and it is probable that the project will be completed and that the software will be used to perform the function intended. Costs related to preliminary project activities and post-implementation activities are expensed as incurred.

Restructuring Costs

The Company's restructuring costs consist of a one-time payment of termination benefits and the ongoing cost of benefits related to the reduction of its workforce and other costs, and the charges related to the cease use of certain facilities to align with the Company's anticipated operating needs. The timing of recognition for severance costs depends on whether employees are required to render service until they are terminated in order to receive the termination benefits. If employees are required to render service until they are terminated in order to receive the termination benefits, a liability is recognized ratably over the future service period. Otherwise, a liability is recognized when management has committed to a restructuring plan and has communicated those actions to employees. Employee termination benefit costs covered by existing benefit arrangements are recognized when management has committed to a restructuring plan and has determined the severance costs are probable and estimable. Other costs primarily consist of cease use charges for the related operating lease right-of-use assets for office leases, which are recognized ratably from the decision date to the cease-use date.

Stock-Based Compensation

The Company measures and records the expense related to stock-based payment awards based on the fair value of those awards as determined on the date of grant. The Company recognizes stock-based compensation expense over the requisite service period of the individual grant, generally equal to the vesting period and uses the straight-line method to recognize stock-based compensation. For stock options with performance conditions, the Company records compensation expense when it is deemed probable that the performance condition will be met. The Company accounts for forfeitures as they occur. The Company 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.

The Company calculates the fair value of options granted by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility — The Company 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 Company's options represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the midpoint of the stock options vesting term and contractual expiration period to compute the expected term, as the Company does 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 U.S. Treasury zero coupon issues with a term that is equal to the options' expected term at the grant date.

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

Common Stock Valuation

In the absence of a public trading market for the Company's common stock prior to the Merger, on each grant date, the fair value of the Company's common stock was determined by the Company's board of directors with inputs from management, taking into account the most recent valuations from an independent third-party valuation specialist. The valuations of the Company's 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 Company used a hybrid method utilizing a combination of the option-pricing model and the probability weighted expected return method ("PWERM") to allocate the Company's equity value among outstanding common stock. After the allocation to the various classes of equity securities, a discount for lack of marketability was applied to arrive at a fair value of common stock. Application of these approaches and methodologies involved the use of estimates, judgments and assumptions that are highly complex and subjective, such as those regarding the Company's 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.

Redeemable Convertible Preferred Stock

The Company records redeemable convertible preferred stock at fair value on the dates of issuance, net of issuance costs. The Company classifies its redeemable convertible preferred stock as mezzanine equity outside of stockholders’ deficit when the stock contains contingent redemption features that are not solely within the Company’s control. The Company does not adjust the carrying values of shares of its redeemable convertible preferred stock to the liquidation preferences of such shares until it is reasonably certain that the event that would obligate the Company to pay the liquidation preferences to the holders of the redeemable convertible preferred stock will occur.

Common Stock Warrants

The Company generally accounts for warrants issued in connection with debt and equity financings as a component of equity unless the warrants include a conditional obligation to issue a variable number of shares or if there is a deemed possibility that the Company may need to settle the warrants in cash, in which case the Company records the fair value of the warrants as a liability.

Income Taxes

The Company utilizes the asset and liability method for computing its income tax provision. Deferred tax assets and liabilities reflect the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities as well as operating loss, capital loss, and tax credit carryforwards, using enacted tax rates. The Company’s management makes estimates, assumptions, and judgments to determine the Company’s provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes recovery is not likely, establishes a valuation allowance.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

Net Loss per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company considers all series of redeemable convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the redeemable convertible preferred stock as the holders of the Company’s redeemable convertible preferred stock do not have a contractual obligation to share in the losses.

Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of stock options, warrants, and redeemable convertible preferred stock. As the Company has reported loss for the periods presented, all potentially dilutive securities are antidilutive, and accordingly, basic net loss per share equals diluted net loss per share.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) reflects gains and losses that are recorded as a component of stockholders’ equity (deficit) and are excluded from net income (loss). Other comprehensive income (loss) consists of foreign currency translation adjustments related to consolidation of foreign entities and unrealized gain (loss) on marketable securities classified as available-for-sale.

Accounting Pronouncements

Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) ("ASU 2016-02" or "Topic 842"), which requires a lessee to recognize right-of-use (ROU) assets and lease liabilities arising from operating and financing leases with terms longer than 12 months on the condensed consolidated balance sheets and to disclose key information about leasing arrangements. The Company adopted the new standard, along with all subsequent ASU clarifications and improvements that are applicable to the Company, effective January 1, 2022 and recorded an ROU asset and lease liability related to its operating leases. The adoption of the standard did not have a material impact on our consolidated statement of operations, comprehensive income (loss), changes in shareholders' equity or cash flows.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contract with Customers, as if it had originated the contracts. The Company adopted this standard effective January 1, 2023, which did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not yet Adopted

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

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

3. REVERSE RECAPITALIZATION

On July 22, 2021, in connection with the Merger, 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 an aggregate purchase price of $295.0 million in a private placement pursuant to the subscription agreements ("Private Investment in Public Equity" or "PIPE") at $10.00 per share of Gores Class A common stock. The Company paid $0.9 million to Gores' stockholders who redeemed Gores' Class A common stock immediately prior to the Closing. The Company and Gores incurred $10.0 million and $26.3 million transaction costs, respectively. The total transaction cost was $36.3 million, consisting of underwriting, legal, and other professional fees, of which $35.7 million was recorded to additional paid-in capital as a reduction of proceeds and the remaining $0.6 million was expensed immediately upon the Closing. The aggregate consideration paid to Legacy Matterport stockholders in connection with the Merger (excluding any potential Earn-Out Shares), was 218,875,000 shares of the Company Class A common stock, par value $0.0001 per share. The per share Matterport stock consideration was equal to approximately 4.1193 (the "Exchange Ratio").

The following transactions were completed concurrently upon the Closing:

- immediately prior to the Closing, 52,236 shares of Series D redeemable convertible preferred stock of Legacy Matterport were issued to a customer of Legacy Matterport.

- each issued and outstanding share of Legacy Matterport preferred stock was canceled and converted into the right to receive a total of 126,460,926 shares of the Matterport Class A common stock;
- each Legacy Matterport warrant was exercised in full in exchange for the issuance of 1,038,444 shares of Matterport Class A common stock to the holder of such Matterport warrant;
- each issued and outstanding share of Legacy Matterport common stock (including the items mentioned in above points) was canceled and converted into the right to receive an aggregate number of shares of Matterport Class A common stock equal to the per share Matterport stock consideration;
- each outstanding vested and unvested Legacy Matterport common stock option was converted into a rollover option, exercisable for shares of Matterport Class A common 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 Legacy Matterport RSU was converted into a rollover RSU for shares of Matterport Class A common stock with the same terms except for the number of shares, which were adjusted using the per share Matterport stock consideration

The Merger was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Gores was treated as the "acquired" company for financial reporting purposes. This determination was primarily based on holders of Matterport capital stock comprising a relative majority of the voting power of the combined entity upon consummation of the Merger 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 Merger represented a continuation of the financial statements of Matterport with the Merger being treated as the equivalent of Matterport issuing stock for the net assets of Gores, accompanied by a recapitalization. The net assets of Gores are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Merger are presented as those of Matterport in future reports of the combined entity. All periods prior to the Merger have been retroactively adjusted using the Exchange Ratio for the equivalent number of shares outstanding immediately after the Merger to effect the reverse recapitalization.

The number of shares of Class A common stock issued immediately following the consummation of the Merger was as follows (shares are in thousands):

	Shares
Legacy Matterport Stockholders(1)	169,425
Public Stockholders of Gores	34,406
Initial Stockholders (defined below) of Class F Common Stock(2)	8,625
PIPE Investors(3)	29,500
Total	241,956

(1) Excludes 23,460,000 shares of Class A common stock issuable in earn-out arrangement 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) Represents shares of Class A common stock issued into which shares of Class F common stock, par value of $0.0001 per share, of the Company were converted upon the consummation of the Merger. Excludes 4,079,000 shares of Class A common stock purchased under the Sponsor Subscription Agreement and excludes 15,000 shares of Class A common stock purchased by the Initial Stockholders (excluding the Sponsor) in the PIPE. Gores Holdings VI Sponsor, LLC, a Delaware limited liability company, Mr. Randall Bort, Ms. Elizabeth Marcellino and Ms. Nancy Tellem, Gores' independent directors, are collectively noted as "Initial Stockholders."
(3) Includes the Initial Stockholders' ownership of 4,079,000 shares of Class A common stock purchased under the Sponsor Subscription Agreement and includes 15,000 shares of Class A common stock purchased by the Initial Stockholders (excluding the Sponsor) in the PIPE.

4. REVENUE

Disaggregated Revenue—The following table shows the revenue by geography for the years ended December 31, 2023, 2022, and 2021, respectively (in thousands):

	Year ended December 31,		
	2023	2022	2021
Revenue:			
United States	$ 100,164	$ 81,842	$ 67,544
International	57,584	54,283	43,630
Total revenue	$ 157,748	$ 136,125	$ 111,174

No country other than the United States accounted for more than 10% of the Company's revenue for the years ended December 31, 2023, 2022, and 2021, 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 years ended December 31, 2023, 2022, and 2021, respectively (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Over time revenue	$ 124,859	$ 101,057	$ 73,867
Point-in-time revenue	32,889	35,068	37,307
Total	$ 157,748	$ 136,125	$ 111,174

Contract Asset and Liability Balances—Contract assets consist of unbilled accounts receivable and are recorded when revenue is recognized in advance of scheduled billings. 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 consolidated balance sheets. The accounts receivable and contract balances as of December 31, 2023 and 2022 were as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Accounts receivable, net	$ 15,094	$ 19,037
Unbilled accounts receivable	$ 1,831	$ 1,807
Deferred revenue	$ 26,435	$ 17,932

During fiscal years 2023, 2022, and 2021, the Company recognized revenue of $14.6 million, $9.2 million, and $4.5 million that was included in the deferred revenue balance at the beginning of the fiscal year, respectively. Contracted but unsatisfied performance obligations were $64.7 million and $47.0 million at the end of fiscal years 2023 and 2022, respectively 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 fiscal year 2023 were $43.6 million and the remaining obligations are expected to be recognized thereafter.

As of December 31, 2023, the contracted but unsatisfied or partially unsatisfied performance obligations expected to be recognized are as follows (in thousands):

		Amount
Fiscal years ending December 31,		
2024	$	43,568
2025	$	12,183
2026	$	5,492
2027	$	1,950
2028	$	1,525
Thereafter	$	—
Total	$	64,718

5. ACQUISITIONS

VHT, Inc. Acquisition

On June 10, 2022, the Company entered into an Agreement and Plan of Merger (the "Purchase Agreement") with VHT, Inc. ("VHT"), known as VHT Studios, a U.S.-based real estate marketing company that offers brokerages and agents digital solutions to promote and sell properties. On July 7, 2022 (the "VHT Acquisition Date"), pursuant to the Purchase Agreement, the Company completed the acquisition of VHT (the "VHT Acquisition"), which expands Matterport Capture Services by bringing together Matterport digital twins with professional photography, drone capture and marketing services. With this acquisition, the Company aims to increase adoption of digital twin technology and expand further into the residential real estate industry while adding marketing services for other key markets such as commercial real estate, travel and hospitality, and the retail sector.

Under the terms of the Purchase Agreement, the consideration consisted of an all-cash purchase price of $23.0 million subject to certain adjustments based on a determination of closing net working capital, transaction expenses, cash and investments and closing indebtedness. The total purchase consideration for the VHT Acquisition was $22.7 million.

The Company has accounted for the VHT Acquisition as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on the estimated fair values at the VHT Acquisition Date, as presented in the following table (in thousands):

	Amount
Goodwill	$ 15,603
Identified intangible assets	6,900
Net assets acquired	215
Total	$ 22,718

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from leveraging VHT's customer relationships. The goodwill is not deductible for income tax purposes.

The following table summarizes the estimated fair values and estimated useful lives of the components of identifiable intangible assets acquired as of the VHT Acquisition Date (in thousands, except years):

	Fair Value	Estimated Useful Life
Customer Relationships	$ 6,900	10 years

Customer relationships represent the fair value of future projected revenue that will be derived from sales to existing customers of VHT. The economic useful life was determined based on historical customer turnover rates and industry benchmarks.

The fair value of customer relationships was estimated using the multi-period excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. Significant assumptions used in the discounted cash flow analysis for direct customer relationships were the revenue growth rate, customer attrition rate, earnings before interest, taxes, depreciation, and amortization ("EBITDA") margins, and discount rate.

Unaudited Pro Forma Financial Information

The following table summarizes the pro forma consolidated information for the Company assuming the acquisition of VHT had occurred as of January 1, 2021. The unaudited pro forma information for all periods presented includes the business combination accounting effects resulting from the acquisition, including amortization for intangible assets acquired and acquisition-related charges. The unaudited pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal year 2021.

(in thousands, except per share data)	Year Ended December 31, 2022		2021	
Total revenue	$	146,573	$	129,840
Net loss	$	(110,625)	$	(338,927)
Basic earnings per share	$	(0.39)	$	(2.58)
Diluted earnings per share	$	(0.39)	$	(2.58)

Enview Inc. Acquisition

On January 5, 2022 (the “Enview Acquisition Date”), the Company completed the acquisition (the “Enview Acquisition”) of Enview, Inc. (“Enview”), a privately-held company engaged in the development of AI algorithms to identify natural and man-made features in geospatial data using various techniques. The Company has completed the purchase accounting with a total purchase consideration for the Enview Acquisition of $64.3 million. The total purchase consideration consisted of the following (in thousands):

	Amount	
Cash[(1)]	$	39,336
Common stock (1.6 million shares)[(2)]		24,988
Total	$	64,324

(1) The Company paid $4.3 million and $35.0 million in cash consideration during the year ended December 31, 2023 and 2022.
(2) On the Enview Acquisition Date, the Company's closing stock price was $15.73 per share. The Company issued 0.4 million and 1.2 million shares during the year ended December 31, 2023 and 2022, respectively.

The Company has accounted for the Enview Acquisition as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on the fair values at the Enview Acquisition Date. The purchase price allocation includes adjustments for additional information that existed as of the Enview Acquisition Date but at that time was unknown and became known during the measurement period of 12 months from the Enview Acquisition Date. The following table summarizes the allocation of purchase consideration on the Enview Acquisition Date, inclusive of measurement period adjustments (in thousands):

	Amount	
Goodwill	$	53,990
Identified intangible assets		5,400
Net assets acquired		4,934
Total	$	64,324

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Enview technology with Matterport’s products and services. The goodwill is not deductible for income tax purposes.

The following table summarizes the estimated fair values and estimated useful lives of the components of identifiable intangible assets acquired as of the Enview Acquisition Date (in thousands, except years):

	Fair Value		Estimated Useful Life
Developed technology	$	5,400	5 years

Developed technology relates to existing Enview technology of its AI algorithms to identify natural and man-made features in geospatial data. The economic useful life was determined based on the technology cycle related to the developed technology of existing services, as well as the cash flows anticipated over the forecasted periods.

The fair value of developed technology was estimated using the multi-period excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. Significant assumptions used in the discounted cash flow analysis for the developed technology were the revenue growth rates, EBITDA margins, obsolescence technology factor, and discount rate.

Pro forma results of operations have not been presented because the effects of the Enview Acquisition were not material to the Company's consolidated statements of operations.

6. GOODWILL AND INTANGIBLE ASSETS

The Company performed its annual impairment analysis of goodwill during the fourth quarter of fiscal year 2023 and concluded that it was more likely than not that the fair value of its reporting unit exceeds its carrying amount. In assessing the qualitative factors, the Company considered the impact of these key factors: change in industry and competitive environment, growth in market capitalization, and budgeted-to-actual revenue performance for the twelve months ended December 31, 2023. There have been no triggering events identified affecting the valuation of goodwill subsequent to the annual impairment test.

Goodwill—As of December 31, 2023 and 2022, goodwill was $69.6 million.

Purchased Intangible Assets—The following table presents details of the Company's purchased intangible assets as of December 31, 2023 and 2022 (in thousands).

	December 31, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Developed technology	$ 5,400	$ (2,146)	$ 3,254	$ 5,400	$ (1,065)	$ 4,335
Customer relationships	6,900	(1,034)	5,866	6,900	(345)	6,555
Total	$ 12,300	$ (3,180)	$ 9,120	$ 12,300	$ (1,410)	$ 10,890

The Company recognized amortization expense of $1.8 million, $1.4 million and nil, for the years ended December 31, 2023, 2022, and 2021, respectively.

The following table summarizes estimated future amortization expense for the Company's intangible assets as of December 31, 2023 (in thousands):

	Amount
2024	$ 1,770
2025	1,770
2026	1,770
2027	705
2028 and thereafter	3,105
Total future amortization expense	$ 9,120

7. BALANCE SHEET COMPONENTS

Allowance for Doubtful Accounts—Allowance for doubtful accounts as of December 31, 2023, 2022, and 2021 and the rollforward for the years ended December 31, 2023, 2022 and 2021 were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Balance—beginning of period	$ (1,212)	$ (291)	$ (799)
Increase in reserves	(601)	(1,245)	(222)
Write-offs	658	324	730
Balance—end of period	$ (1,155)	$ (1,212)	$ (291)

Inventories—Inventories as of December 31, 2023 and 2022, consisted of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Finished goods	$ 6,179	$ 2,112
Work in process	826	3,477
Purchased parts and raw materials	2,110	5,472
Total inventories	$ 9,115	$ 11,061

Property and Equipment, Net—Property and equipment as of December 31, 2023 and 2022, consisted of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Machinery and equipment	$ 4,087	$ 3,948
Furniture and fixtures	355	355
Leasehold improvements	713	734
Capitalized software and development costs	75,123	55,662
Total property and equipment	80,278	60,699
Accumulated depreciation and amortization	(47,807)	(30,140)
Total property and equipment, net	$ 32,471	$ 30,559

Depreciation and amortization expenses of property and equipment were $17.7 million, $11.9 million and $5.8 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Additions to capitalized software and development costs, inclusive of stock-based compensation in the years ended December 31, 2023, 2022, and 2021, was $19.5 million, $26.7 million and $10.8 million, respectively. These are recorded as part of property and equipment, net on the consolidated balance sheets. Amortization expense was $16.9 million, $11.2 million and $5.5 million for years ended December 31, 2023, 2022, and 2021, respectively, of which $15.5 million, $10.2 million and $4.7 million was recorded to costs of revenue related to subscription and $1.4 million, $1.0 million and $0.8 million to selling, general and administrative in the consolidated statements of operations, respectively.

Accrued Expenses and Other Current Liabilities—Accrued expenses and other current liabilities as of December 31, 2023 and 2022, consisted of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Accrued compensation	$ 4,362	$ 5,609
Tax payable	1,107	1,669
ESPP contribution	243	341
Current unpaid acquisition consideration	—	6,109
Short-term operating lease liabilities	1,277	1,267
Accrued loss on firm inventory purchase commitments	36	3,991
Other current liabilities	6,329	4,930
Total accrued expenses and other current liabilities	$ 13,354	$ 23,916

8. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 51,557	$ —	$ —	$ 51,557
Total cash equivalents	$ 51,557	$ —	$ —	$ 51,557
Short-term investments:				
U.S. government and agency securities	$ 181,714	$ —	$ —	$ 181,714
Non-U.S. government and agency securities	—	24,946	—	24,946
Corporate debt securities	—	114,113	—	114,113
Commercial paper	—	35,042	—	35,042
Total short-term investments	$ 181,714	$ 174,101	$ —	$ 355,815
Long-term investments:				
Corporate debt securities	$ —	$ 3,959	$ —	$ 3,959
Total long-term investments	$ —	$ 3,959	$ —	$ 3,959
Total assets measured at fair value	$ 233,271	$ 178,060	$ —	$ 411,331
Financial Liabilities:				
Private warrants liability	$ —	$ —	$ 803	$ 803
Total liabilities measured at fair value	$ —	$ —	$ 803	$ 803

Our Private Warrants transferred from Level 2 to Level 3 upon the ceasing of trading activity of our Public Warrants in an active market in January 2022, see Note 13. There were no transfers among the investment fair value hierarchy during the year ended December 31, 2023. The fair value hierarchy transfer activity and the changes in fair value of our private warrants were as follows (in thousands):

	Amount
Balance as of December 31, 2021	$ —
Transfer of Private Warrants from Level 2 to Level 3	3,416
Change in fair value	(2,613)
Balance as of December 31, 2022	$ 803
Change in fair value	(513)
Balance as of December 31, 2023	$ 290

Available-for-sale Debt Securities

The following table summarizes the amortized cost, unrealized gains and losses, and fair value of our available-for-sale debt securities as of December 31, 2023 and 2022 (in thousands):

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

	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investments:				
U.S. government and agency securities	$ 185,371	$ —	$ (3,657)	$ 181,714
Non-U.S. government and agency securities	24,989	—	(44)	24,945
Corporate debt securities	119,396	—	(1,324)	118,072
Commercial paper	35,052	—	(9)	35,043
Total available-for-sale investments	$ 364,808	$ —	$ (5,034)	$ 359,774

As of December 31, 2023, the gross unrealized losses were not material. As of December 31, 2022, the gross unrealized losses that have been in a continuous unrealized loss position for less than 12 months were $0.2 million, which were related to $49.4 million of available-for-sale debt securities, and the gross unrealized losses that have been in a continuous unrealized loss position for more than 12 months were $4.8 million, which were related to $291.0 million of available-for-sale debt securities.

Unrealized losses related to these securities are due to interest rate fluctuations as opposed to credit quality. In addition, we do not intend to sell and it is not likely that we would be required to sell these securities before recovery of their amortized cost basis, which may be at maturity. We did not recognize any credit losses related to our available-for-sale debt securities during the years ended December 31, 2023 and 2022.

In January 2021, Legacy Matterport entered a convertible note agreement with a privately-held company as a strategic investment for a principal of $1.0 million. The note bears an interest rate of 5.0% per annum and originally matured 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 asset, 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. The convertible note became uncollectible due to the change of the privately-held company’s financial condition as of December 31, 2022. Although we amended and extended the repayment term to January 2024, we recognized a full impairment loss of $1.1 million in the year ended December 31, 2022, including the amortized-based cost of $1.0 million and the previously accrued interest of $0.1 million.

The following table summarizes the amortized cost and fair value of our available-for-sale debt securities as of December 31, 2023, by contractual years-to-maturity (in thousands):

	Amortized Cost	Fair Value
Due within one year	$ 304,918	$ 305,264
Due between one and three years	34,725	34,834
Total	$ 339,643	$ 340,098

9. DEBT

2015 Term Loan and Line of Credit—On September 16, 2019, the Company amended and restated the Loan and Security Agreement (the "2015 Agreement") entered into on May 20, 2015 and restated on May 22, 2017 (the "2015 Amended and Restated Agreement") and October 26, 2017 (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 Amendment. The term loan matures on May 1, 2023. The Company was 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.

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. The interest rates for the term loan and the revolving line of credit were 5.25%. In July 2021, the Company repaid in full the line of credit of $3.0 million.

For years ended December 31, 2023, 2022, and 2021, the Company recorded nil, nil, and $0.2 million of interest expenses under the 2019 Term Loan and the Line of Credit, respectively. The Company repaid $2.4 million of principal outstanding under the 2019 Term Loan during the year ended December 31, 2021. The 2015 Term Loan was fully repaid as of September 30, 2021.

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 was repayable in 48 monthly scheduled installments commencing on May 1, 2018. The Company was 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 was fixed at 11.5% per annum.

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 accreted the final payment liability up to the redemption amount as part of the 2018 Agreement term loan balance and recognized interest expense over the term of the loan.

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.

For the years ended December 31, 2023, 2022, and 2021, the Company recorded nil, nil, and $0.3 million of interest expense, respectively. For the year ended December 31, 2021, the Company repaid $5.6 million of principal outstanding under the 2018 Agreement. The amount repaid in the year ended December 31, 2021 included a $0.5 million required final payment fee pursuant to the 2018 Agreement and $0.1 million prepayment fee as the Company fully repaid the 2018 Term Loan in July 2021. The Company recorded $0.1 million loss on the extinguishment for the year ended December 31, 2021.

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 was provided under two facilities: facility A was comprised of $1.0 million maturing in 36 months, and facility B was 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 was $0.1 million. The principal was payable in 24 equal installments commencing on May 31, 2021 through April 30, 2023. The interest rate was fixed at 4.75% per annum.

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 were amortized as additional interest expense over the term of the agreement.

For the years ended December 31, 2023, 2022, and 2021, the Company recorded nil, nil, and $0.2 million of interest expense, respectively. The Company started repayment of principal in May 2021 and repaid $2.0 million of principal outstanding in the year ended December 31, 2021. The Company fully repaid the 2020 Term Loan and recorded $0.1 million loss on the 2018 Term Loan extinguishment for year ended December 31, 2021.

The Company fully repaid all debt as of December 31, 2021.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company's lease arrangements comprise of operating leases with various expiration dates through the first quarter of 2025. The lease term for all of the Company's leases includes the noncancellable period of the lease. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore are not factored into our determination of the duration of the lease arrangement.

The Company's leases do not contain any material residual value guarantees.

During the years ended December 31, 2023 and 2022, the total operating lease costs were $1.9 million and $2.1 million, respectively, which included immaterial short-term lease costs. Total variable lease costs were immaterial during the years ended December 31, 2023 and 2022. The total operating and variable lease costs were included in cost of goods sold, research and development, and selling, general and administrative expenses in the Company's consolidated statement of operations.

Rent expense for the year ended December 31, 2021 was $1.8 million, prior to our adoption of the new lease guidance.

Average lease terms and discount rates were as follows:

	Year Ended December 31,	
	2023	**2022**
Weighted-average remaining lease terms (in years)	1.2	2.1
Weighted-average discount rate	3.3 %	3.3 %

For the years ended December 31, 2023 and 2022, cash paid for amounts included in the measurement of operating lease liabilities was $1.3 million and $1.2 million, respectively. There were no right-of-use assets obtained in exchange for new operating lease liabilities for the year ended December 31, 2023 and 2022, as the Company did not enter any new leases.

The following table presents maturities of operating lease liabilities as of December 31, 2023 (in thousands):

		Amount
Fiscal years ending December 31,		
2024	$	1,306
2025		207
2026		—
Thereafter		—
Total operating lease payments		1,513
Less: imputed interest		(30)
Present value of operating lease liabilities	$	1,483
Current portion of operating lease liabilities [1]	$	1,277
Long-term operating lease liabilities [2]	$	206

(1) Current portion of operating lease liabilities is included in accrued expenses and other current liabilities in the consolidated balance sheet.
(2) Long-term portion of operating lease liabilities is included in other long-term liabilities in the consolidated balance sheet.

Purchase Obligation—The Company has purchase obligations, which includes agreements and issued purchase orders containing non-cancelable payment terms to purchase goods and services. As of December 31, 2023, future minimum purchase obligations are as follows (in thousands):

		Purchase Obligations
2024	$	16,554
2025		243
2026 and thereafter		—
Total	$	16,797

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

On July 23, 2021, plaintiff William J. Brown, a former employee and a shareholder of Matterport, Inc. (now known as Matterport Operating, LLC) ("Legacy Matterport"), sued Legacy Matterport, Gores Holdings VI, Inc. (now known as Matterport, Inc.), Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors R.J. Pittman, David Gausebeck, Matt Bell, Peter Hebert, Jason Krikorian, Carlos Kokron and Michael Gustafson (collectively, the "Defendants") in the Court of Chancery of the State of Delaware. The plaintiff's initial complaint claimed that Defendants imposed invalid transfer restrictions on his shares of Matterport stock in connection with the merger transactions between Matterport, Inc. and Legacy Matterport (the "Transfer Restrictions"), and that Legacy Matterport's board of directors violated their fiduciary duties in connection with a purportedly misleading letter of transmittal. The initial complaint sought damages and costs, as well as a declaration from the court that he may freely transfer his shares of Class A common stock of Matterport received in connection with the merger transactions. An expedited trial regarding the facial validity of the Transfer Restrictions took place in December 2021. On January 11, 2022, the court issued a ruling that the Transfer Restrictions did not apply to the plaintiff. The opinion did not address the validity of the Transfer Restrictions more broadly. Matterport filed a notice of appeal of the court's ruling on February 8, 2022, and a hearing was held in front of the Delaware Supreme Court on July 13, 2022, after which the appellate court affirmed the lower court's ruling. Separate proceedings regarding the plaintiff's remaining claims are pending. The plaintiff filed a Third Amended Complaint on September 16, 2022, which asserts the causes of action described above but omits as defendants Maker Merger Sub Inc., Maker Merger Sub II, LLC, and Legacy Matterport directors David Gausebeck, Matt Bell, and Carlos Kokron, and adds an additional cause of action alleging that Matterport, Inc. violated the Delaware Uniform Commercial Code by failing to timely register Brown's requested transfer of Matterport, Inc. shares. The remaining defendants' answer to the Third

Amended Complaint was filed on November 9, 2022, and the parties have completed discovery. Trial was held in November 2023 and a post-trial hearing was held on February 22, 2024.

On February 1, 2024, two stockholders, Laurie Hanna and Vasana Smith (collectively "Plaintiffs") filed a complaint derivatively on behalf of Matterport, Inc. against R.J. Pittman, Michael Gustafson, Peter Hebert, James Krikorian, James Daniel Fay, David Gausebeck, Japjit Tulsi, Judi Otteson, Jay Remley, and numerous shareholders of Matterport, Inc. (collectively "Defendants") in the Court of Chancery of the State of Delaware. The complaint alleges that the issuance of 23,460,000 Earn-Out shares worth $225 million was a breach of fiduciary duty and an act of corporate waste, which unjustly enriched recipients of the Earn-Out shares at the expense of Matterport and its common stockholders. Specifically, the Plaintiffs allege that issuance of the Earn-Out Shares violated the February 7, 2021 Agreement and Plan of Merger pursuant to which Legacy Matterport and Gores Holding VI, a publicly listed special purpose acquisition company, and two Gores subsidiaries merged, providing Legacy Matterport shareholders with shares of the surviving public company which took the name Matterport. The complaint seeks disgorgement all unjust enrichment by the Defendants, an award of compensatory damages to Matterport, an award of costs and disbursements to the Plaintiffs, as well as a declaration that Plaintiffs may maintain the action on behalf of Matterport and that Plaintiffs are adequate representatives of Matterport, and a finding that demand on the Matterport board is excused as futile.

On July 20, 2021, the Company, then operating under the name Gores Holdings VI, Inc., held a special meeting of stockholders (the "2021 Special Meeting") in lieu of the 2021 annual meeting of the Company's stockholders to approve certain matters relating to its proposed business combination with Matterport, Inc., Maker Merger Sub, Inc. and Maker Merger Sub II, LLC. One of these matters was a proposal to adopt the Second Amended and Restated Certificate of Incorporation of the Company (the "New Certificate of Incorporation"), which, among other things, increased the total number of authorized shares of the Company's Class A common stock, par value $0.0001 per share (the "Class A common stock"), from 400,000,000 shares to 600,000,000 shares. The New Certificate of Incorporation was approved by a majority of the shares of Class A common stock and the Company's Class F common stock, par value $0.0001 per share (the "Class F common stock"), voting together as a single class, that were outstanding as of the record date for the 2021 Special Meeting. After the 2021 Special Meeting, the business combination was consummated and the New Certificate of Incorporation became effective. A December 2022 decision of the Delaware Court of Chancery (the "Court of Chancery") has created uncertainty as to whether Section 242(b)(2) of the Delaware General Corporation Law ("DGCL") would have required the New Certificate of Incorporation to be approved by a separate vote of the majority of the Company's then-outstanding shares of Class A common stock, in addition to a majority of the shares of Class A common stock and Class F common stock voting together. The Company continues to believe that a separate vote of Class A common stock was not required to approve the New Certificate of Incorporation. However, in light of the Court of Chancery decision, on February 16, 2023, the Company filed a petition (the "Petition") in the Court of Chancery pursuant to Section 205 of the DGCL seeking validation of the New Certificate of Incorporation, and the shares issued in reliance on the effectiveness of the New Certificate of Incorporation to resolve any uncertainty with respect to those matters. Section 205 of the DGCL permits the Court of Chancery, at its discretion, to ratify and validate potentially defective corporate acts and stock after considering a variety of factors. On March 14, 2023, the Court of Chancery granted the Petition validating the New Certificate of Incorporation and all shares of capital stock issued in reliance on the effectiveness of the New Certificate of Incorporation.

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

On January 29, 2021, Legacy Matterport received a voluntary request for information from the Division of Enforcement of the SEC relating to certain sales and repurchases of its securities in the secondary market. We believe we have complied fully with the request. We have not received any updates from the SEC as to the scope, duration or ultimate resolution of the investigation.

The Company monitors developments in these legal matters that could affect the estimate if the Company had previously accrued. As of December 31, 2023, 2022 and 2021, 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 provide for indemnification by the Company of varying scope and terms to customers, vendors, directors, officers, employees and other parties with respect to certain matters. Indemnification includes losses from breach of such agreements, services provided by the Company, or third-party intellectual property infringement claims. These indemnities may survive termination of the underlying agreement and the maximum potential amount of future indemnification payments, in some circumstances, are not subject to a cap. As of December 31, 2023, there were no known events or circumstances that have resulted in a material indemnification liability.

11. REDEEMABLE CONVERTIBLE PREFERRED STOCK

Upon the Closing on July 22, 2021, all issued and outstanding shares of Legacy Matterport redeemable convertible preferred stock was cancelled and converted into the right to receive an aggregate 126,460,926 shares of Matterport Class A common stock. A total of $164.5 million redeemable convertible preferred stock was reclassified into common stock and additional paid-in capital on the consolidated balance sheet.

12. STOCKHOLDERS' EQUITY

On July 22, 2021, the Company issued 72.5 million Matterport Class A common shares to public stockholders of Gores, Initial Stockholders of Class F Stock, and PIPE investors for aggregate gross proceeds of $640.1 million. The Company paid $0.9 million to Gores' stockholders who redeemed Gores' Class A common stock immediately prior to the Closing. The Company and Gores incurred $10.0 million and $26.3 million transaction costs, respectively. The total transaction cost was $36.3 million, consisting of underwriting, legal and other professional fees, of which $35.7 million was recorded to additional paid-in capital as a reduction of proceeds and the remaining $0.6 million was expensed immediately.

The Company has retroactively adjusted the shares issued and outstanding prior to July 22, 2021 to give effect to the exchange ratio established in the Merger Agreement to determine the number of shares of common stock into which they were converted. Immediately prior to the Closing, 232.7 million shares were authorized to issue at $0.001 par value. Immediately following the Closing, 670 million shares were authorized to issue at $0.0001 par value, including 640 million shares of common stock and 30 million shares of preferred stock. There were 242.0 million shares of common stock outstanding with a par value of $0.0001 upon the Closing. The holder of each share of common stock is entitled to one vote.

The Company had reserved shares of common stock for future issuance as of December 31, 2023 as follows (in thousands):

	December 31, 2023
Private warrants to purchase common stock	1,708
Common stock options outstanding and unvested RSUs under the Amended and Restated 2011 Stock Incentive Plan	54,259
Shares available for future grant under 2021 Employee Stock Purchase Plan	10,972
Shares available for future grant under 2021 Incentive Award Plan	11,172
Total shares of common stock reserved	78,111

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 9 "Debt". 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.

All previously issued common stock warrants were fully vested and exercisable as of December 31, 2020. 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 warrants will expire immediately prior to the consummation of the acquisition. On July 22, 2021, all the common stock warrants were exercised. The Company issued 1.0 million shares of the Class A common stock to the holders of the common stock warrants upon the Closing.

The company fully amortized the remaining debt discount associated with the above warrants of $0.2 million during the year ended December 31, 2021 upon the full repayment of the debt as discussed Note 9 "Debt".

Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency Translation, Net of Tax	Unrealized Gain/ Losses on Available-for-Sale Debt Securities, Net of Tax	Total
Balance at December 31, 2020	$ 135	$ —	$ 135
Net unrealized loss	(187)	(1,487)	(1,674)
Balance at December 31, 2021	$ (52)	$ (1,487)	$ (1,539)
Net unrealized loss	—	(3,495)	(3,495)
Balance at December 31, 2022	$ (52)	$ (4,982)	$ (5,034)
Net unrealized gain	—	5,437	5,437
Balance at December 31, 2023	$ (52)	$ 455	$ 403

13. PUBLIC AND PRIVATE WARRANTS

Prior to the Closing, Gores issued 6,900,000 Public Warrants and 4,450,000 Private Warrants. Each whole warrant entitles the holder to purchase one share of the Company's Class A common stock at a price of $11.50 per share, subject to adjustments. The Warrants became exercisable on December 15, 2021 and will expire on July 22, 2026, which is five years after the Closing.

Redemption of Public Warrants

Once the Public Warrants become exercisable, the Company may redeem the outstanding warrants for cash, in whole and not in part, upon not less than 30 days' prior written notice of redemption ("Redemption Period") at a price of $0.01 per warrant, if, and only if, the reported last sale price of the common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending three business day before we send the notice of redemption to the Public Warrant holders. If the Company calls the Public Warrants for redemption, the Company will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The warrants holders have the right to exercise their outstanding warrants prior to the scheduled redemption date during the Redemption Period at $11.50 per share.

Commencing 90 days after the Public Warrants become exercisable, we may redeem the outstanding Public Warrants, in whole and not in part, for a price equal to a number of shares of the Company's Class A common stock to be determined based on a predefined rate based on the redemption date and the "fair market value" of the Company's Class A common stock. The "fair market value" of our Class A common stock shall mean the average last reported sale price of our common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Public Warrants upon a minimum of 30 days' prior written notice of redemption to each warrant holder, if, and only if, the last reported sale price of our Class A common stock equals or exceeds $10.00 per share on the trading day prior to the date on which we send the notice of redemption to the warrant holders.

The Private Warrants have terms and provisions that are identical to those of the Warrants sold as part of the Units in the Public Offering, except that the Sponsor has agreed not to transfer, assign or sell any of the Private Warrants (except to certain permitted transferees) until 30 days after the completion of the Merger. Additionally, the Private Warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. The Private Placement Warrants are non-redeemable for cash so long as they are held by the initial purchasers or their permitted transferees.

The Company filed a Registration Statement on Form S-1 on August 19, 2021 related to the issuance of an aggregate of up to 11,350,000 shares of Class A common stock issuable upon the exercise of the Warrants, which was declared effective by the SEC on August 26, 2021. On December 15, 2021, the Company announced to redeem all outstanding

Matterport public warrants that remain outstanding at 5:00 p.m. New York City time on January 14, 2022 (the “Redemption Date”) for a redemption price of $0.01 per warrant. The Public Warrants could be exercised by the holders thereof until 5:00 p.m. New York City time on the Redemption Date to purchase fully paid and non-assessable shares of Common Stock underlying such warrants, at the exercise price of $11.50 per share. Any Public Warrants that remained unexercised at 5:00 p.m. New York City time on the Redemption Date were voided and no longer exercisable, and the holders of those Public Warrants were entitled to receive only the redemption price of $0.01 per warrant.

On January 14, 2022, the Public Warrants ceased trading on the Nasdaq Global Market. As of the Redemption Date of January 14, 2022, a total of 9.1 million shares of Common Stock have been issued upon the exercise of 6.4 million Public Warrants and 2.7 million Private Warrants by the holders thereof at an exercise price of $11.50 per share, resulting in aggregate proceeds to Matterport of $104.4 million, including 7.1 million shares issued upon the exercise of Public Warrants and Private Warrants by the holders with a total proceeds of $76.6 million received during the year ended December 31, 2021 and 2.0 million shares issued upon the exercise of 2.0 million Public Warrants with a total proceeds of $27.8 million received in January 2022. The remaining 0.6 million unexercised and outstanding Public Warrants as of 5:00 p.m. January 14, 2022 New York City time were redeemed at a price of $0.01 per Public Warrant and, as a result, no Public Warrants remained outstanding thereafter. Warrants to purchase Common Stock that were issued under the Warrant Agreement in a private placement simultaneously with the Company’s initial public offering and that are still held by the initial holders thereof or their permitted transferees were not subject to this redemption. A total of 1.7 million Private Warrants remained outstanding as of December 31, 2023.

The following table summarizes the Public and Private Warrants activities during the years ended December 31, 2022 and 2021 (in thousands). There were no activities during fiscal year ended December 31, 2023:

	Public Warrants	Private Warrants	Total Warrants
Warrants assumed upon the Closing of the Merger	6,900	4,450	11,350
Warrants Exercised	(4,348)	(2,742)	(7,090)
Outstanding as of December 31, 2021	2,552	1,708	4,260
Warrants Exercised	(1,993)	—	(1,993)
Warrants Redeemed	(559)	—	(559)
Outstanding as of December 31, 2022	—	1,708	1,708

The Public Warrants were classified as Level 1 because there was adequate trading volume to provide a reliable indication of value from the Closing Date to the Redemption Date. The Private Warrants were classified as Level 2, from the Closing Date until the Redemption Date, because the Private Warrants had similar terms and were subject to substantially the same redemption features as the Public Warrants. The fair value of the Private Warrants was deemed to be substantially the same as the fair value of the Public Warrants. Both the Public Warrants and the Private Warrants were valued at $9.14 and $9.16 as of December 31, 2021, respectively.

As of the Redemption Date, both the Public Warrants and the Private Warrants were valued at $2.00 per unit. Upon the ceasing of trading of the Public Warrants on the Redemption Date, the fair value measurement of Private Warrants transferred from Level 2 to Level 3 and the Company used a Black Scholes model to determine the fair value of the Private Warrants. The primary significant unobservable input used to evaluate the fair value measurement of the Company’s Private Warrants is the expected volatility of the ordinary shares. Significant increases (decreases) in the expected volatility in isolation would result in a significantly higher (lower) fair value measurement. The Private Warrants were valued at $0.17 as of December 31, 2023.

The following table provides the assumptions used to estimate the fair value of the Private Warrants:

	December 31, 2023	December 31, 2022
Current stock price	$ 2.69	$ 2.80
Strike price	$ 11.50	$ 11.50
Expected term (in years)	2.56	3.56
Expected volatility	60.0%	66.0 %
Risk-free interest rate	4.0%	4.2 %
Expected dividend yield	—%	— %

The Warrants are measured at fair value on a recurring basis. The following table presents the changes in the fair value of warrants liability (in thousands) during the years ended December 31, 2023, 2022 and 2021:

	Public Warrants	Private Warrants	Total Warrant Liabilities
Fair value at Closing of the Merger	$ 38,984	$ 25,143	$ 64,127
Change in fair value	29,431	18,939	48,370
Warrants Exercised	(45,086)	(28,437)	(73,523)
Fair value at December 31, 2021	$ 23,329	$ 15,645	$ 38,974
Change in fair value	(12,193)	(14,842)	(27,035)
Warrants Exercised	(10,018)	—	(10,018)
Warrants Redemption	(1,118)	—	(1,118)
Fair value at December 31, 2022	$ —	$ 803	$ 803
Change in fair value	—	(513)	(513)
Fair value at December 31, 2023	$ —	$ 290	$ 290

14. CONTINGENT EARN-OUT AWARDS

Legacy Matterport stockholders and certain holders of Legacy Matterport Stock Options and RSUs were entitled to receive a number of Earn-out Shares comprising up to 23.5 million shares of Class A common stock in the aggregate. There are six distinct tranches, and each tranche has 3.9 million Earn-out Shares. Pursuant to the Merger Agreement, Common Share Price means the share price equal to the volume weighted average price of the Matterport Class A common stock for a period of at least 10 days out of 30 consecutive trading days ending on the trading day immediately prior to the date of determination. If the Common Share Price exceeds $13.00, $15.50, $18.00, $20.50, $23.00, and $25.50, the Earn-out Shares are issuable during the period beginning on the 180th day following the Closing and ending on the fifth anniversary of such date (the “Earn-out Period”). The Earn-out Shares are subject to early release if a change of control that will result in the holders of the Company common stock receiving a per share price equal to or in excess of the price target as above (collectively, the “Earn-Out Triggering Events”).

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 to the Post-Combination Company through the date of the occurrence of the corresponding triggering event 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 Legacy Matterport stockholders and Legacy Matterport Stock Options and RSUs holders who remain entitled to receive Earn-out Shares in accordance with their respective Earn-out pro rata shares.

At the Closing, the estimated fair value of the total Earn-out Shares was $294.8 million. The contingent obligation to issue Earn-out Shares to Legacy Matterport stockholders was accounted for as a liability because the Earn-out Triggering Events that determine the number of Earn-out Shares required to be issued include events that are not solely indexed to the Common Stock of Matterport, Inc. The Earn-out pro rata Shares issuable to holders of Legacy Matterport’s RSUs and holders of Legacy Matterport’s Stock Options are accounted for as a stock-based compensation expense as they are subject to forfeiture based on the satisfaction of certain employment conditions, see Note 15 “Stock Plan” for more information.

The Company recognized $231.6 million of contingent earn-out liability attributable to the Earn-out Shares to Legacy Matterport stockholders upon the Closing on July 22, 2021.

On January 18, 2022, all six Earn-out Triggering Events for issuing up to 23.5 million Earn-out Shares occurred. A total of 18.8 million shares of common stock became issuable to the eligible Legacy Matterport stockholders. Another total of 4.7 million pro rata Earn-out Shares became issuable to holders of Matterport's eligible legacy RSU and options holders were immediately vested. See Note 15 “Stock Plan” for more information.

Contingent earn-out liability was accounted for as a liability as of the date of the Merger and remeasured to fair value until the Earn-out Triggering Events were met. The estimated fair value of the total Earn-out Shares was determined based on a Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis over the Earn-out Period using the most reliable information available to be issued include events that are not solely indexed to the common stock of the Company. Upon the occurrence of the triggering events, the Company's common stock price of $12.89 per share represented the fair value of the Earn-out Awards. The Company reclassified the $242.4 million outstanding Earn-out liability to additional paid-in capital as the Earn-out shares become issuable as a fixed number of shares of common shares. Assumptions used in the valuation are described below:

	As of December 31, 2021
Current stock price	$ 20.64
Expected term (in years)	5.1
Expected volatility	67.0 %
Risk-free interest rate	1.3 %
Expected dividend yield	0 %

The following table sets forth a summary of the changes in the estimated fair value of the earn-out liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance at December 31, 2021	$ 377,576
Reallocation of Earn-out Shares to earn-out liability upon forfeitures	896
Change in fair value of earn-out liability	(136,043)
Issuance of Earn-out Shares upon triggering events	(242,429)
Balance at December 31, 2022 and 2023	$ —

15. 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.

On February 12, 2021, the Company amended and restated the 2011 Stock Plan to allow the Company to grant restricted stock units (“RSUs”) and extended the terms of the plan until February 12, 2022, unless terminated earlier. No shares are available for future grant under the 2011 Stock Plan due to the termination of the 2011 Stock Plan in connection with the Closing. There were 67.8 million shares authorized under the 2011 Stock Plan prior to its termination, and 2.1 million shares were assumed under the 2021 Incentive Award Plan.

2021 Incentive Award Plan

In connection with the Closing on July 22, 2021, the Company approved the 2021 Incentive Award Plan (the “2021 Plan”), an incentive compensation plan for the benefit of eligible employees, consultants, and directors of the Company and its subsidiaries. The Company concurrently assumed the Amended and Restated 2011 Stock Plan and all outstanding awards thereunder, effective as of the Closing, and no further awards may be granted under the 2011 Stock Plan. The 2021 Plan provides that the initial aggregate number of shares of Class A common stock, available for issuance pursuant to awards thereunder shall be the sum of (a) 10% of the outstanding shares of Class A common stock as of the Closing, which is equivalent to 24.2 million shares of Class A common stock (the “Initial Plan Reserve”), (b) any shares of Class A common stock subject to outstanding equity awards under the 2011 Stock Plan which, following the effective date of the 2021 Plan, became available for issuance under the 2021 Plan and (c) an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031 equal to a number of shares equal to 5% of the aggregate number of shares of Class A common stock outstanding on the final day of the immediately preceding calendar year. The maximum aggregate number of shares of common stock that may be issued under the 2021 Plan upon the exercise of ISOs is 181.5 million shares of Class A common stock.

Shares forfeited due to employee termination or expiration are returned to the share pool. Similarly, shares withheld upon exercise to provide for the exercise price and/or taxes due and shares repurchased by the Company are also returned to the pool. As of December 31, 2023, a total of 11.2 million shares remained available for future grant under the Company’s 2021 Plan.

2021 Employee Stock Purchase Plan

In connection with the Closing on July 22, 2021, as discussed in Note 3, the Company approved the 2021 Employee Stock Purchase Plan (“2021 ESPP”). The 2021 ESPP provides that the aggregate number of shares of Class A common stock available for issuance pursuant to awards under the 2021 ESPP shall be the sum of (a) 3% of the number of outstanding shares of Class A common stock as of the Closing, which is equivalent to 7.3 million shares of Class A common stock (the “Initial ESPP Reserve”), and (b) an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031 equal to the lesser of (i) 1% of the aggregate number of shares of Class A common stock outstanding on the last day of the immediately preceding fiscal year and (ii) such smaller number of shares of common stock as may be determined by the Company’s board of directors; provided, however, that the number of shares of common stock that may be issued or transferred pursuant to the rights granted under the 2021 ESPP shall not exceed 15.25% of the outstanding shares of Class A common stock as of the Closing, which is equivalent to 36.9 million shares.

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

The 2021 ESPP provides for consecutive offering periods that will typically have a duration of approximately 24 months in length and is comprised of four purchase periods of approximately six months in length. The offering periods are scheduled to start on the first trading day on or after June 1 and December 1 of each year, except for the first offering period commenced on July 23, 2021 and ended on May 31, 2023. For the year ended December 31, 2023, there were 0.9 million shares of common stock purchased under the 2021 ESPP. As of December 31, 2023, a total of 11.0 million shares of our common stock remained available for sale under our 2021 ESPP.

Stock Option Activities—The following table summarizes the stock option activities under the Company's stock plans for year ended December 31, 2023, 2022 and 2021 (in thousands, except for per share data):

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance - December 31, 2020	49,206	$ 0.62	8.1	$ 245,565
Expired or canceled	(2,907)	0.69		
Exercised	(4,072)	0.51		
Balance - December 31, 2021	42,227	$ 0.63	6.9	$ 844,909
Expired or canceled	(1,490)	0.76		
Exercised	(7,320)	0.52		
Balance - December 31, 2022	33,417	$ 0.65	6.1	$ 71,842
Expired or canceled	(411)	0.64		
Exercised	(5,096)	0.59		$ 11,241
Balance - December 31, 2023	27,910	$ 0.66	5.28	$ 56,638
Options vested and exercisable - December 31, 2023	27,152	$ 0.65	5.24	$ 55,361

As of December 31, 2023, unrecognized stock-based compensation expense related to unvested options was $0.3 million, which is expected to be amortized over a weighted-average vesting period of 0.7 years.

On April 1, 2021, the Company amended the performance condition of the 866,597 performance-based stock option (PSO) awards previously granted to a senior executive in March 2019. Originally, the PSO awards were eligible to 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 required continued 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 Merger. Upon the Closing, the Company recognized $8.1 million stock-based compensation expense related to the 866,597 PSOs as they became fully vested and exercisable.

RSU and PRSU Activities—The following table summarizes the time-based restricted stock unit (RSU) and performance-based restricted stock unit (PRSU) activity under the Company's stock plans for the year ended December 31, 2023, 2022 and 2021 (in thousands, except per share data):

	RSUs and PRSUs	
	Number of Shares	Weighted-Average Grant-Date Fair Value Price Per Share
Balance - December 31, 2020	—	$ —
Granted	27,036	17.47
Vested	(1,474)	17.31
Canceled or forfeited	(818)	10.54
Balance - December 31, 2021	24,744	$ 17.70
Granted	24,870	4.67
Vested	(7,216)	16.44
Canceled or forfeited	(5,222)	8.85
Balance - December 31, 2022	37,176	$ 10.47
Granted	10,352	2.91
Vested	(13,640)	10.24
Canceled or forfeited	(7,539)	6.30
Balance - December 31, 2023	26,349	$ 8.81

Stock-based compensation expense for awards with only service conditions are recognized on a straight-line basis over the requisite service period of the related award. The PRSU awards have both service-based and performance-based vesting conditions. The service-based vesting condition for these awards is typically satisfied over four years with a cliff vesting period of one year and continued vesting quarterly thereafter, subject to continued service. 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 performance based vesting condition was deemed satisfied upon the Closing. The Company recognized $6.1 million stock-based compensation expenses on the Closing for the portion of these RSUs for which the service-based vesting condition had been satisfied and the performance condition of the RSUs was met.

As of December 31, 2023, unrecognized compensation costs related to unvested RSUs and PRSUs were $204.6 million and $0.9 million, respectively. The remaining unrecognized compensation costs for RSUs and PRSUs are expected to be recognized over a weighted-average period of 1.9 years and 0.8 years, respectively, excluding additional stock-based compensation expense related to any future grants of stock-based awards.

Earn-out Award Activities

As discussed in Note 14 "Contingent Earn-Out Awards", the pro rata Earn-out 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 both a market condition and a service condition to the eligible employees.

On January 18, 2022, all six Earn-out Triggering Events for issuing up to 23.5 million Earn-out Shares occurred. A total of 4.7 million pro rata Earn-out Shares issuable to holders of Matterport's eligible legacy RSU and options holders were immediately vested. The Company issued 2.7 million Earn-out Shares to Matterport's eligible legacy RSU and options holders after withholding 2.0 million of these Earn-out Shares to cover tax withholding obligations. The Company recognized all the remaining $27.6 million unamortized stock-based compensation related to the Earn-out Shares during the year ended December 31, 2022, as both Triggering event condition was satisfied and the service condition was met. No further Earn-out Shares remained contingently issuable thereafter.

The following table summarizes the Earn-out Award activity under the Earn-out Arrangement pursuant to the Merger Agreement during the years ended December 31, 2022 and 2021 (in thousands, except for per share data):

	Earn-out Award Outstanding	
	Number of Shares	Weighted-Average Grant-Date Fair Value Price Per Share
Balance - December 31, 2020	—	$ —
Granted	5,112	12.63
Forfeited	(412)	12.58
Balance - December 31, 2021	4,700	$ 12.64
Granted	13	20.13
Forfeited or Canceled	(61)	13.07
Vested and Canceled (1)	(1,966)	5.35
Vested and Released	(2,686)	7.31
Balance - December 31, 2022	—	$ —

(1) Represents 2.0 million shares withheld for tax obligation upon issuances of the Earn-out Shares on February 1, 2022.

Earn-out Awards Valuation— The assumptions used to estimate the fair value of Earn-out Awards granted during the years ended December 31, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
Current stock price	$13.34 - $19.61	$13.93 – $27.86
Expected term	5.1 years	5.1 – 5.5 years
Expected volatility	67.0%	40.0% – 67.0%
Risk-free interest rate	1.3%	0.8% – 1.3%
Expected dividend yield	0%	0%

Employee Stock Purchase Plan—The fair value of shares issued under our 2021 ESPP are estimated on the grant date using the Black-Scholes option pricing model. The following table summarizes the assumptions used and the resulting grant-date fair values of our ESPP granted during the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
Expected term	0.50 - 2.0 years	0.50 – 2.0 years	0.5 - 2.0 years
Expected volatility	31.4 - 44.1%	40.5 – 48.0%	27.9% - 43.4%
Risk-free interest rate	2.7 - 5.3%	1.6 – 4.7%	0.1% - 0.6%
Expected dividend yield	0%	0%	0%
Grant-date fair value per share	$0.60 - $2.11	$0.85 – $4.64	$7.59 - $14.36

The expected volatility is based on the average volatility of a peer group of representative public companies with sufficient trading history over the expected term. The expected term represents the term from the first day of the offering period to the purchase dates within each offering period. The dividend yield assumption is based on our expectations about our anticipated dividend policy. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with maturities that approximate the expected term. As of December 31, 2023, unrecognized compensation cost related to the ESPP was $1.2 million, which is expected to be recognized over the remaining weighted-average service period of 1.4 years.

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

The amount of stock-based compensation related to stock-based awards to employees in the Company's consolidated statements of operations for the years ended December 31, 2023, 2022, and 2021 were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Costs of revenue	$ 3,281	$ 5,406	$ 3,083
Research and development	26,897	34,980	25,691
Selling, general, and administrative	88,597	108,104	71,831
Stock-based compensation, net of amounts capitalized	118,775	148,490	100,605
Capitalized stock-based compensation	9,695	14,114	3,632
Total stock-based compensation	$ 128,470	$ 162,604	$ 104,237

16. INCOME TAXES

The components of the net loss before income taxes, determined by jurisdiction, for the years ended December 31, 2023, 2022, and 2021, were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
United States	$ (200,077)	$ (111,748)	$ (339,094)
Foreign	1,184	1,652	817
Loss before income taxes	$ (198,893)	$ (110,096)	$ (338,277)

The provision (benefit) for income taxes for the years ended December 31, 2023, 2022, and 2021 were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Current			
United States	$ —	$ —	$ 22
International	305	1,192	146
Total current tax expense	305	1,192	168
United States	—	(323)	—
International	(121)	374	(385)
Total deferred tax expense	(121)	51	(385)
Total tax expense	$ 184	$ 1,243	$ (217)

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and operating losses and tax credit carryforwards.

The components of the deferred tax assets for the years ended December 31, 2023 and 2022 consisted of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 88,829	$ 71,405
Research and development credits carryforward	12,919	10,382
Accruals	1,545	2,100
Other	2,262	1,343
Interest expense carryforward	—	315
Fixed assets	60	85
Stock-based compensation	3,657	13,880
Capitalized research and development costs	28,111	19,671
Total deferred tax assets	$ 137,383	$ 119,181
Less: valuation allowance	(127,171)	(109,471)
Deferred tax liabilities:		
Intangibles	(8,276)	(8,051)
Deferred commissions	(1,655)	(1,046)
Right-of-use asset	(148)	(601)
Total deferred tax liabilities	(10,079)	(9,698)
Net deferred tax assets	$ 133	$ 12

For the year ended December 31, 2023, the increase in the Company’s valuation allowance compared to the prior year was primarily due to the 2023 net operating losses and the capitalized research and development costs under Section 174. For the year ended December 31, 2022, the increase in the Company’s valuation allowance compared to the prior year was primarily due to the 2022 net operating losses, stock-based compensation, and the capitalized research and development costs under Section 174.

ASC 740 requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. Management considers projected future taxable income and tax planning strategies in making this assessment. Because of the Company's history of operating losses, management believes that recognition of the domestic deferred tax assets arising from the above-mentioned future tax benefits are currently not likely to be realized. As of December 31, 2023, the Company has a valuation allowance for federal and state deferred tax assets that the Company believes will, more likely than not, be unrealizable.

The table below presents the changes in the valuation allowance for deferred tax assets for the years ended December 31, 2023 and 2022 (in thousands):

Description	Balance at beginning of period	Additions charges to costs and expenses	Write-offs and deductions	Balance at end of period
Valuation allowance for deferred tax assets				
For the Year Ended December 31, 2023	$ 109,471	17,700	—	$ 127,171
For the Year Ended December 31, 2022	$ 56,344	53,127	—	$ 109,471
For the Year Ended December 31, 2021	$ 35,023	21,321	—	$ 56,344

Net operating loss and tax credit carryforwards as of December 31, 2023 were as follows (in thousands):

	Amount	Expiration Years
NOLs, federal (Post December 31, 2017)	$ 299,395	Do Not Expire
NOLs, federal (Pre January 1, 2018)	61,397	12/31/2031
NOLs, state	202,332	12/31/2032
Tax credits, federal	14,684	12/31/2032
Tax credits, state	$ 8,667	Do Not Expire

The effective tax rate of the Company's provision for income taxes differed from the federal statutory rate as of December 31, 2023, 2022, and 2021 as follows:

	Year Ended December 31,		
	2023	2022	2021
Statutory federal income benefit rate	21.0 %	21.0 %	21.0 %
State income tax rate	1.4	7.0	1.1
Change in valuation allowance	(8.9)	(48.3)	(6.3)
Research and development credits	0.7	1.7	0.3
Other	0.3	1.7	(4.2)
Convertible notes — nondeductible	—	—	—
Section 162(m) — executive compensation	(1.3)	(1.8)	—
Stock-based compensation	(13.5)	(12.5)	(0.2)
Change in fair value of contingent earn-out liability	—	25.9	(8.7)
Change in fair value of warrants liability	0.1	5.2	(3.0)
Foreign rate differential	0.1	(1.0)	0.1
Effective tax rate	(0.1)%	(1.1)%	0.1 %

The Company had net operating loss carryovers ("NOLs") for federal and state income tax purposes of approximately, $360.8 million and $202.3 million, respectively, as of December 31, 2023. $61.4 million of federal NOLs will expire beginning in 2031, while $299.4 million generated after the Tax Cuts and Jobs Act (the "TCJA"), will have an indefinite life. The state NOLs will expire if unused starting in 2032.

The Company's utilization of NOLs is subject to an annual limitation due to ownership changes that have occurred previously or that could occur in the future as provided in Section 382 of the Code ("Section 382"), as well as similar state provisions. Section 382 limits the utilization of NOLs when there is a greater than 50% change of ownership as determined under the regulations. Since its formation, the Company has raised capital through the issuance of capital stock and various convertible instruments which, combined with the purchasing shareholders' subsequent disposition of these shares, has resulted in multiple ownership changes as defined by Section 382, and could result in an ownership change in the future upon subsequent disposition. The Company has not undertaken an analysis of whether the Merger constituted an “ownership change” for purposes of Section 382 and Section 383 of the U.S. Tax Code. Our ability to utilize our net operating loss carryforwards and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of ownership changes, including changes in connection with the Merger or other transactions. The Company’s utilization of NOLs may also be adversely affected by future changes in federal and state tax laws and regulations. As of December 31, 2023, the Company has not undertaken any analyses in respect of Section 382 to determine the annual limitation and if any of the tax attributes are subject to a permanent limitation.

The Company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the Company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as “unrecognized benefits.” A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for unrecognized tax benefit because it represents an enterprise’s potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

If applicable, interest costs related to the unrecognized tax benefits are required to be calculated and would be classified as income tax expenses in the Consolidated Statement of Operations. Penalties would be recognized as a component of “Selling, general and administrative expenses” in the Consolidated Statement of Operations.

A reconciliation of the Company’s unrecognized tax benefits for the years ended December 31, 2023, 2022, and 2021, was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Unrecognized tax benefits — beginning	$ 7,533	$ 5,003	$ 3,662
Gross Increases — prior-year unrecognized tax benefits	—	119	—
Gross Increases — current-year unrecognized tax benefits	1,807	2,411	1,341
Unrecognized tax benefits — ending	$ 9,340	$ 7,533	$ 5,003

The entire amount of the unrecognized tax benefits would not impact the Company’s effective tax rate if recognized. During the years ended December 31, 2023, 2022, and 2021, the Company did not recognize accrued interest and penalties related to unrecognized tax benefits. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly increase or decrease during the next 12 months.

The Company files income tax returns in the U.S. federal and state jurisdictions. Due to net operating loss carryforwards, all years since the inception of incorporation remain open for income tax authorities’ examination. The Company is not currently under examination by income tax authorities in federal, state, or other foreign jurisdictions.

17. RESTRUCTURING

July 2023 Restructuring Plan

In July 2023, the Company announced a restructuring plan (the "2023 Plan") intended to reduce operating costs and continue to accelerate its path to profitable growth. As part of the 2023 Plan, the Company commenced a workforce reduction of approximately 30%. The Company also recorded accelerated amortization costs to real estate operating lease right-of-use assets, which was primarily related to the cease use of certain leased office spaces to adjust our office space footprint to better align with the needs of our operation and the remote-work organizational structure.

As of December 31, 2023, the Company substantially completed all actions under the 2023 Plan. Total restructuring costs associated with the 2023 Plan were $4.3 million and impacted cost of revenue and operating expenses in the consolidated statement of operations during the year ended December 31, 2023 were as follows (in thousands):

	Severance and Other Personnel Costs	Office Space Reductions(1)	Total
Cost of revenue - Subscription	$ 5	$ —	$ 5
Cost of revenue - Services	167	—	167
Cost of revenue - Product	183	—	183
Cost of revenue	355	—	355
Research and development	669	274	943
Selling, general, and administrative	2,311	687	2,998
Total restructuring charge	$ 3,335	$ 961	$ 4,296

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

As of December 31, 2023, $0.1 million restructuring-related liabilities were recorded in accrued expenses and other current liabilities, primarily related to the unpaid severance costs.

18. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

As a result of the Reverse Recapitalization, the Company has retroactively adjusted the weighted-average number of shares of common stock outstanding prior to the Closing Date by multiplying them by the exchange ratio of approximately 4.1193 used to determine the number of shares of common stock into which they converted. The common stock issued as a result of the redeemable convertible preferred stock conversion on the Closing Date was included in the basic net loss per share calculation on a prospective basis.

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 years ended December 31, 2023, 2022, and 2021 (in thousands, except for per share data):

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net loss attributable to common stockholders, basic and diluted	$ (199,077)	$ (111,339)	$ (338,060)
Denominator:			
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	300,697	283,585	131,278
Net loss per share attributable to common stockholders, basic and diluted	$ (0.66)	$ (0.39)	$ (2.58)

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

	As of December 31,		
	2023	2022	2021
Public and private warrants	1,708	1,708	4,260
Earn-out shares	—	—	23,460
Common stock options outstanding	27,910	33,417	42,227
Unvested RSUs	26,349	37,176	24,744
ESPP Shares	1,524	2,015	706
Total potentially dilutive common stock equivalents	57,491	74,316	95,397

19. EMPLOYEE BENEFITS PLANS

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 $0.4 million, $0.4 million and $0.3 million matching contributions to the U.K. pension plan for the year ended December 31, 2023, 2022, and 2021.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, management performed, with the participation of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act). At the time the Company filed the original filing, the CEO and the CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2023.

The Company has reevaluated the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2023 because of a material weakness in our internal control over financial reporting, as described in further detail below. In light of the material weakness described below, the Company performed additional analyses and other post-evaluation procedures and determined that its consolidated financial statements have been prepared in accordance with U.S. GAAP. Accordingly, management concluded that the financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented.

Management's Annual Report on Internal Control Over Financial Reporting (as restated)

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2023 based on criteria established in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In Management's Annual Report on Internal Control Over Financial Reporting included in the original filing, management concluded that we maintained effective internal control over financial reporting as of December 31, 2023.

Management has subsequently reevaluated the effectiveness of the Company's internal control over financial reporting and identified a material weakness in the Company's internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, the Company did not design and maintain appropriate controls to ensure allegations received outside of the whistleblower program are evaluated and communicated to those responsible for financial reporting and those charged with governance in a timely fashion. While the Company has determined that this material weakness did not result in a misstatement to the Company's consolidated financial statements, until remediated, this material weakness could result in a misstatement of one or more accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

As a result of identifying the material weakness described above, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2023, based on the criteria in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Accordingly, management has restated this report on internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report, which is included herein in Item 8.

Remediation Plan

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

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the fiscal quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report

1. Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K/A.

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is shown in the Consolidated Financial Statements or the notes thereto.

3. Exhibits †

The following is a list of exhibits filed as part of this Annual Report on Form 10-K/A.

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1†	Agreement and Plan of Merger, dated as of February 7, 2021, by and among Gores Holdings VI, Inc., Maker Merger Sub, Inc., Maker Merger Sub II, LLC and Matterport, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the SEC on February 8, 2021).	8-K	001-39790	2.1	7/28/2021	
3.1	Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).	8-K	001-39790	3.1	7/28/2021	
3.2	Amended and Restated Bylaws of the Company.	8-K	001-39790	3.2	7/28/2021	
4.1	Specimen Class A Common Stock Certificate.	S-1	333-249312	4.2	10/5/2020	
4.2	Warrant Agreement, dated as of December 15, 2020, by and between Gores Holdings VI, Inc. and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-39790	4.1	12/16/2020	
4.3	Amendment to Warrant Agreement, dated as of July 22, 2021, by and among Matterport, Inc., Continental Stock Transfer & Trust Company and American Stock Transfer & Trust Company, as warrant agent.	8-K	001-39790	4.3	7/28/2021	
10.1	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.	8-K	001-39790	10.1	7/28/2021	
10.2	Form of Indemnification Agreement.	8-K	001-39790	10.2	7/28/2021	
10.3+	Matterport, Inc. 2021 Incentive Award Plan and related forms of awards agreements.	8-K	001-39790	10.3(a)	7/28/2021	
10.4+	Form of Option Agreement under the Matterport, Inc. 2021 Incentive Award Plan.	8-K	001-39790	10.3(b)	7/28/2021	
10.5+	Form of Restricted Stock Unit Agreement under the Matterport, Inc. 2021 Incentive Award Plan.	8-K	001-39790	10.3(c)	7/28/2021	
10.6†	Matterport, Inc. 2021 Employee Stock Purchase Plan.	8-K	001-39790	10.4	7/28/2021	
10.7	Form of Individual Investor Subscription Agreement.	8-K	001-39790	10.1	2/8/2021	

10.8	Form of Institutional Investor Subscription Agreement.	8-K	001-39790	10.2	2/8/2021	
10.9	Offer Letter, dated November 20, 2018, by and between Matterport, Inc. and R.J. Pittman.	S-4	333-255050	10.6	4/6/2021	
10.10	Offer Letter, dated July 28, 2017, by and between Matterport, Inc. and James D. Fay.	S-4	333-255050	10.7	4/6/2021	
10.11	Offer Letter, dated January 16, 2020, by and between Matterport, Inc. and Japjit Tulsi.	S-4	333-255050	10.8	4/6/2021	
10.12	Offer Letter, dated June 17, 2019, by and between Matterport, Inc. and Jay Remley.	10-K/A	001-39790	10.16	5/18/2022	
10.13	Offer Letter, dated November 21, 2022, by and between Matterport, Inc. and Matt Zinn.	10-K	001-39790	10.13	2/28/2023	
10.14+	Matterport, Inc. Amended and Restated 2011 Stock Incentive Plan.	8-K	001-39790	10.5	7/28/2021	
10.15+	Form of Option Agreement under the Matterport, Inc. Amended and Restated 2011 Stock Incentive Plan.	S-4	333-255050	10.10	4/6/2021	
10.16+	Form of Restricted Stock Unit Agreement under the Matterport, Inc. Amended and Restated 2011 Stock Incentive Plan.	S-4	333-255050	10.11	4/6/2021	
10.17	Matterport, Inc. Executive Severance Plan	8-K	001-39790	10.1	12/15/2022	
10.18	Matterport, Inc. Non-Employee Director Compensation Program	S-1	333-258936	10.15	3/18/2022	
21.1	List of Subsidiaries.	10-K	001-39790	21.1	2/27/2024	
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm of Matterport, Inc.					*
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
97	Matterport, Inc. Compensation Recovery Policy	10-K	001-39790	97	2/27/2024	
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					*
Exhibit 104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					

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* Filed herewith

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

SIGNATURES

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

MATTERPORT, INC.

Date: November 22, 2024

By: /s/ R.J. Pittman

R.J. Pittman
Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-258936) and Form S-8 (No. 333-259987) of Matterport, Inc. of our report dated February 27, 2024, except with respect to our opinion on internal control over financial reporting insofar as it relates to the effects of the matter discussed in the penultimate paragraph of Management's Annual Report on Internal Control Over Financial Reporting, as to which the date is November 22, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K/A.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia
November 22, 2024

Exhibit 31.1

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

I, R.J. Pittman, certify that:

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

Date: November 22, 2024	By:	/s/ R.J. Pittman
		R.J. Pittman, Chief Executive Officer

Exhibit 31.2

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

I, James D. Fay, certify that:

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

Date: November 22, 2024	By:	/s/ James D. Fay
		James D. Fay, Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K/A of Matterport, Inc. (the "Company") for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: November 22, 2024	By:	/s/ R.J. Pittman
		R.J. Pittman
		Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K/A of Matterport, Inc. (the "Company") for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: November 22, 2024	By:	/s/ James D. Fay
		James D. Fay
		Chief Financial Officer