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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from ____________ to ____________

Commission file number 001-39790

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

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

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

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

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

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

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

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

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

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

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

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

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

The registrant had 301,235,621 shares of Class A common stock outstanding as of August 1, 2023.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions. Forward-looking statements in this Report are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this document, including 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 maintain an effective system of internal controls over financial reporting; 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; factors relating to our business, operations and financial performance, including: any continuing impacts of the COVID-19 pandemic or other infectious diseases, health epidemics and pandemics; the volatility of the market price and liquidity of our Class A common stock, and other securities; the increasingly competitive environment in which we operate; and other factors detailed under the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Form 10-K”) filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2023, and subsequently filed Quarterly Reports on Form 10-Q.

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

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

Part I- Financial Information

Item 1. Financial statements

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

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 82,316	$ 117,128
Short-term investments	363,295	355,815
Accounts receivable, net of allowance of $933 and $1,212, as of June 30, 2023 and December 31, 2022, respectively	18,649	20,844
Inventories	12,198	11,061
Prepaid expenses and other current assets	7,236	13,084
Total current assets	483,694	517,932
Property and equipment, net	32,684	30,559
Operating lease right-of-use assets	1,933	2,515
Long-term investments	—	3,959
Goodwill	69,593	69,593
Intangible assets, net	10,005	10,890
Other assets	6,819	4,947
Total assets	$ 604,728	$ 640,395
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 8,162	$ 8,331
Deferred revenue	21,037	16,731
Accrued expenses and other current liabilities	20,636	23,916
Total current liabilities	49,835	48,978
Warrants liability	752	803
Deferred revenue, non-current	1,820	1,201
Other long-term liabilities	819	5,502
Total liabilities	53,226	56,484
Commitments and contingencies (Note 8)		
Redeemable convertible preferred stock, $0.0001 par value; 30,000 shares authorized as of June 30, 2023 and December 31, 2022, respectively; nil shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	—	—
Stockholders' equity:		
Common stock, $0.0001 par value; 640,000 shares authorized as of June 30, 2023 and December 31, 2022, respectively; and 300,571 shares and 290,541 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	30	29
Additional paid-in capital	1,242,360	1,168,313
Accumulated other comprehensive loss	(1,113)	(5,034)
Accumulated deficit	(689,775)	(579,397)
Total stockholders' equity	551,502	583,911
Total liabilities and stockholders' equity	$ 604,728	$ 640,395

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Subscription	$ 20,868	$ 18,386	$ 40,715	$ 35,527
License	27	26	54	49
Services	10,684	5,013	19,388	8,986
Product	7,988	5,056	17,404	12,429
Total revenue	39,567	28,481	77,561	56,991
Cost of revenue:				
Subscription	7,235	6,109	14,197	11,371
License	—	—	—	—
Services	8,009	3,169	14,253	6,152
Product	8,360	7,490	16,736	15,846
Total cost of revenue	23,604	16,768	45,186	33,369
Gross profit	15,963	11,713	32,375	23,622
Operating expenses:				
Research and development	18,861	21,518	37,134	47,520
Selling, general, and administrative	56,008	59,385	110,941	130,234
Total operating expenses	74,869	80,903	148,075	177,754
Loss from operations	(58,906)	(69,190)	(115,700)	(154,132)
Other income (expense):				
Interest income	1,481	1,484	2,952	2,779
Change in fair value of warrants liability	(171)	4,714	51	26,147
Change in fair value of contingent earn-out liability	—	—	—	136,043
Other income (expense), net	1,223	(1,353)	2,406	(2,674)
Total other income	2,533	4,845	5,409	162,295
Income (loss) before provision for income taxes	(56,373)	(64,345)	(110,291)	8,163
Provision for income taxes	163	289	87	893
Net income (loss)	$ (56,536)	$ (64,634)	$ (110,378)	$ 7,270
Net income (loss) per share attributable to common stockholders:				
Basic	$ (0.19)	$ (0.23)	$ (0.37)	$ 0.03
Diluted	$ (0.19)	$ (0.23)	$ (0.37)	$ 0.02
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:				
Basic	298,096	283,405	295,599	279,289
Diluted	298,096	283,405	295,599	313,834

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss)	$ (56,536)	$ (64,634)	$ (110,378)	$ 7,270
Other comprehensive income (loss), net of taxes:				
Unrealized gain (loss) on available-for-sale securities, net of tax	1,698	(1,476)	3,921	(6,111)
Other comprehensive income (loss)	$ 1,698	$ (1,476)	$ 3,921	$ (6,111)
Comprehensive income (loss)	$ (54,838)	$ (66,110)	$ (106,457)	$ 1,159

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

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

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

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2021	250,173	$ 25	$ 737,735	$ (1,539)	$ (468,058)	$ 268,163
Net income	—	—	—	—	71,904	71,904
Other comprehensive loss	—	—	—	(4,635)	—	(4,635)
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	6,295	1	(14,498)	—	—	(14,497)
Issuance of common stock upon the reverse recapitalization, net of transaction costs	—	—	76	—	—	76
Issuance of common stock to a customer	100	—	559	—	—	559
Issuance of common stock upon exercise of public warrants	1,994	—	34,055	—	—	34,055
Issuance of common stock in connection with acquisitions	1,215	—	19,118	—	—	19,118
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	—	—	242,430	—	—	242,430
Stock-based compensation	—	—	61,097	—	—	61,097
Balance as of March 31, 2022	281,271	$ 28	$ 1,061,938	$ (6,174)	$ (396,154)	$ 659,638
Net loss	—	—	—	—	(64,634)	(64,634)
Other comprehensive loss	—	—	—	(1,476)	—	(1,476)
Issuance of common stock in connection with employee equity incentive plans, net of tax withholding	2,340	—	2,701	—	—	2,701
Issuance of common stock to a customer	32	—	179			179
Stock-based compensation	—	—	34,799	—	—	34,799
Balance as of June 30, 2022	283,643	$ 28	$ 1,099,617	$ (7,650)	$ (460,788)	$ 631,207

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

MATTERPORT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(In thousands, unaudited)

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (110,378)	$ 7,270
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,102	5,563
Amortization of investment premiums, net of accretion of discounts	(2,319)	1,829
Stock-based compensation, net of amounts capitalized	63,253	87,233
Change in fair value of warrants liability	(51)	(26,147)
Change in fair value of contingent earn-out liability	—	(136,043)
Deferred income taxes	(185)	69
Allowance for doubtful accounts	49	195
Loss of excess inventory and purchase obligation	1,592	—
Other	(225)	316
Changes in operating assets and liabilities, net of effects of businesses acquired:		
Accounts receivable	2,146	(3,426)
Inventories	(5,787)	(881)
Prepaid expenses and other assets	4,252	(2,946)
Accounts payable	(169)	2,367
Deferred revenue	4,925	2,641
Accrued expenses and other liabilities	956	3,682
Net cash used in operating activities	(32,839)	(58,278)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(101)	(866)
Capitalized software and development costs	(5,248)	(7,086)
Purchase of investments	(251,603)	(87,997)
Maturities of investments	254,601	160,124
Business acquisitions, net of cash acquired	(1,676)	(30,020)
Net cash provided by (used in) investing activities	(4,027)	34,155
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from sales of shares through employee equity incentive plans	2,195	4,892
Payments for taxes related to net settlement of equity awards	(329)	(34,424)
Proceeds from exercise of warrants	—	27,844
Other	—	76
Net cash provided by (used in) financing activities	1,866	(1,612)
Net change in cash, cash equivalents, and restricted cash	(35,000)	(25,735)
Effect of exchange rate changes on cash	188	(329)
Cash, cash equivalents, and restricted cash at beginning of year	117,128	139,987
Cash, cash equivalents, and restricted cash at end of period	$ 82,316	$ 113,923
Supplemental disclosures of non-cash investing and financing information		
Earn-out liability recognized upon the re-allocation	$ —	$ 896
Reclassification of remaining contingent Earn-out liability upon triggering events	$ —	$ 242,430
Property, equipment and capitalized software and development costs included in accounts payable and accrued expenses and other liabilities	$ —	$ 158
Common stock issued in connection with acquisition	$ 3,921	$ 19,118
Unpaid cash consideration in connection with acquisition	$ 2,434	$ 4,348

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

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

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

On July 22, 2021 (the "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.

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

Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in "Note 2 – Summary of Significant Accounting Policies" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 28, 2023. There have been no significant changes to these policies during the three and six months ended June 30, 2023.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the SEC, regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in the Company's 2022 Form 10-K for the fiscal year ended December 31, 2022, which provides a more complete discussion of the Company's accounting policies and certain other information.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of June 30, 2023, and its results of operations for the three and six months ended June 30, 2023 and 2022, and cash flows for the six months ended June 30, 2023 and 2022. The condensed consolidated balance sheet as of December 31, 2022, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

Principles of Consolidation

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

Use of Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements and accompanying notes. Significant estimates include assumptions related to the fair value of common stock 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 required increased judgment and these estimates may change materially in future periods.

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

Segment Information

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

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and 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 June 30, 2023 and December 31, 2022. No customer accounted for more than 10% of the Company's total revenue for the three and six months ended June 30, 2023 and 2022.

Recently Adopted Accounting Standards

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 condensed consolidated financial statements.

3. REVENUE

Disaggregated Revenue—The following table shows the revenue by geography for the three and six months ended June 30, 2023 and 2022, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
United States	$ 25,237	$ 16,640	$ 49,463	$ 32,877
International	14,330	11,841	28,098	24,114
Total revenue	$ 39,567	$ 28,481	$ 77,561	$ 56,991

No country other than the United States accounted for more than 10% of the Company's revenue for the three and six months ended June 30, 2023 and 2022, respectively. The geographical revenue information is determined by the ship-to address of the products and the billing address of the customers of the services.

The following table shows over time versus point-in-time revenue for the three and six months ended June 30, 2023 and 2022, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Over time revenue	$ 31,552	$ 23,399	$ 60,103	$ 44,513
Point-in-time revenue	8,015	5,082	17,458	12,478
Total	$ 39,567	$ 28,481	$ 77,561	$ 56,991

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 condensed consolidated balance sheets. The accounts receivable and contract balances as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	December 31, 2022
Accounts receivable, net	$ 16,193	$ 19,037
Unbilled accounts receivable	$ 2,456	$ 1,807
Deferred revenue	$ 22,857	$ 17,932

During the six months ended June 30, 2023 and 2022, the Company recognized revenue of $10.8 million and $6.9 million that was included in the deferred revenue balance at the beginning of the fiscal year, respectively. Contracted but unsatisfied performance obligations were $58.4 million at the end of June 30, 2023 and consisted of deferred revenue and backlog. The contracted but unsatisfied or partially unsatisfied performance obligations expected to be recognized over the next 12 months at the end of June 30, 2023 were $39.8 million, and the remaining obligations are expected to be recognized thereafter.

4. 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 artificial intelligence algorithms to identify natural and man-made features in geospatial data using various techniques. The total purchase consideration for the Enview Acquisition was $64.3 million, including an insignificant working capital adjustment finalized during the measurement period that reduced the purchase price for Enview. The total purchase consideration consisted of the following (in thousands):

		Amount
Cash(1)	$	36,897
Common stock (1.5 million shares)(2)		23,161
Unpaid Consideration (3)		4,266
Total	$	64,324

(1) The Company paid $1.9 million and $35.0 million in cash consideration in January 2023 and 2022, respectively.
(2) On the Enview Acquisition Date, the Company's closing stock price was $15.73 per share. The Company issued 0.3 million shares and 1.2 million shares in January 2023 and 2022, respectively.
(3) The Company recorded a liability for unpaid cash of $2.4 million and stock consideration of $1.9 million, that will be paid in accordance with the merger agreement. The liabilities are included in accrued expenses and other current liabilities in the condensed consolidated balance sheet as of June 30, 2023.

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 Acquisition Date but at that time was unknown and became known during the measurement period of 12 months from the 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 artificial intelligence 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 condensed consolidated statements of operations.

Acquisition-related transaction costs are expensed as incurred and are recorded in selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations. The Company incurred $0.9 million and $1.4 million of acquisition-related costs for the three and six months ended June 30, 2022, respectively. There were no acquisition-related costs incurred for the three and six months ended June 30, 2023.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill—As of December 31, 2022 and June 30, 2023, goodwill was $69.6 million. The Company did not recognize any impairment losses on goodwill during the three and six months ended June 30, 2023 and 2022, respectively.

Purchased Intangible Assets—The following table presents details of the Company's purchased intangible assets as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 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	$ (1,605)	$ 3,795	$ 5,400	$ (1,065)	$ 4,335
Customer relationships	6,900	(690)	6,210	6,900	(345)	6,555
Total	$ 12,300	$ (2,295)	$ 10,005	$ 12,300	$ (1,410)	$ 10,890

The Company recognized amortization expense of $0.5 million and $0.2 million for the three months ended June 30, 2023 and 2022, respectively, and $0.9 million and $0.5 million for the six months ended June 30, 2023 and 2022, respectively. The Company did not recognize any impairment losses on intangible assets or other long-lived assets during the three and six months ended June 30, 2023 and 2022, respectively.

The following table summarizes estimated future amortization expense for the Company's intangible assets as of June 30, 2023 (in thousands):

	Amount
Remaining 2023	$ 885
2024	1,770
2025	1,770
2026	1,770
2027	705
2028 and thereafter	3,105
Total future amortization expense	$ 10,005

6. BALANCE SHEET COMPONENTS

Allowance for Doubtful Accounts—Allowance for doubtful accounts as of June 30, 2023 and 2022 and the rollforward for three and six months ended June 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance—beginning of period	$ (1,295)	$ (482)	$ (1,212)	$ (291)
Decrease (increase) in reserves	240	(4)	(49)	(195)
Write-offs	122	65	328	65
Balance—end of period	$ (933)	$ (421)	$ (933)	$ (421)

Inventories—Inventories as of June 30, 2023 and December 31, 2022, consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Finished goods	$ 1,142	$ 2,112
Work in process	5,838	3,477
Purchased parts and raw materials	5,218	5,472
Total inventories	$ 12,198	$ 11,061

Property and Equipment, Net—Property and equipment as of June 30, 2023 and December 31, 2022, consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Machinery and equipment	$ 4,049	$ 3,948
Furniture and fixtures	355	355
Leasehold improvements	719	734
Capitalized software and development costs	65,918	55,662
Total property and equipment	71,041	60,699
Accumulated depreciation and amortization	(38,357)	(30,140)
Total property and equipment, net	$ 32,684	$ 30,559

Depreciation and amortization expense of property and equipment were $4.3 million and $2.8 million for the three months ended June 30, 2023 and 2022, respectively, and $8.2 million and $5.0 million for the six months ended June 30, 2023 and 2022, respectively.

Additions to capitalized software and development costs, inclusive of stock-based compensation in the three months ended June 30, 2023 and 2022 were $5.3 million and $6.3 million, respectively. Additions to capitalized software and development costs, inclusive of stock-based compensation in the six months ended June 30, 2023 and 2022 were $10.3 million and $15.7 million, respectively. These are recorded as part of property and equipment, net on the condensed consolidated balance sheets.

Amortization expense was $4.0 million and $2.7 million for three months ended June 30, 2023 and 2022, respectively, of which $3.7 million and $2.4 million was recorded to cost of revenue related to subscription and $0.3 million and $0.3 million to selling, general and administrative in the condensed consolidated statements of operations, respectively. Amortization expense was $7.8 million and $4.8 million for the six months ended June 30, 2023 and 2022, respectively, of which $7.2 million and $4.2 million was recorded to cost of revenue related to subscription and $0.6 million and $0.6 million to selling, general and administrative in the condensed consolidated statements of operations, respectively.

Accrued Expenses and Other Current Liabilities—Accrued expenses and other current liabilities as of June 30, 2023 and December 31, 2022, consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Accrued compensation	$ 6,402	$ 5,609
Tax payable	1,358	1,669
ESPP contribution	320	341
Current unpaid acquisition consideration	4,266	6,109
Short-term operating lease liabilities	1,307	1,267
Accrued loss on firm inventory purchase commitments	933	3,991
Other current liabilities	6,050	4,930
Total accrued expenses and other current liabilities	$ 20,636	$ 23,916

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 62,093	$ —	$ —	$ 62,093
Total cash equivalents	$ 62,093	$ —	$ —	$ 62,093
Short-term investments:				
U.S. government and agency securities	$ 223,725	$ —	$ —	$ 223,725
Non-U.S. government and agency securities	—	19,524	—	19,524
Corporate debt securities	—	61,779	—	61,779
Commercial paper	—	58,267	—	58,267
Total short-term investments	$ 223,725	$ 139,570	$ —	$ 363,295
Total assets measured at fair value	$ 285,818	$ 139,570	$ —	$ 425,388
Financial Liabilities:				
Private warrants liability	$ —	$ —	$ 752	$ 752
Total liabilities measured at fair value	$ —	$ —	$ 752	$ 752

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	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

Available-for-sale Debt Securities

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of our available-for-sale debt securities as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investments:				
U.S. government and agency securities	$ 224,191	$ —	$ (466)	$ 223,725
Non-U.S. government and agency securities	19,525	—	(1)	19,524
Corporate debt securities	62,318	—	(539)	61,779
Commercial paper	58,322	—	(55)	58,267
Total available-for-sale investments	$ 364,356	$ —	$ (1,061)	$ 363,295

	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 June 30, 2023, the gross unrealized losses that have been in a continuous unrealized loss position for less than 12 months were $0.4 million, which were related to $275.4 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 $0.7 million, which were related to $87.9 million of available-for-sale debt securities. 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 three and six months ended June 30, 2023 and 2022.

The following table summarizes the amortized cost and fair value of our available-for-sale debt securities as of June 30, 2023, by contractual years-to-maturity (in thousands):

	June 30, 2023	
	Amortized Cost	Fair Value
Due within one year	$ 364,356	$ 363,295
Total	$ 364,356	$ 363,295

8. COMMITMENTS AND CONTINGENCIES

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

As of June 30, 2023, future minimum purchase obligations are as follows (in thousands):

	Purchase Obligations
Remainder of 2023	$ 12,136
2024	8,823
2025	144
Thereafter	—
Total	$ 21,103

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 are currently engaged in discovery. Trial is scheduled to begin November 13, 2023.

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 recent 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, in 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 has filed an opposition to the motion and is awaiting a ruling from the Court.

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 June 30, 2023 and December 31, 2022, 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 June 30, 2023, there were no known events or circumstances that have resulted in a material indemnification liability.

9. STOCKHOLDERS' EQUITY

The Company had reserved shares of common stock for future issuance as of June 30, 2023 as follows (in thousands):

	June 30, 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	69,586
Shares available for future grant under 2021 Employee Stock Purchase Plan	11,378
Shares available for future grant under 2021 Incentive Award Plan	5,289
Total shares of common stock reserved	87,961

Accumulated Other Comprehensive Loss

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

	Foreign Currency Translation, Net of Tax	Unrealized Losses on Available-for-Sale Debt Securities, Net of Tax	Total
Balance at December 31, 2022	$ (52)	$ (4,982)	$ (5,034)
Net unrealized gain	—	3,921	3,921
Balance at June 30, 2023	$ (52)	$ (1,061)	$ (1,113)

	Foreign Currency Translation, Net of Tax	Unrealized Losses on Available-for-Sale Debt Securities, Net of Tax	Total
Balance at December 31, 2021	$ (52)	$ (1,487)	$ (1,539)
Net unrealized loss	—	(6,111)	(6,111)
Balance at June 30, 2022	$ (52)	$ (7,598)	$ (7,650)

10. 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.

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 June 30, 2023 and December 31, 2022. No Private Warrants have been exercised during the three and six months ended June 30, 2023.

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 $2.00 per unit as of the Redemption Date.

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 increase or decrease in the expected volatility in isolation would result in a significant change in fair value measurement. The Private Warrants were valued at $0.44 per unit as of June 30, 2023.

The following table provides the assumptions used to estimate the fair value of the Private Warrants as of June 30, 2023:

	June 30, 2023	
Current stock price	$	3.15
Strike price	$	11.50
Expected term (in years)		3.06
Expected volatility		64.0%
Risk-free interest rate		4.5%
Expected dividend yield		—%

The Private Warrants are measured for fair value at the end of each quarter. The following table presents the changes in the warrants liability as of June 30, 2023 (in thousands):

	Total Warrants Liability	
Fair value at December 31, 2022	$	803
Change in fair value		(51)
Fair value at June 30, 2023	$	752

11. 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 3,910,000 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 12 “Stock Plan” for more information. The Company recognized $231.6 million of contingent earn-out liability attributable to the Earn-out Shares to Matterport legacy 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 Matterport legacy 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. The Company issued 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 during the six months ended June 30, 2022.

The following table sets forth a summary of the changes in the earn-out liabilities during the six months ended June 30, 2022 (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 June 30, 2022	$ —

12. STOCK 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 Incentive Plan (the “2011 Plan”) and all outstanding awards thereunder, effective as of the Closing, and no further awards shall be granted under the 2011 Plan. The 2021 Plan provides that the initial aggregate number of shares of Class A common stock, available for issuance pursuant to awards thereunder shall be the sum of (a) 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 June 30, 2023, a total of 5.3 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, 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. As of June 30, 2023, a total of 11.4 million shares of our common stock remained available for sale under our 2021 ESPP.

For the three and six months ended June 30, 2023, there were 0.5 million shares of common stock purchased under the 2021 ESPP.

Stock Option Activities—The following table summarizes the stock option activities under the Company's stock plans for six months ended June 30, 2023 (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, 2022	33,417	$ 0.65	6.1	$ 71,842
Expired or canceled	(127)	0.58		
Exercised	(1,890)	0.51		$ 4,348
Balance—June 30, 2023	31,400	$ 0.66	5.7	$ 78,219
Options vested and exercisable—June 30, 2023	29,391	$ 0.64	5.6	$ 73,681

As of June 30, 2023, unrecognized stock-based compensation expense related to unvested options was $0.7 million, which is expected to be amortized over a weighted-average vesting period of 1.0 year.

RSU and PRSU Activities—The following table summarizes the RSU activity under the Company's stock plans for the six months ended June 30, 2023 (in thousands, except per share data):

	RSUs and PRSUs	
	Number of Shares	Weighted-Average Grant-Date Fair Value Price Per Share
Balance—December 31, 2022	37,176	$ 10.47
Granted	9,501	2.94
Vested	(7,394)	10.14
Canceled or forfeited	(1,097)	5.28
Balance—June 30, 2023	38,186	$ 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 performance-based RSU ("PRSU") awards have both service-based and performance-based vesting conditions. The service-based vesting condition for these awards is typically satisfied over four years with a cliff vesting period of one year and continued vesting quarterly thereafter. The performance-based vesting condition is satisfied upon the occurrence of a liquidity event, as defined in the Amended and Restated 2011 Stock Plan. The performance based vesting condition was deemed satisfied upon the Closing.

As of June 30, 2023, unrecognized compensation costs related to unvested RSUs and PRSUs were $301.8 million and $2.3 million, respectively. The remaining unrecognized compensation costs for RSUs and PRSUs are expected to be recognized over a weighted-average period of 2.4 years and 1.1 years, respectively, excluding additional stock-based compensation expense related to any future grants of share-based awards.

Earn-out Award Activities

As discussed in Note 11 "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 were accounted as stock-based compensation expense as they were 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 six months ended June 30, 2022, as both the Triggering event condition was satisfied and the service condition was met. No further Earn-out Shares remained contingently issuable thereafter.

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

	Six Months Ended June 30,	
	2023	2022
Expected term	0.5 – 2.0 years	0.5 - 2.0 years
Expected volatility	35.2 – 48.0%	34.4 - 47.4%
Risk-free interest rate	0.4 – 5.4%	0.2 - 2.7%
Expected dividend yield	0%	0%

The expected volatility is based on the average volatility of a peer group of representative public companies with sufficient trading history over the expected term. The expected term represents the term from the first day of the offering period to the purchase dates within each offering period. The dividend yield assumption is based on our expectations about our anticipated dividend policy. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with maturities that approximate the expected term. As of June 30, 2023, unrecognized compensation cost related to the 2021 ESPP was $1.8 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 expenses for awards with performance conditions on a straight-line basis over the requisite service period for each separate vesting portion of the awards when it is probable that the performance condition will be achieved. The stock-based compensation expenses of Earn-out Awards were recognized on a straight-line basis over the derived services period during which the market conditions are expected to be met. Forfeitures are accounted for in the period in which they occur.

The amount of stock-based compensation related to stock-based awards to employees in the Company’s condensed consolidated statements of operations for the three and six months ended June 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 842	$ 1,098	$ 1,686	$ 2,907
Research and development	7,688	7,941	15,253	20,884
Selling, general, and administrative	23,649	22,917	46,314	63,442
Stock-based compensation, net of amounts capitalized	32,179	31,956	63,253	87,233
Capitalized stock-based compensation	2,572	2,843	5,008	8,663
Total stock-based compensation	$ 34,751	$ 34,799	$ 68,261	$ 95,896

13. INCOME TAXES

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

Given the Company has a full valuation allowance recorded against its domestic net deferred tax assets and operating losses in the US, and its foreign subsidiaries are in operating profit, the Company has applied the exception to use a worldwide effective tax rate under ASC 740-270-30-36. The Company used the foreign jurisdiction’s statutory rate as an estimate for the annual effective tax rate (“AETR”). The quarterly tax provision, and estimate of the Company’s annual effective tax rate, is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, changes in how we do business, and tax law developments. Tax expense for the three and six months ended June 30, 2023 and 2022 was primarily attributable to foreign income taxes. The Company records deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, the Company considered all available positive and negative evidence and continued to conclude that as of

June 30, 2023, it is not more likely than not that the Company will realize the benefits of its remaining net deferred tax assets.

14. NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic net income (loss) per share attributable to common stockholders was computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the three and six months ended June 30, 2023 and 2022 (in thousands, except for per share data). Diluted net income (loss) per share gives effect to all potential shares of common stock, including common stock issuable upon conversion of our redeemable convertible preferred stock, stock options and RSUs to the extent these are dilutive. We calculated basic and diluted net income (loss) per share attributable to common stockholders as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Basic net income (loss) per share attributable to common stockholders:				
Numerator :				
Net income (loss) attributable to common stockholders	$ (56,536)	$ (64,634)	$ (110,378)	$ 7,270
Denominator:				
Weighted average shares used in computing net income (loss) per share attributable to common stockholders, basic	298,096	283,405	295,599	279,289
Basic net income (loss) per share attributable to common stockholders	$ (0.19)	$ (0.23)	$ (0.37)	$ 0.03
Diluted net income (loss) per share attributable to common stockholders				
Numerator :				
Diluted net income (loss) attributable to common stockholders	$ (56,536)	$ (64,634)	$ (110,378)	$ 7,270
Denominator:				
Weighted average shares used in computing net income (loss) per share	298,096	283,405	295,599	279,289
Weighted average effect of dilutive potential common stock	—	—	—	34,545
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, diluted	298,096	283,405	295,599	313,834
Diluted net income (loss) per share attributable to common stockholders	$ (0.19)	$ (0.23)	$ (0.37)	$ 0.02

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

	Three months ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Private warrants	1,708	1,708	1,708	1,708
Common stock options outstanding	31,400	35,840	31,400	2,069
Unvested RSUs	38,186	38,406	38,186	37,632
ESPP shares	1,911	2,225	1,911	1,662
Total potentially dilutive common stock equivalents	73,205	78,179	73,205	43,071

15. 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 $0.1 million and $0.2 million matching contributions to the U.K. pension plan for the three and six months ended June 30, 2023, respectively. The matching contributions for the three and six months ended June 30, 2022 were approximately $0.1 million and $0.2 million.

16. SUBSEQUENT EVENTS

On July 11, 2023, the Company announced a restructuring plan (the “Plan”) intended to reduce operating costs and continue to accelerate its path to profitable growth. The Plan includes a reduction of approximately 170 roles, or 30% of its workforce. The Company currently estimates that it will incur charges of approximately $4.0 to $5.0 million in connection with the Plan, consisting primarily of cash expenditures for employee transition, notice period and severance payments, employee benefits, exit charges associated with office space reductions, and related costs. The Company expects that the majority of the restructuring charges will be incurred in the third and fourth quarters of fiscal 2023, and that the execution of the Plan will be substantially complete by the end of the fourth quarter of fiscal 2023, subject to local law and consultation requirements.

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

The following discussion and analysis provides information that Matterport's management believes is relevant to an assessment and understanding of Matterport's condensed consolidated results of operations and financial condition. The discussion should be read together with our unaudited interim condensed consolidated financial statements, the respective notes thereto, and other financial information included elsewhere within this Report. The discussion and analysis should also be read together with the audited consolidated financial statements for the year ended December 31, 2022 and the related notes in the 2022 Form 10-K. This discussion contains forward-looking statements based upon Matterport's current expectations, estimates and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed under "Risk Factors", "Forward-Looking Statements" and other disclosures included in this Form 10-Q. Unless the context otherwise requires, all references in this section to "we," "our," "us," "the Company" or "Matterport" refer to the business of Matterport, Inc., a Delaware corporation, and its subsidiaries both prior to the consummation of and following the Merger (as defined below).

Overview

Matterport is leading the digitization and datafication of the built world. We believe the digital transformation of the built world will fundamentally change the way people interact with buildings and the physical spaces around them. Our Company's website is www.matterport.com.

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

The world is rapidly moving from offline to online. Digital transformation has made a powerful and lasting impact across every business and industry today. Nevertheless, the global building stock remains largely offline today, and we estimate that less than 0.1% is penetrated by digital transformation. We were among the first to recognize the increasing need for digitization of the built world and the power of spatial data, the unique details underlying buildings and spaces, in facilitating the understanding of buildings and spaces. With approximately 10.5 million spaces under management as of June 30, 2023, we are continuing to penetrate the estimated $327 trillion global building stock and expand our footprint across various end markets, including residential and commercial real estate, facilities management, retail, architecture, engineering and construction ("AEC"), insurance and repair, and travel and hospitality. We estimate our total addressable market to be more than four billion buildings and 20 billion spaces globally, yielding a more than $240 billion market opportunity.

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

- **Bringing offline buildings online:** Traditionally, our customers needed to conduct site visits in-person to understand and assess their buildings and spaces. With the AI-powered capabilities of Cortex, our proprietary AI software engine, the world's building stock can move from offline to online and be accessible to our customers real-time and on demand from anywhere.
- **Driven by spatial data:** Cortex uses the breadth of the billions of data points we have accumulated over the years to improve the 3D accuracy of our digital twins. Our sophisticated algorithms also deliver significant commercial value to our subscribers by generating data-based insights that allow them to confidently make assessments and decisions about their properties. With approximately 10.5 million spaces under management as of June 30, 2023, our spatial data library is the clearinghouse for information about the built world.
- **Powered by AI and ML:** Artificial intelligence ("AI") and machine learning ("ML") technologies effectively utilize spatial data to create a robust virtual experience that is dynamic, realistic, interactive, informative and permits multiple viewing angles. AI and ML also make costly cameras unnecessary for everyday captures—subscribers can now capture their spaces by simply tapping a button on their smartphones. As a result, Matterport is a device agnostic platform, helping us more rapidly scale and drive towards our mission of digitizing and indexing the built world.

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

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

We are being impacted by uncertain macroeconomic and geopolitical conditions. These conditions include but are not limited to inflation, foreign currency fluctuations, slowing of economic activity around the globe, unstable global credit markets and financial conditions, in part due to rising interest rates, and lower consumer spending. In addition, the war in Ukraine has further increased existing global supply chain, logistics, and inflationary challenges. Such global or regional economic and political conditions adversely affect demand for our products. These conditions also 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, impacts on our marketing efforts, and effects on our suppliers. Delays, interruptions and disruptions in our supply chain have and could continue to impact our ability to maintain supplies of products and the costs associated with obtaining products. While we have made improvements to our supply chain since the second half of the fiscal year 2022, we continue to work to mitigate the disruption we have experienced during the six months ended June 30, 2023. If macroeconomic and geopolitical conditions do not improve or if they worsen, then our results of operations may be negatively impacted.

For additional information, refer to Part II Item 1A "Risk Factors.”

On July 11, 2023, the Company announced a restructuring plan (the “Plan”) intended to reduce operating costs and continue to accelerate its path to profitable growth. The Plan includes a reduction of approximately 170 roles, or 30% of its workforce. The Company currently estimates that it will incur charges of approximately $4.0 to $5.0 million in connection with the Plan, consisting primarily of cash expenditures for employee transition, notice period and severance payments, employee benefits, exit charges associated with office space reductions, and related costs. The Company expects that the majority of the restructuring charges will be incurred in the third and fourth quarters of fiscal 2023, and that the execution of the Plan will be substantially complete by the end of the fourth quarter of fiscal 2023, subject to local law and consultation requirements.

Our Business Model

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

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

Subscription Revenue

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

Our subscription plans are priced from free to custom plans tailored to the needs of larger-scale businesses. Our standard subscription plans for individuals and small businesses range from a free online Matterport account with a single user and a single active space that can be captured with an iPhone or an Android smartphone to multiple-user accounts that provide for the capture of unlimited active spaces. The pricing of our subscription plans increases as the number of users and active spaces increase. The wide variety and flexibility of our subscription plans enable us to retain existing subscribers and grow our subscriber base across diverse end markets, with particular focus on large enterprise subscribers. Subscription revenue accounted for approximately 53% and 65% of our total revenue for the three months ended June 30, 2023 and 2022, respectively, and approximately 52% and 62% of our total revenue for the six months ended June 30, 2023 and 2022, respectively.

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

License Revenue

We also offer data license solutions that allow certain customers to use our digital twin data for their own needs. License revenue accounted for less than 1% of our total revenue for the three and six months ended June 30, 2023 and 2022, respectively. Data licenses to date have been granted as perpetual licenses and are therefore recognized at a point in time upon transfer of control when the customer accepts delivery of the licensed data or other property. We expect our license revenue to fluctuate from quarter to quarter based on the number of new licenses purchased by our customers as we obtain new customers for our license solutions and the delivery of our licensed content is accepted by our customers during each quarter.

Services Revenue

Most of our customers are able to utilize the Pro3 Camera, Pro2 Camera or other compatible capture devices to capture digital twins without external assistance, as the camera is relatively easy to configure and requires minimal training. However, our customers sometimes may also request professional assistance with the data capture process. We generate professional services revenue from Matterport Capture Services, a fully managed solution for enterprise subscribers worldwide that require on-demand scheduling of experienced and reliable Matterport professionals to capture their properties. In addition, we derive services revenue from in-app purchases made by subscribers using our smartphone applications or by logging in to their subscriber account. In July 2022, we completed the acquisition of VHT, Inc., known as VHT Studios (“VHT”), a U.S.-based real estate marketing company that offers brokerages and enterprise digital solutions to promote and sell properties, which expands Matterport Capture Services by bringing together Matterport digital twins with professional photography, drone capture, and marketing services. Services revenue accounted for approximately 27% and 18% of our total revenue for the three months ended June 30, 2023 and 2022, respectively, and approximately 25% and 16% of our total revenue for the six months ended June 30, 2023 and 2022, respectively.

Product Revenue

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

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

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

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

Product revenue accounted for approximately 20% and 18% of our total revenue for the three months ended June 30, 2023 and 2022, respectively, and approximately 22% and 22% of our total revenue for the six months ended June 30, 2023 and 2022, respectively.

Key Metrics

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

Spaces Under Management

We track the number of spaces that have been captured and filed on the Matterport platform, which we refer to as spaces under management, because we believe that the number of spaces under management is an indicator of market penetration and the growth of our business. A space can be a single room or building, or any one contiguous capture of a discrete area, and is composed of a collection of imagery and spatial data that is captured and reconstructed in a dimensionally accurate digital twin of the captured space. For tracking purposes, we treat each captured and filed space as a unique file or model. We have a history of growing the number of our spaces under management and, as of June 30, 2023, we had approximately 10.5 million spaces under management. The scale of our spaces under management allows us to directly monetize each space managed for our paid subscribers as well as increase our ability to offer new and enhanced services to subscribers, which in turn provides us with an opportunity to convert subscribers from free subscription plans to paid plans. We believe our spaces under management will continue to grow as our business expands with our current customers and as we add new free and paid subscribers.

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

	Six Months Ended June 30,	
	2023	**2022**
Spaces under management	10.5	8.0

Total Subscribers

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

We believe the number of paid subscribers on our platform is an important indicator of future revenue trends, and we believe the number of free subscribers on our platform is important because free subscribers may over time become paid subscribers on our platform and are therefore another indicator of our future revenue trend. We continue to demonstrate strong growth in the number of free and paid subscribers on our platform as indicated by our results for the three and six months ended June 30, 2023.

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

	Six Months Ended June 30,	
	2023	2022
Free subscribers	758	554
Paid subscribers	69	62
Total subscribers	827	616

Net Dollar Expansion Rate

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

	Three Months Ended June 30,	
	2023	2022
Net dollar expansion rate	100 %	107 %

Factors Affecting Our Performance

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

Penetrating a Largely Undigitized Global Property Market

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

Through providing a comprehensive set of solutions from cutting-edge capture technology and high-accuracy digital twins to valuable property insights, our AI-powered platform delivers value across the property lifecycle to subscribers from various end markets, including residential and commercial real estate, facilities management and retail, AEC, insurance and repair, and travel and hospitality. As of June 30, 2023, we had over 827,000 subscribers on our platform and approximately 10.5 million spaces under management and we aim to continue scaling our platform and strengthen our foothold in various end markets and geographies to deepen our market penetration. With the VHT Acquisition completed in July 2022, we were able to service more property listings and position ourselves to increase adoption of digital twin technology and expand further into the residential real estate industry while adding marketing services for other vertical markets such as commercial real estate, travel and hospitality, and the retail sector. We believe that the breadth and depth of the Matterport platform along with the strong network effect from our growing spatial data library will lead to increased adoption of our solutions across diverse end markets, enabling us to drive further digital transformation of the built world.

Adoption of our Solutions by Enterprise Subscribers

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

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

We are particularly focused on acquiring and retaining large enterprise subscribers due to the significant opportunities to expand our integrated solutions to different parts of an organization and utilize digital twins for more use cases within an organization. In January 2023, we announced that John Deere selected Matterport’s Digital Twin Platform and 3D capture technology to build a virtual Operations Center for remote management of over 60 facilities across North America, South America, Europe and Asia. Matterport’s platform creates simulated digital replicas of John Deere manufacturing facilities, where teams can remotely track progress, plan for site changes, and collaborate remotely. As of June 30, 2023, 25% of Fortune 1000 companies use Matterport to manage their enterprise facilities, real estate portfolios, factories, offices, and retail locations. We will continue improving our proprietary spatial data library and AI-powered platform to strengthen our long-term relationships and commitments with large enterprise customers while streamlining our sales and marketing resources to enhance enterprise adoption of our solutions.

Retention and Expansion of Existing Subscribers

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

Given the all-in-one nature of our platform and its ease of use, we are also able to drive adoption of our solutions across various parts of an organization. For example, we established our long-term relationship with large commercial real estate clients in the areas including being engaged to create digital twins for available office spaces for promotion and leasing, working with the subscriber’s construction team to redesign office spaces through integrating our digital twins with the construction team’s design software, and conducting due diligence of potential real property acquisitions.

As a result of our long-term focus and expansion strategy, we have been able to retain our subscribers and drive increased usage of our platform. Our net dollar expansion rate of 100% and 107% for the three months ended June 30, 2023 and 2022, respectively, demonstrates the stickiness and growth potential of our platform. We continued to see expansion with our enterprise customers in the three months ended June 30, 2023. On a combined basis, growth in enterprise customers remains strong, but smaller customers, particularly exposed to the U.S. residential real estate market, continue to exercise caution on growing their spending as the macro environment is further influencing this cohort in the three months ended June 30, 2023.

Scaling Across Various Industry Verticals

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

International Expansion

We are focused on continuing to expand our AI-powered spatial data platform to all corners of the world. Given that the global building stock remains largely undigitized today and with the vast majority of the world's buildings located outside of the United States, we expect significant opportunities in pursuing the digitization and datafication of the building stock worldwide. We use a "land and expand" model to capitalize on the potential for geographic expansion. We continue to seek to further penetrate our existing geographies in order to add their spatial data to our platform. In February 2022, we started partnering with Midland Holdings, one of the largest residential real estate (RRE) brokerages in the Greater China region, and became the first brokerage firm in the region to use Matterport digital twins to create virtual 3D experiences for its entire portfolio of properties. In March 2022, we expanded our presence in the Brazilian market via two strategic partners, Guandalini Posicionamento and PARS, to offer Matterport's spatial data platform to their enterprise customers in the AEC markets. In June 2023, we partnered with CompuSoluciones, one of the largest value-added distributors ("VAD"), significantly expanding our presence in Latin America. With a network of more than 2,000 resellers, CompuSoluciones will provide Matterport's digital twin solutions to two of the largest property markets in the region, Mexico and Colombia. In July 2023, we partnered with Equinox Technologies, a distributor of global technologies and managed security services to offer Matterport's digital twin platform to Government, Enterprise and SMB customers out of its offices in the United Arab Emirates, India, Oman, Saudi Arabia, and South Africa. Subscribers outside the United States accounted for approximately 44% and 43% of our subscription revenues for the three and six months ended June 30, 2023, respectively. Given the flexibility and ease of use of our platform and capture device agnostic data capture strategy, we believe that we are well-positioned to further penetrate existing and additional geographies.

To scale our international penetration, we implemented investments in sales and marketing efforts across the global regions. With multiple sales attachment points and a global marketing effort in place, we believe that we can continue to penetrate enterprises and businesses worldwide through channel partnerships and direct sales, as customers around the world will derive value from the universal utility and flexibility of our spatial data platform which transforms how customers interact with their physical spaces in the modern age.

Investing in Research and Innovation for Growth

We continuously evaluate our focus in research and development to improve Cortex, expand our solutions portfolio, and support seamless integration of our platform with third-party software applications. We plan to concentrate on in-house innovation and expect to consider acquisitions on an opportunistic basis. Since the launch of Matterport for iPhone, we have been continuously developing a robust pipeline of new product releases, including releasing the Android Capture app, collaboration with Facebook AI (now known as Meta) to release the world's largest dataset of 3D spaces, and launching Notes and Matterport for Mobile. In January 2022, we completed the acquisition of Enview, Inc., a pioneer in scalable artificial intelligence (AI) for 3D spatial data, which will accelerate our development of artificial intelligence algorithms to identify natural and man-made features in geospatial data using various techniques, including deep learning, neural networks and physics-based modeling. In August 2022, we introduced major updates to our industry-leading digital twin cloud platform. Matterport has reimagined the cloud software platform that creates, publishes, and manages digital twins of buildings and spaces of any size or shape, indoors or outdoors. All of these new capabilities integrate seamlessly so customers can securely create immersive environments for their employees, customers and partners to collaborate and explore. In February 2023, we launched Digital Pro, an all-in-one marketing solution for real estate agents. Digital Pro combines the innovation of Matterport's 3D digital twin technology with integrated marketing and content production services to create the industry's most affordable, comprehensive marketing package to help real estate professionals manage more listings and sell homes faster. In June 2023, we announced Genesis, a new initiative that aims to deliver generative AI across its digital twin platform for customers looking to bolster the efficiency and profitability of their property portfolios worldwide. Genesis combines Matterport's stable of deep learning and computer vision innovations, including Cortex AI and Property Intelligence, with generative AI to deliver a new generation of digital twins. Combining generative AI and property insights, Matterport's digital twin platform aims to reshape the real estate landscape, optimizing interior design, space utilization, energy efficiency, safety, and accessibility while transforming property marketing strategies. While we plan to concentrate on in-house innovation, we may also pursue acquisitions of products, teams and technologies on an opportunistic basis to further expand the functionality of and use cases for our platform. As with organic research and development, we adopt a long-term perspective in the evaluation of acquisition opportunities in order to ensure sustainable value creation for our customers.

Expanding Partner Integrations and Third-Party Developer Platform

We aim to foster a strong network of partners and developers around our Matterport platform. Through integration with our open, scalable and secure enterprise platform, organizations across numerous industries have been able to automate workflows, enhance subscriber experiences and create custom extensions for high-value vertical applications. For example, in June 2022, we partnered with CGS Partner to deliver virtual training solutions for front-line workers across the Fortune 500. In July 2022, we partnered with Burns & McDonnell to help energy, utilities, and manufacturing industries save time and money with digital twins. In March 2023, we announced a new integration with Autodesk Construction Cloud, a portfolio of software and services that combines advanced technology, a builders network and predictive insights for construction teams, making it easier for project teams using Matterport and Autodesk Build ® to collaborate within critical project management workflows. This new integration allows project stakeholders to enhance the “Request for Information” (RFI) process in Autodesk Build, moving from traditional methods of communication to immersive digital twin technology, powered by Matterport. In April 2023, we announced the general availability of new integrations with IoT TwinMaker, enabling enterprise customers to seamlessly connect Internet of Things (IoT) data into visually immersive and dimensionally accurate Matterport digital twins. Our solution that is integrated with Amazon Web Services (AWS) IoT TwinMaker makes it easier for developers to create digital twins of real-world systems such as buildings, factories, industrial equipment, and production lines. This new offering from Matterport supports enterprise digital transformation efforts by providing customers with an efficient and cost-effective solution to remotely optimize building operations, increase production output, improve equipment performance, and increase environmental health and safety at their facilities.

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

Components of Results of Operations

Revenue

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

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

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

Services revenue—Services revenue consist of capture services and add-on services. Capture services consist of professional services in which a Matterport-qualified third-party technician will provide on-site digital capture services for the customer. With the consummation of the VHT Acquisition in July 2022, our capture solutions expanded to include photos, videos, drone imaging and digital marketing services. Under these arrangements, we will pay the third-party technician and bill the customer directly. Add-on services consist of additional software features that the customer can purchase. These services are typically provided by third parties under our direction and oversight, and we pay the third party and bill the subscriber directly for the provisions of such services.

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

Cost of Revenue

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

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

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

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

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

Operating Expenses

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

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

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

Interest Income

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

Change in Fair Value of Warrants Liability

The public and private warrants are subject to fair value remeasurement at each balance sheet date if outstanding, or upon the time immediately before the exercise or redemption. All Public Warrants have been exercised or redeemed. As of June 30, 2023, there were 1.7 million Private Warrants outstanding. Matterport expects to incur incremental income (expense) in the condensed consolidated statements of operations for the fair value change for the outstanding private warrants liability going forward at the end of each reporting period or through the exercise of such warrants.

Change in Fair Value of Contingent Earn-out Liability

The contingent obligation to issue Earn-out Shares to Matterport Legacy Stockholders was accounted for as a liability because the Earn-out triggering events determined the number of Earn-out Shares required. The estimated fair value of the total Earn-out Shares was determined based on a Monte Carlo simulation valuation model and is subject to remeasurement to fair value at each balance sheet date. 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. On January 18, 2022, all Earn-out Triggering Events occurred. Upon the occurrence of the triggering events, the Company's common stock price represented the fair value of the Earn-out Awards and the Company reclassified the outstanding Earn-out liability to additional paid-in capital as the Earn-out Shares became issuable as a fixed number of Common Shares. There will be no incremental income (expense) in the consolidated statements of operations for the fair value adjustments for the outstanding earn-out liability as all the Earn-out Shares were issued on February 1, 2022.

Other Expense, net

Other expense, net consists primarily of amortization of investment premium.

Provision for Income Taxes

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

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

RESULTS OF OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Subscription	$ 20,868	$ 18,386	$ 40,715	$ 35,527
License	27	26	54	49
Services	10,684	5,013	19,388	8,986
Product	7,988	5,056	17,404	12,429
Total revenue	39,567	28,481	77,561	56,991
Cost of revenue:				
Subscription	7,235	6,109	14,197	11,371
License	—	—	—	—
Services	8,009	3,169	14,253	6,152
Product	8,360	7,490	16,736	15,846
Total cost of revenue	23,604	16,768	45,186	33,369
Gross profit	15,963	11,713	32,375	23,622
Gross margin	*40%*	*41%*	*42%*	*41%*
Operating expenses:				
Research and development	18,861	21,518	37,134	47,520
Selling, general, and administrative	56,008	59,385	110,941	130,234
Total operating expenses	74,869	80,903	148,075	177,754
Loss from operations	(58,906)	(69,190)	(115,700)	(154,132)
Other income (expense):				
Interest income	1,481	1,484	2,952	2,779
Change in fair value of warrants liability	(171)	4,714	51	26,147
Change in fair value of contingent earn-out liability	—	—	—	136,043
Other income (expense), net	1,223	(1,353)	2,406	(2,674)
Total other income	2,533	4,845	5,409	162,295
Income (loss) before provision for income taxes	(56,373)	(64,345)	(110,291)	8,163
Provision for income taxes	163	289	87	893
Net income (loss)	$ (56,536)	$ (64,634)	$ (110,378)	$ 7,270

Revenues

Total revenue increased by $11.1 million, or 39%, to $39.6 million during the three months ended June 30, 2023, from $28.5 million during the three months ended June 30, 2022. The increase in revenue is attributable to growth primarily driven by services, product, and subscriptions revenue.

Total revenue increased by $20.6 million, or 36%, to $77.6 million during the six months ended June 30, 2023, from $57.0 million during the six months ended June 30, 2022. The increase in revenue is attributable to growth primarily driven by services, subscription, and product revenue.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Subscription	$ 20,868	$ 18,386	$ 2,482	13 %	$ 40,715	$ 35,527	$ 5,188	15 %
License	27	26	1	4 %	54	49	5	10 %
Services	10,684	5,013	5,671	113 %	19,388	8,986	10,402	116 %
Product	7,988	5,056	2,932	58 %	17,404	12,429	4,975	40 %
Total revenue	$ 39,567	$ 28,481	$ 11,086	39 %	$ 77,561	$ 56,991	$ 20,570	36 %

Subscription revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022, primarily due to higher volume of subscription plans from new subscribers and expanded use of the subscription by existing subscribers. Of the $2.5 million increase for the three months ended June 30, 2023, approximately $2.7 million was attributable to the higher volume of subscription plans from additional new subscribers, partially offset by a decrease of approximately $0.2 million from existing customers during that period. Of the $5.2 million increase for the six months ended June 30, 2023, approximately $4.6 million was attributable to the higher volume of subscription plans from additional new subscribers and approximately $0.6 million was attributable to additional sales to existing customers during that period.

License revenue can fluctuate from period to period, depending on the timing of completed transactions and any associated implementation work that we must perform to recognize revenue. License revenue did not fluctuate significantly for the three and six months ended June 30, 2023 compared to the same periods in 2022.

Services revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022. The increase was primarily attributable to increased sales of capture services, including $4.3 million and $7.5 million revenue from the acquisition of VHT for the three and six months ended June 30, 2023, respectively, and add-on services, primarily driven by our investment in growing our capture services business and the increase in the number of our subscribers.

Product revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022. The increase was primarily due to an increase in demand for our Pro3 Camera, which was launched in August 2022.

Cost of Revenue

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Cost of subscription revenue	$ 7,235	$ 6,109	$ 1,126	18 %	$ 14,197	$ 11,371	$ 2,826	25 %
Cost of license revenue	—	—	—	— %	—	—	—	— %
Cost of services revenue	8,009	3,169	4,840	153 %	14,253	6,152	8,101	132 %
Cost of products revenue	8,360	7,490	870	12 %	16,736	15,846	890	6 %
Total cost of revenue	$ 23,604	$ 16,768	$ 6,836	41 %	$ 45,186	$ 33,369	$ 11,817	35 %

Total cost of revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022, primarily attributable to an increase in capture services sold, subscription services provided, and cost of products revenue.

Cost of subscription revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022, primarily due to increased costs related to hosting and delivery services for our platform to enhance support functions and increase our processing and hosting efficiency of digital twins globally for subscription services provided.

Cost of services revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022, primarily due to an increase in volume and cost related to capture services sold, including the cost of VHT services.

Cost of products revenue increased for the three and six months ended June 30, 2023 compared to the same periods in 2022. The increase was primarily attributable to a loss of $1.0 million and $1.6 million for the three and six months ended June 30, 2023, respectively, arising from excess inventory and firm, non-cancelable inventory purchase commitments in excess of anticipated demand for our Pro2 camera and Axis product lines, partially offset by cost efficiencies.

Gross Profit and Gross Margin

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Gross profit	$ 15,963	$ 11,713	$ 32,375	$ 23,622
Gross margin	*40%*	*41%*	*42%*	*41%*

Gross profit increased for the three and six months ended June 30, 2023 compared to the same periods in 2022. The increase for the periods presented was primarily due to the increase in products revenue, which also experienced improved margins, an increase in subscription revenue, which has higher gross margins in the mix, and an increase in services revenue.

Gross margin decreased to 40% during the three months ended June 30, 2023 from 41% during the three months ended June 30, 2022, primarily driven by the decrease in services gross margin due to the higher service cost attributable to VHT, partially offset by an increase in product gross margin, benefiting from the increase of volume and our efforts to mitigate the challenges caused by supply chain shortages. Gross margin increased to 42% during the six months ended June 30, 2023 from 41% during the six months ended June 30, 2022, primarily driven by an increase in product gross margin, benefiting from the increase of volume and our efforts to mitigate the challenges caused by supply chain shortages.

Research and Development Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Research and development expenses	$ 18,861	$ 21,518	$ (2,657)	(12)%	$ 37,134	$ 47,520	$ (10,386)	(22)%

Research and development expenses decreased by $2.7 million, or 12%, to $18.9 million and by $10.4 million, or 22%, to $37.1 million for the three and six months ended June 30, 2023, respectively, from $21.5 million and $47.5 million for the three and six months ended June 30, 2022, respectively. The reduction in R&D expenses resulted from evaluation and reallocation of spend away from hardware to offerings that we expect will yield our highest possible returns, as we continue to drive innovation in our technology platform and data insights for customers. The decrease for the three months ended June 30, 2023 was primarily attributable to a $1.8 million decrease in professional services, including consulting services, a $0.5 million decrease in salary compensation expenses, and a $0.3 million decrease in stock-based compensation. The decrease for the six months ended June 30, 2023 was primarily attributable to a $5.6 million decrease in stock-based compensation, a $2.3 million decrease in professional services, and a $1.8 million decrease in salary compensation expenses.

Selling, General and Administrative Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	Change		2023	2022	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Selling, general and administrative expenses	$ 56,008	$ 59,385	$ (3,377)	(6)%	$ 110,941	$ 130,234	$ (19,293)	(15)%

Selling, general and administrative expenses decreased by $3.4 million, or 6%, to $56.0 million and by $19.3 million, or 15%, to $110.9 million for the three and six months ended June 30, 2023, respectively, from $59.4 million and $130.2 million for the three and six months ended June 30, 2022, respectively. The decrease for the three months ended June 30, 2023 was primarily attributable to an $3.1 million decrease in marketing programs as we continue to mitigate our spending and drive efficiency. The decrease for the six months ended June 30, 2023 was primarily attributable to a $17.1 million decrease in stock-based compensation and a $4.2 million decrease in marketing programs, partially offset by a $4.3 million increase in personnel-related costs, including an $3.8 million increase in salaries as a result of increased headcount.

Interest Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Interest income	$ 1,481	$ 1,484	$ 2,952	$ 2,779

Interest income did not fluctuate significantly for the three months ended June 30, 2023 compared to the same period in 2022. The increase for the six months ended June 30, 2023, compared to the same period in 2022 was primarily attributable to interest earned on our cash equivalents and investments.

Change in Fair Value of Warrants Liability

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Change in fair value of warrants liability	$ (171)	$ 4,714	$ 51	$ 26,147

We recognized an increase in fair value of warrants liability of $0.2 million during the three months ended June 30, 2023 and a decrease in fair value of $0.1 million during the six months ended June 30, 2023, respectively, due to the change in the fair value of our outstanding Private Warrants primarily driven by the underlying stock price and volatility. As of June 30, 2023, there were 1.7 million Private Warrants outstanding.

Change in Fair Value of Contingent Earn-out Liability

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Change in fair value of contingent earn-out liability	$ —	$ —	$ —	$ 136,043

As of January 18, 2022, all Earn-out triggering events were achieved, and the Company issued a total of 21.5 million shares of common stock for Earn-out Shares, net of tax withholding to eligible recipients on February 1, 2022.

Other Income (Expense), Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Other income (expense), net	$ 1,223	$ (1,353)	$ 2,406	$ (2,674)

Other expense increased for the three and six months ended June 30, 2023 compared to the same periods in 2022. The increase was primarily due to accretion of discounts, net of amortization related to investment premiums.

Provision for Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(dollars in thousands)			
Provision for income taxes	$ 163	$ 289	$ 87	$ 893

For the three and six months ended June 30, 2023, our provision for income taxes reflects an effective tax rate of (0.3)% and (0.1)%, respectively. Our provision for income taxes for the three and six months ended June 30, 2022 reflects an effective tax rate of (0.4)% and 10.9%, respectively. Our effective tax rates for the periods presented differ from the U.S. federal statutory tax rate of 21% primarily due to losses that cannot be benefited from due to the valuation allowance on the U.S entity, foreign earnings being taxed at different tax rates and stock-based compensation activities.

Non-GAAP Financial Measures

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

Non-GAAP Loss from Operations

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

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
GAAP loss from operations	$ (58,906)	$ (69,190)	$ (115,700)	$ (154,132)
Add back: stock based compensation expense, net	34,449	32,889	67,560	88,977
Add back: acquisition-related costs	—	900	—	1,072
Add back: Amortization expense of acquired intangible assets	443	265	886	525
Add back: Payroll tax related to contingent earn-out share issuance	—	—	—	1,164
Non-GAAP loss from operations	$ (24,014)	$ (35,136)	$ (47,254)	$ (62,394)

Free Cash Flow

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

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

	Six months ended June 30,	
	2023	**2022**
Net cash used in operating activities	$ (32,839)	$ (58,278)
Less: purchases of property and equipment	101	866
Less: capitalized software and development costs	5,248	7,086
Free cash flow	$ (38,188)	$ (66,230)

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Our capital requirements will depend on many factors, including the growth and expansion of our paid subscribers, development of our technology and software platform (including research and development efforts), expansion of our sales and marketing activities and sales, general and administrative expenses. As of June 30, 2023, we had cash, cash equivalents and investments of approximately $445.6 million. Our cash equivalents primarily consist of cash on hand and amounts on deposit with financial institutions. To date, our principal sources of liquidity have been proceeds received from the issuance of equity, proceeds from the Merger and proceeds from warrant and option exercises for cash.

	June 30, 2023	**December 31, 2022**
	(dollars in thousands)	
Cash, cash equivalents, and investments:		
Cash and cash equivalents	$ 82,316	$ 117,128
Investments	363,295	359,774
Total cash, cash equivalents, and investments	$ 445,611	$ 476,902

On January 14, 2022, the Public Warrants ceased trading on the Nasdaq Global Market. As of the Redemption Date of January 14, 2022, 9.1 million shares of Common Stock have been issued upon the exercise of Public Warrants and Private Warrants by the holders thereof at an exercise price of $11.50 per share during the Exercise Period from December 15, 2021 to January 14, 2022, 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 total proceeds of $27.8 million received during the year ended December 31, 2022.

We have incurred negative cash flows from operating activities and significant losses from operations in the past. We expect to continue to incur operating losses at least for the next 12 months due to the investments that we intend to make in our business. As a result, we may require additional capital resources to grow our business. Our future capital requirements will depend on many factors, including increase in our customer base, the timing and extent of spend to support the expansion of sales, marketing and development activities. Management believes that its current financial resources are sufficient to continue operating activities for at least one year past the issuance date of the financial statements.

Other commitments

We lease office space under operating leases for our U.S. headquarters and other locations in the United States that expire at various dates through 2025. In addition, we have purchase obligations, which include contracts and issued purchase orders containing non-cancellable payment terms to purchase third-party goods and services. As of June 30, 2023, our 12-month lease obligations (through June 30, 2024) totaled approximately $1.4 million, or approximately $2.2 million through the year ending December 31, 2025. Our non-cancellable purchase obligations as of June 30, 2023 totaled approximately $21.1 million and are due through the year ending December 31, 2025.

Cash Flows

The following table set forth a summary of our cash flows for the six months ended June 30, 2023 and 2022 (in thousands):

	Six Months Ended June 30,	
	2023	2022
Cash provided by (used in):		
Operating activities	$ (32,839)	$ (58,278)
Investing activities	$ (4,027)	$ 34,155
Financing activities	$ 1,866	$ (1,612)

Net Cash Used in Operating Activities

Net cash used in operating activities was $32.8 million for the six months ended June 30, 2023. This amount primarily consisted of a net loss of $110.4 million, offset by non-cash charges of $71.2 million, and a change in net operating assets and liabilities of $6.3 million. The non-cash charges primarily consisted of $63.3 million of stock-based compensation expense and $9.1 million of depreciation and amortization expense, partially offset by $2.3 million accretion of discounts, net of amortization premiums. Changes in net operating assets and liabilities primarily consisted of an increase in deferred revenue and accruals and other liabilities and a decrease in accounts receivable and prepaid and other assets, partially offset by an increase in inventories.

Net cash used in operating activities was $58.3 million for the six months ended June 30, 2022. This amount primarily consisted of a net loss of $7.3 million, offset by non-cash gains of $67.0 million, and a change in net operating assets and liabilities of $1.4 million. The non-cash gains primarily consisted of $26.1 million of change in fair value of warrants liability and $136.0 million of change in fair value of contingent earn-out liability, partially offset by $5.6 million of depreciation and amortization expense, $87.2 million of stock-based compensation expense, and $1.8 million of amortization of investment premiums, net of accretion of discounts. Changes of net operating assets and liabilities primarily consisted of an increase in accounts payable, deferred revenue, accruals and other liabilities, which was partially offset by an increase in account receivable and prepaid and other assets.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities was $4.0 million for the six months ended June 30, 2023. This amount primarily consisted of investments in available-for-sale securities of $251.6 million, capitalized software and development costs of $5.2 million, consideration paid (net of cash acquired) for business acquisitions of $1.7 million, and purchases of property and equipment of $0.1 million, partially offset by maturities of marketable securities investments of $254.6 million.

Net cash provided by investing activities was $34.2 million for the six months ended June 30, 2022. This amount primarily consisted of maturities of marketable securities investments of $160.1 million, partially offset by investments in available-for-sale securities of $88.0 million, purchase price (net of cash acquired) for business acquisitions of $30.0 million, capitalized software and development costs of $7.1 million, and purchases of property and equipment of $0.9 million.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $1.9 million for the six months ended June 30, 2023. This amount primarily consisted of $2.2 million of proceeds from the sale of shares through employee equity incentive plans, partially offset by a $0.3 million payment for taxes related to the net settlement of equity awards.

Net cash used in financing activities was $1.6 million for the six months ended June 30, 2022. This amount primarily consisted of $34.4 million payment for taxes related to the net settlement of equity awards, partially offset by $27.8 million of proceeds from the exercise of warrants, and $4.9 million of proceeds from the exercise of stock.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

We believe that the critical accounting estimates discussed under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our 2022 Form 10-K for the fiscal year ended December 31, 2022 reflect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. There have been no material changes to our critical accounting estimates as filed in such report. Refer to Note 2. “Summary of Significant Accounting Policies” in Part I, Item 1 of this Report for more information on our adoption of new accounting guidance.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Currently, our revenue is primarily generated in U.S. dollars. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, the United Kingdom (U.K.), and Singapore. However, there has been, and may continue to be, significant volatility in global stock markets and foreign currency exchange rates that result in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. The strengthening of the U.S. dollar may potentially decrease our revenue given our prices are fixed in foreign currencies for some of our end-customers outside of the United States, and to the extent that our customers pay for our products and services in currencies other than the U.S. dollar. If the U.S. dollar continues to strengthen, this could adversely affect our operations and cash flows in the future. In addition, the increase of non-U.S. dollar denominated contracts and the growth of our international entities in the future may result in greater foreign currency denominated sales, which would increase our foreign currency risk. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our condensed consolidated financial statements as of June 30, 2023. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage the risk relating to fluctuations in currency rates.

Inflation Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2023. Based on the evaluation of our disclosure controls and procedures as of June 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

Inherent Limitations on Effectiveness of Controls

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

Part II - Other Information

None.

Item 1. Legal Proceedings

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 are currently engaged in discovery. Trial is scheduled to begin November 13, 2023.

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 recent 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, in 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 has filed an opposition to the motion and is awaiting a ruling from the Court.

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.

Item 1A. Risk Factors

Our operating and financial results are subject to various risks and uncertainties including those described under the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on February 28, 2023 and the updated risk factors described below, together with all of the other information in this report, including the Condensed Consolidated Financial Statements and the related notes included elsewhere in this report. The risks and uncertainties described in our 2022 Form 10-K and below are not the only ones that may impact our operating and financial results. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected, which could result in a decrease in the market price of our common stock.

The following risk factor amends and supplements the "Risks Related to Our Business" subsection contained under Part I, Item 1A. Risk Factors in our 2022 Form 10-K.

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 continue 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, unstable global credit markets and financial conditions 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.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended June 30, 2023, no director or Section 16 officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits and Financial Statement Schedules.

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

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1†	Agreement and Plan of Merger, dated as of February 7, 2021, by and among Gores Holdings VI, Inc., Maker Merger Sub, Inc., Maker Merger Sub II, LLC and Matterport, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the SEC on February 8, 2021).	8-K	001-39790	2.1	7/28/2021	
3.1	Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 28, 2021).	8-K	001-39790	3.1	7/28/2021	
3.2	Amended and Restated Bylaws of the Company.	8-K	001-39790	3.2	7/28/2021	
4.1	Warrant Agreement, dated as of December 15, 2020, by and between Gores Holdings VI, Inc. and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-39790	4.1	12/16/2020	
4.2	Amendment to Warrant Agreement, dated as of July 22, 2021, by and among Matterport, Inc., Continental Stock Transfer & Trust Company and American Stock Transfer & Trust Company, as warrant agent.	8-K	001-39790	4.3	7/28/2021	
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					*
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					*
Exhibit 104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					

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* Filed herewith

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

SIGNATURES

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

		MATTERPORT, INC.
Date: August 8, 2023	By:	/s/ R.J. Pittman
		R.J. Pittman
		Chief Executive Officer
		(Duly Authorized Officer and Principal Executive Officer)

Exhibit 31.1

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

I, R.J. Pittman, certify that:

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

Date: August 8, 2023

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

Exhibit 31.2

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

I, James D. Fay, certify that:

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

Date: August 8, 2023	By:	/s/ James D. Fay
		James D. Fay
		Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Matterport, Inc. (the “Company”) for the period ended June 30, 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:

(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: August 8, 2023

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Matterport, Inc. (the “Company”) for the period ended June 30, 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:

(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: August 8, 2023	By:	/s/ James D. Fay
		James D. Fay
		Chief Financial Officer